NEIGHBORHOOD PARTNERSHIPS, INC.

Audited Financial Statements

For the Year Ended June 30, 2011

MCDONALD JACOBS

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Neighborhood Partnerships, Inc.
Portland, Oregon

We have audited the accompanying statement of financial position of Neighborhood Partnerships, Inc. (a nonprofit corporation) (the Organization) as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Neighborhood Partnerships, Inc.'s 2010 financial statements and, in our report dated September 28, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the 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.

McDonald Jacobs, P.C.

October 20, 2011

Strength in Numbers

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NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2011
(With comparative totals for 2010)

	2011	2010
ASSETS		
Cash and cash equivalents	$ 901,880	$ 1,275,179
Restricted cash	9,448,066	4,804,097
Grants and accounts receivable	373,355	383,279
Prepaid expenses and deposits	22,083	27,601
Property and equipment, net	8,289	22,752
TOTAL ASSETS	$ 10,753,673	$ 6,512,908
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 33,492	$ 32,695
Deferred revenue	274,206	10,358
Grants and contracts payable - other	504,974	823,209
Oregon IDA	2,160,845	900,672
Grants payable - Oregon IDA Initiative	7,242,415	3,903,425
Total liabilities	10,215,932	5,670,359
Net assets:		
Unrestricted:		
Available for operations	225,835	217,599
Net property and equipment	8,289	22,752
Total unrestricted net assets	234,124	240,351
Temporarily restricted	303,617	602,198
Total net assets	537,741	842,549
TOTAL LIABILITIES AND NET ASSETS	$ 10,753,673	$ 6,512,908

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2011
(With comparative totals for 2010)

	2011			2010
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue:				
Oregon IDA Initiative:				
IDA contributions raised in current year	$ -	$ 8,001,018	$ 8,001,018	$ 4,676,557
Program fees	444,047	-	444,047	444,027
Grants obligated or paid	-	(6,425,388)	(6,425,388)	(4,288,797)
Less outstanding donor designations	-	(1,575,630)	(1,575,630)	(387,760)
Net IDA initiative revenues	444,047	-	444,047	444,027
Foundation grants	18,750	160,000	178,750	823,000
Other contributions and grants	31,539	25,000	56,539	82,845
Government grants and contracts	659,711	16,471	676,182	800,124
Training and program fees	35,705	-	35,705	29,284
Interest income	4,165	-	4,165	9,233
Other income	-	-	-	2,286
Net assets released from restrictions:				
Satisfaction of purpose restrictions	500,052	(500,052)	-	-
Total support and revenue	1,693,969	(298,581)	1,395,388	2,190,799
Expenses:				
Program services	1,540,361	-	1,540,361	1,884,688
Management and general	143,242	-	143,242	137,717
Fundraising	16,593	-	16,593	20,293
Total expenses	1,700,196	-	1,700,196	2,042,698
Change in net assets	(6,227)	(298,581)	(304,808)	148,101
Net assets:				
Beginning of year	240,351	602,198	842,549	694,448
End of year	$ 234,124	$ 303,617	$ 537,741	$ 842,549

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2011
(With comparative totals for 2010)

	Program Services								
	Policy and Advocacy	Bridges to Housing	IDA Program	Other Programs	Total Program Services	Management and General	Fund-raising	2011 Total	2010 Total
Salaries and related expenses	$ 108,194	$ 43,128	$ 174,630	$ 15,190	$ 341,142	$ 117,934	$ 14,736	$ 473,812	$ 476,347
Grants and program contracts	109,369	806,969	127,992	28,339	1,072,669	413	-	1,073,082	1,442,042
Professional fees	2,654	722	4,917	568	8,861	4,380	275	13,516	9,902
Program supplies	1,466	-	260	-	1,726	-	-	1,726	622
Rent	6,640	3,039	12,018	944	22,641	7,763	739	31,143	30,540
Telephone and utilities	874	412	1,831	128	3,245	1,060	101	4,406	4,665
Postage and shipping	186	73	1,789	26	2,074	192	13	2,279	3,160
Printing	225	46	10,620	19	10,910	228	38	11,176	11,708
Office and computer expense	2,221	1,275	3,743	445	7,684	2,766	247	10,697	7,590
Facility rental, lodging and food	10,502	215	1,032	3,400	15,149	219	-	15,368	9,734
Staff travel	3,571	486	2,902	111	7,070	320	100	7,490	5,157
Conferences and meetings	7,861	316	4,822	162	13,161	1,496	71	14,728	13,875
Advertising	-	-	9,204	-	9,204	-	-	9,204	1,072
Insurance	970	435	1,735	135	3,275	1,116	105	4,496	4,047
Depreciation	1,054	590	13,774	172	15,590	1,369	103	17,062	16,901
Miscellaneous	2,522	2,314	1,054	70	5,960	3,986	65	10,011	5,336
Total expenses	$ 258,309	$ 860,020	$ 372,323	$ 49,709	$ 1,540,361	$ 143,242	$ 16,593	$ 1,700,196	$ 2,042,698

