

NEIGHBORHOOD
PARTNERSHIPS, INC.

Audited Financial Statements

For the year ended June 30, 2018



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

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, 2018, 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.

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, 2018, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Neighborhood Partnerships, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 6, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
October 19, 2018

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2018
(With comparative totals for 2017)

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 260,727	\$ 256,978
Restricted cash and other investments	35,975,973	25,587,470
Grants and accounts receivable	180,209	198,562
Other assets	48,276	46,867
 TOTAL ASSETS	 \$ 36,465,185	 \$ 26,089,876
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 89,041	\$ 52,243
Deferred revenue	276,210	434,510
Oregon IDA Initiative funds	11,724,494	4,256,214
Grants payable - Oregon IDA Initiative	23,958,234	20,922,486
 Total liabilities	 36,047,979	 25,665,453
Net assets:		
Unrestricted	197,037	235,329
Temporarily restricted	220,169	189,094
 Total net assets	 417,206	 424,423
 TOTAL LIABILITIES AND NET ASSETS	 \$ 36,465,185	 \$ 26,089,876

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2018
(With comparative totals for 2017)

	2018			2017 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Oregon IDA Initiative:				
IDA contributions	\$ -	\$ 19,066,178	\$ 19,066,178	\$ 8,762,108
Interest income	-	136,455	136,455	97,602
Program fees	825,512	-	825,512	771,027
Grants obligated or paid	-	(10,797,753)	(10,797,753)	(10,028,250)
Outstanding donor designations	-	(8,404,880)	(8,404,880)	1,168,540
Net IDA initiative revenues	825,512	-	825,512	771,027
Government contracts	182,096	-	182,096	179,533
Grants and contributions	102,805	325,000	427,805	326,352
Dues and other revenue	89,006	-	89,006	73,150
Training and program fees	52,400	-	52,400	48,214
Net assets released from restrictions:				
Satisfaction of purpose and time restrictions	293,925	(293,925)	-	-
Total support and revenue	1,545,744	31,075	1,576,819	1,398,276
Expenses:				
Program services	1,319,985	-	1,319,985	1,394,070
Management and general	212,115	-	212,115	201,896
Fundraising	51,936	-	51,936	71,404
Total expenses	1,584,036	-	1,584,036	1,667,370
Change in net assets	(38,292)	31,075	(7,217)	(269,094)
Net assets:				
Beginning of year	235,329	189,094	424,423	693,517
End of year	\$ 197,037	\$ 220,169	\$ 417,206	\$ 424,423

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2018
(With comparative totals for 2017)

	Program Services						2017 Total
	Policy and Advocacy	IDA Program	Inclusion and Asset Building	Other Programs	Management and General	Fund- raising	
							2018 Total
Salaries and related expenses	\$ 151,758	\$ 473,834	\$ 71,264	\$ 31,781	\$ 144,487	\$ 43,239	\$ 916,363
Grants and program contracts	77,168	204,327	9,874	10,340	39,188	967	341,864
Professional fees	9,177	8,329	1,435	896	2,759	594	23,190
Rent	7,959	27,644	3,185	1,901	7,475	2,378	50,542
Telephone and utilities	1,283	4,496	554	356	1,244	371	8,304
Postage and shipping	275	2,338	94	43	244	571	3,565
Printing	348	9,617	523	1,735	1,059	1,614	14,896
Office and computer expense	1,961	31,386	1,134	3,551	2,493	493	41,018
Facility rental, lodging and food	7,377	32,255	3,827	41,541	1,671	-	86,671
Staff travel	3,865	9,257	2,127	4,060	385	472	20,166
Conferences and meetings	4,443	10,023	3,006	297	4,165	114	22,048
Insurance	1,356	18,413	535	319	1,278	417	22,318
Depreciation	1,027	3,809	390	270	1,043	357	6,896
Miscellaneous	1,511	15,727	238	3,746	4,624	349	26,195
Total expenses	\$ 269,508	\$ 851,455	\$ 98,186	\$ 100,836	\$ 212,115	\$ 51,936	\$ 1,584,036
							\$ 1,667,370

