

**NEIGHBORHOOD
PARTNERSHIPS, INC.**

**Audited Financial
Statements**

**For the Year Ended
June 30, 2013**



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, 2013, 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, 2013, 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 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 1, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
October 4, 2013

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2013
(With comparative totals for 2012)

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 201,046	\$ 213,163
Restricted cash and certificates of deposit	21,159,149	15,699,731
Grants and accounts receivable	190,901	294,402
Prepaid expenses and deposits	15,664	18,488
Property and equipment, net	<u>7,252</u>	<u>11,459</u>
 TOTAL ASSETS	 <u>\$ 21,574,012</u>	 <u>\$ 16,237,243</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 41,705	\$ 30,698
Deferred revenue	214,736	166,447
Grants and contracts payable	162,754	408,986
Oregon IDA Initiative funds	2,944,446	1,631,920
Grants payable - Oregon IDA Initiative	<u>17,910,215</u>	<u>13,647,868</u>
 Total liabilities	 <u>21,273,856</u>	 <u>15,885,919</u>
Net assets:		
Unrestricted	200,156	233,824
Temporarily restricted	<u>100,000</u>	<u>117,500</u>
 Total net assets	 <u>300,156</u>	 <u>351,324</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 21,574,012</u>	 <u>\$ 16,237,243</u>

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2013
(With comparative totals for 2012)

	2013			2012 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Oregon IDA Initiative:				
IDA contributions raised in current year	\$ -	\$ 10,181,333	\$ 10,181,333	\$ 8,131,681
Interest income	-	57,080	57,080	32,222
Program fees	611,862	-	611,862	455,755
Grants obligated or paid	-	(8,147,449)	(8,147,449)	(8,150,000)
Outstanding donor designations	-	(2,090,964)	(2,090,964)	(13,903)
Net IDA initiative revenues	611,862	-	611,862	455,755
Bridges to Housing:				
Government funding recognized	964,585	-	964,585	902,647
Service provider obligations	(940,102)	-	(940,102)	(878,037)
Net Bridges to Housing	24,483	-	24,483	24,610
Government contracts	110,245	-	110,245	266,672
Grants and contributions	22,925	180,000	202,925	63,210
Dues and other revenue	43,829	-	43,829	49,096
Training and program fees	57,976	-	57,976	64,639
Interest income	999	-	999	1,819
Net assets released from restrictions:				
Satisfaction of purpose restrictions	197,500	(197,500)	-	-
Total support and revenue	1,069,819	(17,500)	1,052,319	925,801
Expenses:				
Program services	989,863	-	989,863	938,265
Management and general	102,350	-	102,350	165,700
Fundraising	11,274	-	11,274	8,253
Total expenses	1,103,487	-	1,103,487	1,112,218
Change in net assets	(33,668)	(17,500)	(51,168)	(186,417)
Net assets:				
Beginning of year	233,824	117,500	351,324	537,741
End of year	\$ 200,156	\$ 100,000	\$ 300,156	\$ 351,324

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2013
(With comparative totals for 2012)

	Program Services				Total Program Services	Management and General	Fund- raising	2013 Total	2012 Total
	Policy and Advocacy	IDA Program	Bridges to Housing	Other Programs					
Salaries and related expenses	\$ 141,323	\$ 228,271	\$ 24,113	\$ 14,997	\$ 408,704	\$ 79,596	\$ 9,954	\$ 498,254	\$ 451,063
Grants and program contracts	108,313	292,264	33,660	2,020	436,257	3,184	255	439,696	522,837
Professional fees	3,771	6,665	374	218	11,028	2,695	5	13,728	12,512
Program supplies	83	544	-	-	627	-	-	627	614
Rent	8,915	16,061	1,663	867	27,506	6,276	494	34,276	18,423
Telephone and utilities	1,320	2,332	239	130	4,021	896	72	4,989	4,606
Postage and shipping	336	3,450	63	34	3,883	265	13	4,161	4,003
Printing	1,230	14,593	89	37	15,949	327	26	16,302	13,844
Office and computer expense	4,065	6,541	880	368	11,854	3,088	220	15,162	11,315
Facility rental, lodging and food	5,867	24,184	23	-	30,074	-	-	30,074	23,031
Staff travel	6,767	5,905	924	1,110	14,706	5	-	14,711	7,208
Conferences and meetings	2,057	5,014	421	6	7,498	1,840	-	9,338	7,411
Advertising	-	478	-	-	478	-	-	478	362
Insurance	1,259	2,237	231	126	3,853	861	71	4,785	4,394
Depreciation	1,093	1,956	205	107	3,361	784	62	4,207	4,260
Miscellaneous	5,861	3,926	217	60	10,064	2,533	102	12,699	26,335
Total expenses	\$ 292,260	\$ 614,421	\$ 63,102	\$ 20,080	\$ 989,863	\$ 102,350	\$ 11,274	\$ 1,103,487	\$ 1,112,218

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2013
(With comparative totals for 2012)

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ (51,168)	\$ (186,417)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,207	4,260
(Increase) decrease in:		
Grants and accounts receivable	103,501	78,953
Prepaid expenses and deposits	2,824	3,595
Increase (decrease) in:		
Accounts payable and accrued expenses	11,007	(2,794)
Deferred revenue	163,744	310,396
Grants and contracts payable	<u>(246,232)</u>	<u>(95,988)</u>
Net cash provided by (used in) operating activities	<u>(12,117)</u>	<u>112,005</u>
 Cash flows from investing activities:		
Purchase of property and equipment	<u>-</u>	<u>(7,430)</u>
Net cash used in investing activities	<u>-</u>	<u>(7,430)</u>
 Net increase (decrease) in cash and cash equivalents	(12,117)	104,575
 Cash and cash equivalents - beginning of year	<u>213,163</u>	<u>108,588</u>
 Cash and cash equivalents - end of year	<u>\$ 201,046</u>	<u>\$ 213,163</u>

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 and individuals.

