



**NEIGHBORHOOD
PARTNERSHIPS, INC.**

**Audited Financial
Statements**

**For the Year Ended
June 30, 2014**



MCDONALD JACOBS
ACCOUNTANTS & CONSULTANTS



McDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

Jake Jacobs, CPA
Shareholder

Susan J. Marks, CPA
Shareholder

Mark A. Clift, CPA
Shareholder

Karin S. Wandtke, CPA
Shareholder

Sang Ahn, CPA
Shareholder

Gerard DeBlois Jr., CPA
Shareholder

Jill Oswald
Shareholder

Mary Strasdin, CPA
Principal

Dennis C. Johnson, CPA
of counsel

To the Board of Directors
Neighborhood Partnerships, Inc.

We have audited the accompanying financial statements of Neighborhood Partnerships, Inc. (a nonprofit corporation)(the Organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Strength in Numbers

ACCOUNTANTS & CONSULTANTS

McDonald Jacobs, PC

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Partnerships, Inc. as of June 30, 2014, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Neighborhood Partnerships, Inc.'s 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 4, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
November 24, 2014

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2014
(With comparative totals for 2013)

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 110,359	\$ 201,046
Restricted cash and certificates of deposit	24,101,644	21,159,149
Grants and accounts receivable	132,648	190,901
Other assets	<u>31,792</u>	<u>22,916</u>
 TOTAL ASSETS	 <u>\$ 24,376,443</u>	 <u>\$ 21,574,012</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 29,636	\$ 41,705
Deferred revenue	734,366	214,736
Grants and contracts payable	215,940	162,754
Oregon IDA Initiative funds	2,451,361	2,944,446
Grants payable - Oregon IDA Initiative	<u>20,736,170</u>	<u>17,910,215</u>
 Total liabilities	 <u>24,167,473</u>	 <u>21,273,856</u>
Net assets:		
Unrestricted	208,970	200,156
Temporarily restricted	<u>-</u>	<u>100,000</u>
 Total net assets	 <u>208,970</u>	 <u>300,156</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 24,376,443</u>	 <u>\$ 21,574,012</u>

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2014
(With comparative totals for 2013)

	2014			2013 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Oregon IDA Initiative:				
IDA contributions raised in current year	\$ -	\$ 10,635,043	\$ 10,635,043	\$ 10,181,333
Interest income	-	86,964	86,964	57,080
Program fees	689,807	-	689,807	611,862
Grants obligated or paid	-	(10,520,560)	(10,520,560)	(8,147,449)
Outstanding donor designations	-	(201,447)	(201,447)	(2,090,964)
Net IDA initiative revenues	689,807	-	689,807	611,862
Bridges to Housing:				
Government funding recognized	948,668	-	948,668	964,585
Service provider obligations	(922,149)	-	(922,149)	(940,102)
Net Bridges to Housing	26,519	-	26,519	24,483
Government contracts	67,169	-	67,169	110,245
Grants and contributions	36,020	30,000	66,020	202,925
Dues and other revenue	52,533	-	52,533	43,829
Training and program fees	58,445	-	58,445	57,976
Interest income	707	-	707	999
Net assets released from restrictions:				
Satisfaction of purpose restrictions	130,000	(130,000)	-	-
Total support and revenue	1,061,200	(100,000)	961,200	1,052,319
Expenses:				
Program services	899,873	-	899,873	989,863
Management and general	136,227	-	136,227	102,350
Fundraising	16,286	-	16,286	11,274
Total expenses	1,052,386	-	1,052,386	1,103,487
Change in net assets	8,814	(100,000)	(91,186)	(51,168)
Net assets:				
Beginning of year	200,156	100,000	300,156	351,324
End of year	\$ 208,970	\$ -	\$ 208,970	\$ 300,156

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2014
(With comparative totals for 2013)