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2018
(With comparative totals for 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (7,217)	\$ (269,094)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,896	4,726
(Increase) decrease in:		
Grants and accounts receivable	(20,850)	47,026
Other assets	(1,707)	10,065
Increase (decrease) in:		
Accounts payable and accrued expenses	36,798	(12,488)
Deferred revenue	(3,572)	109,486
Grants and contracts payable	-	(3,000)
Net cash provided by (used in) operating activities	<u>10,348</u>	<u>(113,279)</u>
 Cash flows from investing activities:		
Purchase of property and equipment	<u>(6,599)</u>	<u>(16,193)</u>
Net cash used in investing activities	<u>(6,599)</u>	<u>(16,193)</u>
 Net increase (decrease) in cash and cash equivalents	3,749	(129,472)
 Cash and cash equivalents - beginning of year	<u>256,978</u>	<u>386,450</u>
 Cash and cash equivalents - end of year	<u>\$ 260,727</u>	<u>\$ 256,978</u>

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 to 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
- Financial Inclusion and Asset Building
- Strategic Communications

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 is also working with partners to elevate the need for more public and private investment in building assets and financial resilience across Oregon. NP's program management work fuels this policy work, and helps the Organization develop, test, and promote strategies that work across systems and traditional funding streams.

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 and habit building, 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.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2018

1. DESCRIPTION OF ORGANIZATION, Continued

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 over 3,300 active participants and is the largest IDA Initiative in the country. Funded through contributions by individuals and businesses to the Oregon IDA Tax Credit, the IDA Initiative has provided more than \$34.8 million in matching funds since 2008 to over 7,000 successful 'graduates,' who saved over \$15.1 million.

Financial Inclusion and Asset Building: NP serves as a convener of partners focused on household financial resilience and asset building. We provide resources, information, and technical support to partners who are creating new pathways to provide all Oregonians access to financial products that will increase their household financial stability.

Other Programs: NP's other programs include providing 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 research 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.

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.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 and Other Investments

Restricted cash includes cash restricted to the Oregon IDA Initiative and federal funds for the Assets For Independence program. Other investments include certificate of deposits, some of which are reflected at maturity value, and federally backed bonds which are reflected at fair value.

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.

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

Unconditional grants payable to other organizations (other than grants payable through the IDA Initiative) 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. Grants payable (other than IDA grants) are payable within one year. Grants payable through the IDA Initiative represent agency transactions recorded as grants payable when obligated. See Note 8 for discussion.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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 2017

The accompanying financial information as of and for the year ended June 30, 2017 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, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, 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.

Subsequent Events

The Organization has evaluated all subsequent events October 19, 2018, the date the financial statements were available to be released.

3. RESTRICTED CASH AND OTHER INVESTMENTS

Under terms of contractual agreements with the Oregon IDA Initiative and federal funds for the Assets for Independence program, the Organization is required to maintain restricted cash accounts. Restricted cash and other investments consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Restricted cash	\$ 21,659,950	\$ 18,130,560
Certificates of deposit	7,272,312	6,445,266
Federally backed bonds	<u>7,043,711</u>	<u>1,011,644</u>
Total restricted cash and other investments	<u>\$ 35,975,973</u>	<u>\$ 25,587,470</u>

The Organization holds multiple certificates of deposit, with interest rates ranging from .3% to 3.0%, maturing between July 17, 2018 and June 29, 2021.

