

**NEIGHBORHOOD  
PARTNERSHIPS, INC.**

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**Audited Financial  
Statements**

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**For the Year Ended  
June 30, 2012**



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, 2012, 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 2011 financial statements and, in our report dated October 20, 2011, 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, 2012, 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 1, 2012

*Strength in Numbers*

ACCOUNTANTS & CONSULTANTS

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**NEIGHBORHOOD PARTNERSHIPS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2012**  
**(With comparative totals for 2011)**

	2012	2011
<b>ASSETS</b>		
Cash and cash equivalents	\$ 524,725	\$ 901,880
Restricted cash	15,388,169	9,448,066
Grants and accounts receivable	294,402	373,355
Prepaid expenses and deposits	18,488	22,083
Property and equipment, net	11,459	8,289
 TOTAL ASSETS	 \$ 16,237,243	 \$ 10,753,673
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 30,698	\$ 33,492
Deferred revenue	166,447	274,206
Grants and contracts payable	408,986	504,974
Oregon IDA	1,631,920	2,160,845
Grants payable - Oregon IDA Initiative	13,647,868	7,242,415
 Total liabilities	 15,885,919	 10,215,932
Net assets:		
Unrestricted:		
Available for operations	222,365	225,835
Net property and equipment	11,459	8,289
Total unrestricted net assets	233,824	234,124
Temporarily restricted	117,500	303,617
 Total net assets	 351,324	 537,741
 TOTAL LIABILITIES AND NET ASSETS	 \$ 16,237,243	 \$ 10,753,673

See notes to financial statements.

**NEIGHBORHOOD PARTNERSHIPS, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2012**  
**(With comparative totals for 2011)**

	2012			2011 Total
	Unrestricted	Temporarily Restricted	Total	
<b>Support and revenue:</b>				
Oregon IDA Initiative:				
IDA contributions raised in current year	\$ -	\$ 8,131,681	\$ 8,131,681	\$ 8,001,018
Interest income	-	32,222	32,222	-
Program fees	455,755	-	455,755	444,047
Grants obligated or paid	-	(8,150,000)	(8,150,000)	(6,425,388)
Outstanding donor designations	-	(13,903)	(13,903)	(1,575,630)
Net IDA initiative revenues	455,755	-	455,755	444,047
Grants and contributions	23,210	40,000	63,210	195,814
Dues and other revenue	49,096	-	49,096	39,475
Government grants and contracts	1,169,319	-	1,169,319	676,182
Training and program fees	64,639	-	64,639	35,705
Interest income	1,819	-	1,819	4,165
Net assets released from restrictions:				
Satisfaction of purpose restrictions	226,117	(226,117)	-	-
Total support and revenue	1,989,955	(186,117)	1,803,838	1,395,388
<b>Expenses:</b>				
Program services	1,816,302	-	1,816,302	1,540,361
Management and general	165,700	-	165,700	143,242
Fundraising	8,253	-	8,253	16,593
Total expenses	1,990,255	-	1,990,255	1,700,196
Change in net assets	(300)	(186,117)	(186,417)	(304,808)
<b>Net assets:</b>				
Beginning of year	234,124	303,617	537,741	842,549
End of year	\$ 233,824	\$ 117,500	\$ 351,324	\$ 537,741

See notes to financial statements.

**NEIGHBORHOOD PARTNERSHIPS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended June 30, 2012**  
**(With comparative totals for 2011)**