	Program Services						Fund-raising	Management and General	2014 Total	2013 Total
	Policy and Advocacy	IDA Program	Bridges to Housing	Other Programs	Program Services	Total				
Salaries and related expenses	\$ 109,160	\$ 294,414	\$ 18,196	\$ 11,819	\$ 433,589	\$ 13,942	\$ 104,601	\$ 552,132	\$ 498,254	
Grants and program contracts	63,256	274,150	1,290	1,989	340,685	281	3,613	344,579	439,696	
Professional fees	2,397	9,015	827	495	12,734	39	3,761	16,534	13,728	
Rent	5,922	19,501	1,256	832	27,511	746	8,028	36,285	34,276	
Telephone and utilities	1,088	3,647	223	187	5,145	167	1,629	6,941	4,989	
Postage and shipping	142	3,807	30	19	3,998	42	175	4,215	4,161	
Printing	638	15,318	65	14	16,035	17	257	16,309	16,302	
Office and computer expense	2,455	7,971	580	320	11,326	270	3,598	15,194	15,789	
Facility rental, lodging and food	5,203	995	-	-	6,198	-	-	6,198	30,074	
Staff travel	4,997	5,734	106	167	11,004	23	209	11,236	14,711	
Conferences and meetings	5,238	6,695	-	5	11,938	-	3,146	15,084	9,338	
Insurance	1,897	4,921	692	639	8,149	531	2,576	11,256	4,785	
Depreciation	402	1,206	105	5	1,718	-	291	2,009	4,207	
Miscellaneous	3,993	5,680	111	59	9,843	228	4,343	14,414	13,177	
Total expenses	\$ 206,788	\$ 653,054	\$ 23,481	\$ 16,550	\$ 899,873	\$ 16,286	\$ 136,227	\$ 1,052,386	\$ 1,103,487	

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2014
(With comparative totals for 2013)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ (91,186)	\$ (51,168)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,009	4,207
(Increase) decrease in:		
Grants and accounts receivable	58,253	103,501
Other assets	(4,085)	2,824
Increase (decrease) in:		
Accounts payable and accrued expenses	(12,069)	11,007
Deferred revenue	(89,995)	163,744
Grants and contracts payable	53,186	(246,232)
Net cash used in operating activities	<u>(83,887)</u>	<u>(12,117)</u>
 Cash flows from investing activities:		
Purchase of property and equipment	<u>(6,800)</u>	<u>-</u>
Net cash used in investing activities	<u>(6,800)</u>	<u>-</u>
 Net decrease in cash and cash equivalents	(90,687)	(12,117)
 Cash and cash equivalents - beginning of year	<u>201,046</u>	<u>213,163</u>
 Cash and cash equivalents - end of year	<u>\$ 110,359</u>	<u>\$ 201,046</u>

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. DESCRIPTION OF ORGANIZATION

Neighborhood Partnerships, Inc. (NP or the Organization) is an Oregon nonprofit corporation founded in 1989 to harness the state's existing spirit of ingenuity to break down barriers to opportunity for all Oregonians. The Organization receives support from public and private foundations, government agencies, and corporations and individuals.

NP believes that bringing Oregon leaders together and challenging preconceived notions is the only way we'll solve our state's most intractable problems related to financial stability. Through thought and program leadership, NP engages in:

- Policy and Advocacy
- The Oregon Individual Development Account Initiative
- Bridges to Housing
- Strategic Communication

Policy and Advocacy: Through the Organization's policy and advocacy efforts, it builds ongoing relationships with decision leaders and inspires them with a passion for building financial resilience and creation of pathways out of poverty. Research, creativity, and proven approaches are used to develop NP's proposals. Neighborhood Partnerships acts as a convener for the statewide Housing Alliance, which acts to educate policy makers and advocate for affordable housing needs across Oregon. Because of NP's work to bring diverse parties together, the Organization has seen a remarkable shift in attention to housing needs and a new commitment to providing critical funding streams for communities. NP serves as a convener of partners focused on household financial resilience and asset building. NP's program management work on homelessness and asset-building fuels policy work, and helps the Organization develop, test, and promote strategies that work across systems and traditional funding streams. The Organization uses expertise developed through Bridges to Housing to help educate policy makers about the need for basic family support systems.

Strategic Communication: NP provides support to established and emerging advocates through its Strategic Communications Initiative and Advocates College. In this effort, people learn to leverage cognitive linguistics, behavioral science and communications studies to find hidden reasoning behind people's thoughts, words and actions. This understanding drives more productive and successful conversations about policy and programs in Oregon.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

1. DESCRIPTION OF ORGANIZATION, Continued

Oregon Individual Development Account Initiative: Neighborhood Partnerships is the non-profit administrator for the State of Oregon's Individual Development Account (IDA) Initiative, and manager of contributions for the Oregon IDA Initiative. Oregon's Individual Development Account (IDA) Initiative was established in 1999, reflecting a widespread shift in public policy aimed at alleviating poverty through asset building programs.