4. GRANTS AND ACCOUNTS RECEIVABLE

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

	<u>2018</u>	<u>2017</u>
Grants	\$ 50,000	\$ 35,000
IDA funds due from fiscal intermediary	121,158	156,401
Contracts and other receivables	<u>9,051</u>	<u>7,161</u>
Total grants and accounts receivable	<u>\$ 180,209</u>	<u>\$ 198,562</u>

Grants receivable are expected to be received within one year.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2018

5. OTHER ASSETS

Other assets consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 79,343	\$ 72,744
Software	<u>39,345</u>	<u>39,345</u>
Total property and equipment	118,688	112,089
Less accumulated depreciation	<u>98,059</u>	<u>91,163</u>
Net property and equipment	20,629	20,926
Prepaid expenses and deposits	<u>27,647</u>	<u>25,940</u>
Total other assets	<u>\$ 48,276</u>	<u>\$ 46,866</u>

6. LINE OF CREDIT

The Organization has an unsecured \$150,000 revolving line of credit with Wells Fargo Bank. The line of credit bears interest at 8.75% and is payable on demand. There were no outstanding advances on the line at June 30, 2018 or 2017.

7. DEFERRED REVENUE

Deferred revenue consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
Assets For Independence	\$ 251,892	\$ 399,287
Housing Alliance	17,290	25,395
Other	<u>7,028</u>	<u>9,828</u>
Total deferred revenue	<u>\$ 276,210</u>	<u>\$ 434,510</u>

8. 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.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2018

8. AGENCY TRANSACTIONS, Continued

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>2018</u>	<u>2017</u>
Oregon IDA Initiative funds	\$ 11,724,494	\$ 4,256,214
Grants payable - Oregon IDA Initiative	<u>23,958,234</u>	<u>20,922,486</u>
Total Oregon IDA Initiative liability	<u>\$ 35,682,728</u>	<u>\$ 25,178,700</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.

9. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2018</u>	<u>2017</u>
Financial inclusion policy action	\$ 47,686	\$ 35,000
Policy and asset building	50,929	15,000
Housing policy action	121,554	120,000
Equity and inclusion	-	15,000
Other	-	4,094
Total temporarily restricted net assets	<u>\$ 220,169</u>	<u>\$ 189,094</u>

10. 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.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2018

11. LEASE COMMITMENTS

The Organization leases office space under an operating lease agreement from May 2016 through August 2021. The lease terms include an initial seven-month rent concession; thereafter, monthly rent is \$4,088 with annual increases of 3%.

Total rent expense approximated \$50,500 and \$33,000 for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease obligations are as follows:

Year ending June 30, 2019	\$ 51,800
2020	53,300
2021	54,900
2022	<u>9,200</u>
	<u>\$ 169,200</u>

12. RETIREMENT PLAN

The Organization has a retirement plan covering eligible employees. The Organization makes discretionary contributions to the plan for all employees. Amounts contributed by the Organization become 100% vested after the employee has performed three years of service. The Organization's contribution approximated \$68,700 and \$60,100 for the years ended June 30, 2018 and 2017, respectively.

13. RELATED PARTY DISCLOSURES

The Organization maintains cash balances approximating \$15 million at June 30, 2018 (\$7 million at June 30, 2017) in one bank in which a board member is employed. 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.

NEIGHBORHOOD PARTNERSHIPS, INC.
 NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2018

14. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in several financial institutions. The balances in each institution are insured by either the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA) up to \$250,000. At June 30, 2018, uninsured balances approximated \$27.5 million (\$18.6 million at June 30, 2017).

The Organization had no revenue concentrations for the year ended June 30, 2018. Revenues for the year ended June 30, 2017 were concentrated with 11% of total revenues (of approximately \$1,400,000) coming from one source.

15. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair value of assets measured on a recurring basis at June 30 are as follows:

	<u>Total</u>	<u>Level 2</u>
June 30, 2018		
Federally backed bonds	\$ 7,043,711	\$ 7,043,711
June 30, 2017		
Federally backed bonds	\$ 1,011,644	\$ 1,011,644

Fair values for federal bond funds are determined by reference to quoted market prices and other relevant information generated by market transactions.