	Program Services				Total Program Services	Management and General	Fund- raising	2012 Total	2011 Total
	Policy and Advocacy	Bridges to Housing	IDA Program	Other Programs					
Salaries and related expenses	\$ 114,064	\$ 38,011	\$ 161,310	\$ 10,187	\$ 323,572	\$ 120,321	\$ 7,170	\$ 451,063	\$ 473,812
Grants and program contracts	67,578	1,100,755	190,928	33,890	1,393,151	7,513	210	1,400,874	1,073,082
Professional fees	1,695	1,228	4,244	345	7,512	4,929	71	12,512	13,516
Program supplies	18	-	596	-	614	-	-	614	1,726
Rent	4,469	1,507	6,764	496	13,236	4,785	402	18,423	31,143
Telephone and utilities	947	394	1,770	117	3,228	1,313	65	4,606	4,406
Postage and shipping	183	109	3,437	27	3,756	241	6	4,003	2,279
Printing	543	151	12,573	96	13,363	475	6	13,844	11,176
Office and computer expense	2,180	1,083	3,897	238	7,398	3,790	127	11,315	10,697
Facility rental, lodging and food	7,303	-	15,343	-	22,646	385	-	23,031	15,368
Staff travel	4,394	138	2,505	93	7,130	70	8	7,208	7,490
Conferences and meetings	3,548	170	3,032	-	6,750	661	-	7,411	14,728
Advertising	-	-	362	-	362	-	-	362	9,204
Insurance	917	377	1,695	112	3,101	1,231	62	4,394	4,496
Depreciation	1,281	508	518	156	2,463	1,709	88	4,260	17,062
Miscellaneous	2,740	1,461	3,753	66	8,020	18,277	38	26,335	10,011
<b>Total expenses</b>	<b>\$ 211,860</b>	<b>\$ 1,145,892</b>	<b>\$ 412,727</b>	<b>\$ 45,823</b>	<b>\$ 1,816,302</b>	<b>\$ 165,700</b>	<b>\$ 8,253</b>	<b>\$ 1,990,255</b>	<b>\$ 1,700,196</b>

See notes to financial statements.

**NEIGHBORHOOD PARTNERSHIPS, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2012**  
**(With comparative totals for 2011)**

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (186,417)	\$ (304,808)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	4,260	17,062
(Increase) decrease in:		
Grants and accounts receivable	78,953	9,924
Prepaid expenses and deposits	3,595	5,518
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,794)	797
Deferred revenue	(171,334)	219,042
Grants and contracts payable	<u>(95,988)</u>	<u>(318,235)</u>
Net cash used in operating activities	<u>(369,725)</u>	<u>(370,700)</u>
 <b>Cash flows from investing activities:</b>		
Purchase of property and equipment	<u>(7,430)</u>	<u>(2,599)</u>
Net cash used in investing activities	<u>(7,430)</u>	<u>(2,599)</u>
 Net decrease in cash and cash equivalents	(377,155)	(373,299)
 Cash and cash equivalents - beginning of year	<u>901,880</u>	<u>1,275,179</u>
 Cash and cash equivalents - end of year	<u>\$ 524,725</u>	<u>\$ 901,880</u>

See notes to financial statements.

**NEIGHBORHOOD PARTNERSHIPS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**1. DESCRIPTION OF ORGANIZATION**

Neighborhood Partnerships, Inc. (NP or the Organization) is an Oregon nonprofit corporation founded in 1998 to provide resources and services to low-income individuals. The Organization receives support from public and private foundations, government agencies, and corporations. During the years ended June 30, 2012 and 2011, NP received approximately 49% and 33%, respectively, of total support from Multnomah County for its Bridges to Housing program.

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. NP provides support to established and emerging advocates through its Strategic Communications Initiative and Advocate's College.

*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 500 families from 2007 through 2012, while inspiring systems change and improving case management.

**NEIGHBORHOOD PARTNERSHIPS, INC.**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

**1. DESCRIPTION OF ORGANIZATION, Continued**

*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. During the year 2012, NP received \$8.1 million in donations for this program, which will help over 1,000 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 33 of 36 counties in Oregon, and are rapidly expanding to cover every community in the state.

**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

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 7) 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.



**NEIGHBORHOOD PARTNERSHIPS, INC.**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, Continued**

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.

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 payable and an 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.

**NEIGHBORHOOD PARTNERSHIPS, INC.**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, Continued**

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. The Organization's information returns for years ended June 30, 2008 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions. The Organization is not a private foundation.

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.