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2011
(With comparative totals for 2010)

	2011	2010
Cash flows from operating activities:		
Change in net assets	$ (304,808)	$ 148,101
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	17,062	16,901
(Increase) decrease in:		
Grants and accounts receivable	9,924	111,252
Prepaid expenses and deposits	5,518	(12,452)
Increase (decrease) in:		
Accounts payable and accrued expenses	797	522
Deferred revenue	219,042	(161,051)
Grants payable	(318,235)	(404,739)
Net cash used in operating activities	(370,700)	(301,466)
Cash flows from investing activities:		
Purchase of property and equipment	(2,599)	(4,965)
Withdrawal of certificate of deposit	-	103,517
Net cash provided by (used in) investing activities	(2,599)	98,552
Net decrease in cash and cash equivalents	(373,299)	(202,914)
Cash and cash equivalents - beginning of year	1,275,179	1,478,093
Cash and cash equivalents - end of year	$ 901,880	$ 1,275,179

See notes to financial statements.

1. DESCRIPTION OF ORGANIZATION

Neighborhood Partnerships, Inc. (NP or the Organization) is an Oregon nonprofit corporation which was incorporated as a separate entity as of December 31, 1998. Prior to incorporation, NP operated as a fund of The Oregon Community Foundation (OCF). NP operated as a 501(c)(3) supporting organization of OCF from 1998 until 2006. NP changed its classification from a supporting organization of OCF to a publicly supported charitable organization in 2006 and received an advance ruling from the Internal Revenue Service dated December 5, 2006.

The Organization receives support from public and private foundations, government agencies, and corporations. During the year ended June 30, 2011, NP received approximately 33% of total support from one entity, and during the year ended June 30, 2010, NP received approximately 63% of total support from two entities.

NP's programs support three primary goal areas:

- To give communities tools and resources to thrive,
- To move families out of homelessness and poverty,
- To create family economic stability and build family financial assets.

To Give Communities Tools and Resources to Thrive:

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 community development. 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 within state government. 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's work on homelessness and asset-building also fuels this policy work, and helps the Organization develop, test, and promote strategies that work across systems and traditional funding streams.

1. DESCRIPTION OF ORGANIZATION, Continued

To Move Families out of Homelessness and Poverty:

Bridges to Housing: The nationally-recognized Bridges to Housing program serves high need homeless families in Clark County, Washington, and in Clackamas, Multnomah, and Washington Counties in Oregon. 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. NP served approximately 200 families in 2011, while inspiring systems change and improving case management.

To Create Family Economic Stability and Build Family Financial Assets:

IDA Program: Neighborhood Partnerships is the non-profit administrator for the State of Oregon's Individual Development Account (IDA) Tax Credit Program. Contributions to NP are allocated to a network of partner organizations that provide financial literacy training, financing for education, micro-enterprise development support, and help with homeownership. In 2011, NP received $7.8 million in donations for this program, which will help over 1,600 additional low-income Oregonians across the state increase their financial education and stability by saving for and purchasing an asset. Partners offering IDAs operate in all 36 counties in Oregon, and are rapidly expanding to cover every community in the state.

Other Programs: NP's other programs include training and technical assistance, and resident services.

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

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 (Note 6) and federal funds for the Assets for Independence program.

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.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, Continued

Grants Payable

Grants payable to other organizations are recorded as expense when they are approved by the Board of Directors for payment. Conditional grants are recorded as expense when the conditions have been met.

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.

Advertising

Advertising expenses are expensed as incurred. During the years ended June 30, 2011 and 2010, advertising expenses approximated $9,200 and $1,100, respectively.