Through matched savings accounts combined with financial education, IDAs help individuals and families with low incomes save to purchase or renovate a home, further their education, start or expand a micro-enterprise, or buy specialized equipment or technology in support of an employment goal.

Participants work with local, nonprofit IDA providers to define their goals and begin saving. Once the participant's goal is reached and all benchmarks of the asset plan are met, every dollar saved by the participant is matched by the Initiative. Typically every dollar a participant saves is matched with three donor dollars.

Through local and national research IDAs have been shown to strengthen savings habits, the use of a budget, financial resilience and positive financial outlook. Oregon currently has more than 4,200 active participants and is the largest IDA Initiative in the country. Funded through contributions by individuals and businesses claiming the Oregon IDA 75% Tax Credit, the IDA Initiative has provided close to \$18.7 million in matching funds to 3,809 successful "graduates", who saved approximately \$6.7 million.

Bridges to Housing: The nationally-recognized Bridges to Housing program serves high-need homeless families in Clackamas, Multnomah, and Washington Counties in Oregon and Clark County, Washington. The Bridges to Housing model allows local governments and private foundations to leverage their resources and supports service providers as they work to improve the lives of high need families. Bridges to Housing provides housing, intensive services, and child care in an effort to move families out of crisis and keep future generations out of homelessness. This effort has served approximately 600 families from 2007 through 2014, while inspiring systems change and improving case management. NP continues to monitor progress and continued implementation of the model and manages contracts in Multnomah County with housing and service providers.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as unrestricted or restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time.

Cash and Cash Equivalents and Restricted Cash and Certificates of Deposit

The Organization considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents. Restricted cash includes cash restricted to the Oregon IDA Initiative, Bridges to Housing Program and federal funds for the Assets For Independence program.

Grants and Accounts Receivable

Unconditional grants received from other organizations are recorded as revenue when the Organization is notified of the award. Conditional grants are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Grants and accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received. Depreciation of property and equipment is computed on the straight-line method based on estimated useful lives of three to ten years.

Deferred Revenue

Proceeds from contracts are recognized as revenues in the period the services are provided. Proceeds received for trainings and conferences are recognized as revenue when the events occur. Amounts received in advance for contract services and trainings and conferences are recorded as deferred revenue.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Grants Payable

Grants payable to other organizations are recorded as expense when they are approved by the Board of Directors. Conditional grants are recorded as payable and an expense when the conditions have been met. All grants payable are payable with one year.

Unrestricted and Restricted Support, Revenues, and Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

Neighborhood Partnerships, Inc. is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC *Topic Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

The Organization's information returns for years ended June 30, 2010 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions.

Summarized Financial Information for 2013

The accompanying financial information as of and for the year ended June 30, 2013 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated all subsequent events through November 24, 2014, the date the financial statements were available to be released.

3. GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable are unsecured and consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Grants:		
Northwest Area Foundation	\$ -	\$ 75,000
Government contracts:		
Multnomah County	-	20,260
Other	7,860	13,901
Program service fees - IDA administration	<u>124,788</u>	<u>81,740</u>
Total grants and accounts receivable	<u>\$ 132,648</u>	<u>\$ 190,901</u>

4. OTHER ASSETS

Other assets consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 52,582	\$ 52,826
Software	<u>39,345</u>	<u>39,345</u>
Total property and equipment	91,927	92,171
Less accumulated depreciation	<u>79,884</u>	<u>84,919</u>
Net property and equipment	12,043	7,252
Prepaid expenses and deposits	<u>19,749</u>	<u>15,664</u>
	<u>\$ 31,792</u>	<u>\$ 22,916</u>

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

5. LINE OF CREDIT

The Organization has a \$150,000 revolving line of credit with Wells Fargo Bank. The line of credit bears interest at 7.75% and is payable on demand. There were no outstanding advances on the line at June 30, 2014 or 2013.