Summarized Financial Information for 2011

The accompanying financial information as of and for the year ended June 30, 2011 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

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.

Subsequent Events

The Organization has evaluated all subsequent events through October 1, 2012, the date the financial statements were available to be released.

**NEIGHBORHOOD PARTNERSHIPS, INC.**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

**3. GRANTS AND ACCOUNTS RECEIVABLE**

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

	<u>2012</u>	<u>2011</u>
Grant - Northwest Health Foundation	\$ 25,000	\$ 75,000
Government contracts:		
Portland Housing Bureau	124,047	18,000
Department of Housing and Urban Development	-	35,132
Other	13,217	39,075
Program service fees - IDA administration	<u>132,138</u>	<u>206,148</u>
Total grants and accounts receivable	<u>\$ 294,402</u>	<u>\$ 373,355</u>

Grant receivable at June 30, 2012 is receivable within one year.

**4. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Furniture and equipment	\$ 53,404	\$ 101,640
Software	<u>39,345</u>	<u>39,345</u>
Total property and equipment	92,749	140,985
Less accumulated depreciation	<u>81,290</u>	<u>132,696</u>
Net property and equipment	<u>\$ 11,459</u>	<u>\$ 8,289</u>

**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, 2012 or 2011.

**NEIGHBORHOOD PARTNERSHIPS, INC.**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

**6. GRANTS AND CONTRACTS PAYABLE**

Grants and contracts payable at June 30 are payable as follows:

	<u>2012</u>	<u>2011</u>
Within one year	\$ 395,986	\$ 384,779
In two to five years	<u>13,000</u>	<u>120,195</u>
Total grants payable	<u>\$ 408,986</u>	<u>\$ 504,974</u>

Under contracts with other organizations, NP has committed to reimburse expenses up to contract award amounts. Total amounts committed but not yet recorded at June 30, 2012 total approximately \$98,000.

**7. AGENCY TRANSACTIONS - OREGON IDA INITIATIVE FUNDS**

The Organization markets and 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. 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>2012</u>	<u>2011</u>
Oregon IDA Initiative funds	\$ 1,631,920	\$ 2,160,845
Grants payable - Oregon IDA Initiative	<u>13,647,868</u>	<u>7,242,415</u>
Total Oregon IDA Initiative liability	<u>\$ 15,279,788</u>	<u>\$ 9,403,260</u>

Grants payable through the IDA initiative are payable within fourteen months of the award date, which is February 2013.

**NEIGHBORHOOD PARTNERSHIPS, INC.**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

**8. TEMPORARILY RESTRICTED NET ASSETS**

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

	2012	2011
Resident services	\$ -	\$ 477
Bridges to Housing	-	31,698
Trainings and conferences	55,000	119,452
Policy and asset building	62,500	151,990
Total temporarily restricted net assets	\$ 117,500	\$ 303,617

**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. Monthly rent is \$2,955 with annual rent escalation increases of 3% beginning August 2013. The lease terms includes 5 months free rent and a 90-day cancellation clause available on October 31, 2014 with a cancellation fee of \$4,980. Total rent expense approximated \$18,400 and \$31,100, respectively, for the years ended June 30, 2012 and 2011.

Future minimum lease obligations are as follows:

Year ending June 30, 2013	\$ 35,500
2014	36,300
2015	29,900
	\$ 101,700

**NEIGHBORHOOD PARTNERSHIPS, INC.**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

**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 \$32,000 for the year ended June 30, 2012, and \$34,300 for the year ended June 30, 2011. 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 \$12.9 million at June 30, 2012 in three banks in which three board members are employed. In addition, during the year ended June 30, 2012, grants totaling approximately \$3.1 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. CONCENTRATION 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. During the year ended June 30, 2012, the majority of uninsured cash balances were transferred to fully insured certificates of deposit and non-interest bearing checking accounts which are fully insured, with the remaining uninsured balances available for electronic transfer to fully insured accounts. At June 30, 2012, uninsured balances available for electronic transfer to fully insured accounts approximated \$6,930,000.