Income Tax Status

Neighborhood Partnerships, Inc. is a nonprofit corporation exempt from federal and state 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. Management believes that the Organization’s information returns for years ended June 30, 2007 and prior are no longer subject to examination by taxing authorities in its major tax jurisdictions. The Organization is not a private foundation.

Summarized Financial Information for 2010

The accompanying financial information as of and for the year ended June 30, 2010 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, Continued

Reclassifications
Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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 October 20, 2011, the date the financial statements were available to be released.

3. GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable at June 30, 2011 and 2010 are unsecured and consist of the following:

	2011	2010
Grants	$ 75,000	$ 125,000
Government contracts	92,207	170,014
Program service fees (IDA administration and other)	206,148	88,265
Total grants and accounts receivable	$ 373,355	$ 383,279

Grants and accounts receivable are receivable as follows:

	2011	2010
Within one year	$ 348,355	$ 308,279
In two to five years	25,000	75,000
Total	$ 373,355	$ 383,279

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2011	2010
Furniture and equipment	$ 101,640	$ 99,041
Software	39,345	39,345
Total property and equipment	140,985	138,386
Less accumulated depreciation	132,696	115,634
Property and equipment, net	$ 8,289	$ 22,752

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% (7.25% at June 30, 2010) and is payable on demand. There were no outstanding advances on the line at June 30, 2011 or 2010.

6. AGENCY TRANSACTIONS – OREGON IDA INITIATIVE FUNDS

The Organization markets and administers the Oregon Individual Development Account Initiative (IDA Initiative). The Organization collects contributions to 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. 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:

	2011	2010
Oregon IDA Initiative funds	$ 2,160,845	$ 900,672
Grants payable - Oregon IDA Initiative	7,242,415	3,903,425
Total Oregon IDA Initiative liability	$ 9,403,260	$ 4,804,097

Grants payable through the IDA initiative are payable within fourteen months of the award date, which is February 2012.

7. GRANTS PAYABLE - OTHER

Grants payable - other at June 30 are payable as follows:

	2011	2010
Within one year	$ 384,779	$ 674,566
In two to five years	120,195	148,643
Total grants payable	$ 504,974	$ 823,209

The Organization has committed to reimburse other organizations up to an awarded amount. Total amounts committed at June 30, 2011 totaled approximately $48,000.

8. TEMPORARILY RESTRICTED NET ASSETS

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

	2011	2010
Resident services	$ 477	$ 36,497
Bridges to Housing	31,698	253,545
Trainings and conferences	119,452	154,905
Policy and asset building	151,990	157,251
Total temporarily restricted net assets	$ 303,617	$ 602,198

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 COMMITMENTS

The Organization rents office space under a one-year operating lease agreement in effect through June 30, 2011. For the years ended June 30, 2011 and 2010, rent expense approximated $31,100 and $30,500, respectively. In May 2011, the Organization entered into a new lease agreement for new space effective August 2011 through December 2016. Monthly rent is $2,491 with annual rent escalation increases of 3% beginning August 2013. The lease terms include 5 months free rent and a 90-day cancellation clause available on October 31, 2014 and a cancellation fee of $4,980.

Future minimum lease payments under the new lease agreement are as follows:

For the year ending June 30, 2012	$	14,900
2013		29,900
2014		30,700
2015		26,000
	$	101,500

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. The Organization's contribution approximated $34,300 for the year ended June 30, 2011, and $31,600 for the year ended June 30, 2010. Amounts contributed by the Organization become 100% vested after the employee has performed three years of service.

12. RELATED PARTY DISCLOSURES

The Organization maintains cash balances approximating $8.3 million at June 30, 2011 in three banks in which three board members are employed. In addition, during the year ended June 30, 2011, grants totaling approximately $2.3 million were awarded to three 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. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in several financial institutions located in Portland. The balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At June 30, 2011 and 2010, uninsured balances approximated $7,370,000 and $5,210,000, respectively. Subsequent to year end, the majority of uninsured balances were transferred to fully insured certificates of deposit and non-interest bearing checking accounts, with the remaining uninsured balances available for electronic transfer to fully insured accounts.

Credit risk for grants and accounts receivable is concentrated as well because at June 30, 2011 and 2010, respectively, 85% and 83% of the balances were from four entities.