NP's programs support our mission of creating opportunity for individuals with low incomes. Our primary activities are:

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

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 also serves as a convener of partners focused on household financial resilience and asset building. NP's program management 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. The organization also 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.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

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. Contributions to the Initiative through 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 \$10 million in donations for this program, which will help over 1,400 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.

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. This effort has served approximately 550 families from 2007 through 2012, while inspiring systems change and improving case management. NP continues to monitor progress and continued implementation of the model across the four counties, and manages contracts in Multnomah County with housing and service providers.

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.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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, 2009 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 2012

The accompanying financial information as of and for the year ended June 30, 2012 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

Subsequent Events

The Organization has evaluated all subsequent events through October 4, 2013, the date the financial statements were available to be released.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

3. GRANTS AND ACCOUNTS RECEIVABLE

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

	<u>2013</u>	<u>2012</u>
Grants:		
Northwest Area Foundation	\$ 75,000	\$ -
Northwest Health Foundation	-	25,000
Government contracts:		
Portland Housing Bureau	-	124,047
Multnomah County	20,260	-
Other	13,901	13,217
Program service fees - IDA administration	<u>81,740</u>	<u>132,138</u>
Total grants and accounts receivable	<u>\$ 190,901</u>	<u>\$ 294,402</u>

Grants receivable at June 30, 2013 are receivable within one year.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
Furniture and equipment	\$ 52,826	\$ 53,404
Software	<u>39,345</u>	<u>39,345</u>
Total property and equipment	92,171	92,749
Less accumulated depreciation	<u>84,919</u>	<u>81,290</u>
Net property and equipment	<u>\$ 7,252</u>	<u>\$ 11,459</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, 2013 or 2012.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

6. GRANTS AND CONTRACTS PAYABLE

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

	2013	2012
Within one year	\$ 162,754	\$ 395,986
In two to five years	-	13,000
Total grants payable	\$ 162,754	\$ 408,986

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, 2013 total approximately \$109,000.

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:

	2013	2012
Oregon IDA Initiative funds	\$ 2,944,446	\$ 1,631,920
Grants payable - Oregon IDA Initiative	17,910,215	13,647,868
Total Oregon IDA Initiative liability	\$ 20,854,661	\$ 15,279,788

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, 2013

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, 2013 and 2012 is approximately \$14,500 and \$49,700, respectively, relating to the B2H program.

8. TEMPORARILY RESTRICTED NET ASSETS

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

	2013	2012
Trainings and conferences	\$ 25,000	\$ 55,000
Policy and asset building	75,000	62,500
Total temporarily restricted net assets	\$ 100,000	\$ 117,500

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.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

10. LEASE COMMITMENT, Continued

Total rent expense approximated \$34,300 and \$18,400 for the years ended June 30, 2013 and 2012, respectively.

Future minimum lease obligations are as follows:

Year ending June 30, 2014	\$ 36,300
2015	<u>29,900</u>
	<u>\$ 66,200</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 \$35,900 and \$32,000 for the years ended June 30, 2013 and 2012, respectively.

12. RELATED PARTY DISCLOSURES

The Organization maintains cash balances approximating \$9.2 million at June 30, 2013 (\$12.9 million at June 30, 2012) in two banks in which two board members are employed. In addition, during the year ended June 30, 2013, grants totaling approximately \$3.5 million (\$3.1 million for 2012) 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 (unlimited insurance for certain non-interest bearing accounts through December 31, 2012). Cash balances totaling \$9.7 million at June 30, 2013 (\$7.7 million at June 30, 2012) are included in fully-insured certificates of deposit. At June 30, 2013, uninsured balances approximated \$11.7 million (\$6.9 million at June 30, 2012).

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

14. RECLASSIFICATIONS

Certain amounts in the prior year financial statements relating to the Bridges to Housing Program were reclassified to be consistent with the current year presentation as an agency activity as follows:

	<u>As Previously Reported</u>	<u>Reclass- ifications</u>	<u>As Currently Reported</u>
<u>Statement of Financial Position</u>			
Cash and cash equivalents	\$ 524,725	\$ (311,562)	\$ 213,163
Restricted cash and certificates of deposit	15,388,169	311,562	15,699,731
<u>Statement of Activities</u>			
Government funding recognized	-	902,647	902,647
Government grants and contracts	1,169,319	(902,647)	266,672
Service provider obligations	-	878,037	878,037
<u>Statement of Functional Expenses</u>			
Grants and program contracts	1,400,874	(878,037)	522,837