6. DEFERRED REVENUE

Deferred revenue consists of the following at June 30:

	<u>2014</u>	<u>2013</u>
Assets For Independence	\$ 711,498	\$ 178,324
Housing Alliance	15,368	21,950
Bridges to Housing	5,000	14,462
Other	2,500	-
Total deferred revenue	<u>\$ 734,366</u>	<u>\$ 214,736</u>

7. AGENCY TRANSACTIONS

Oregon IDA Initiative

The Organization administers the Oregon Individual Development Account Initiative (IDA Initiative). The Organization collects contributions for the IDA initiative on behalf of State-selected fiduciary organizations. Contributions received under the IDA program are recorded as agency transactions and included as a liability (Oregon IDA initiative funds) on the statement of financial position until obligated to the fiduciary organizations and reflected as grants payable. The statement of activities reflects the gross amounts received under the initiative, amounts obligated to the fiduciary organizations, and program fees earned by the Organization. The Oregon IDA initiative liability at June 30 is as follows:

	<u>2014</u>	<u>2013</u>
Oregon IDA Initiative funds	\$ 2,451,361	\$ 2,944,446
Grants payable - Oregon IDA Initiative	20,736,170	17,910,215
Total Oregon IDA Initiative liability	<u>\$ 23,187,531</u>	<u>\$ 20,854,661</u>

Grants payable through the IDA initiative are payable within 18 months (for program and administrative funds) and within 36 months (for match funds) of the award date.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

7. AGENCY TRANSACTIONS, Continued

Bridges to Housing

The Organization administers the Bridges to Housing Program (B2H) for Multnomah County. The Organization subcontracts with and passes funds through to County-selected service providers. Funds received under the B2H program are recorded as agency transactions and included with deferred revenue on the statement of financial position until obligated to the service providers. The statement of activities reflects the gross amounts received under the contract, amounts obligated to the service providers, and program fees earned by the Organization. Included in deferred revenue at June 30, 2014 and 2013 is approximately \$5,000 and \$14,500, respectively, relating to the B2H program.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30 are restricted for the following purposes:

	2014	2013
Trainings and conferences	\$ -	\$ 25,000
Policy and asset building	-	75,000
Total temporarily restricted net assets	\$ -	\$ 100,000

9. CONTINGENCIES

Amounts received or receivable from various contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Organization if so determined in the future. It is management's belief that no significant amounts received or receivable will be required to be returned in the future.

10. LEASE COMMITMENT

The Organization leases office space under an operating lease agreement effective August 2011 through December 2016. In December 2011, the Organization amended the lease agreement effective March 2012, to include additional office space. The lease terms includes 5 months free rent. Monthly rent is \$2,955 with annual rent escalation increases of 3%. Effective October 31, 2014, the Organization may cancel the lease with 90 day notice and a cancellation fee of approximately \$5,000.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014

10. LEASE COMMITMENT, Continued

Total rent expense approximated \$36,300 and \$34,300 for the years ended June 30, 2014 and 2013, respectively.

Future minimum lease obligations are as follows:

Year ending June 30, 2015	\$ 37,400
2016	37,500
2017	<u>18,200</u>
	<u>\$ 93,100</u>

11. RETIREMENT PLAN

The Organization established a retirement plan whereby all employees over 20 ½ years of age are eligible to participate. Employees may enter the plan on the first day of any month. The Organization makes discretionary contributions to the plan for employees with over 1,000 hours of service in the plan year. Amounts contributed by the Organization become 100% vested after the employee has performed three years of service. The Organization's contribution approximated \$39,800 and \$35,900 for the years ended June 30, 2014 and 2013, respectively.

12. RELATED PARTY DISCLOSURES

The Organization maintains cash balances approximating \$7 million at June 30, 2014 (\$9.2 million at June 30, 2013) in two banks in which two board members are employed. In addition, during the year ended June 30, 2014, grants totaling approximately \$3.2 million (\$3.5 million for 2013) were awarded to two organizations in which board members of the Organization also serve on the boards of the recipient organizations. In accordance with the NP conflict of interest policy, board members disclose their conflicts prior to vote, and do not vote on matters which apply to parties with whom they have a relationship.

13. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in several financial institutions located throughout Oregon. The balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2014, uninsured balances approximated \$15.8 million (\$12.9 million at June 30, 2013).