

NEIGHBORHOOD
PARTNERSHIPS, INC.

Audited Financial Statements

For the year ended June 30, 2019



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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobz, P.C.

Portland, Oregon
October 18, 2019

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2019
(With comparative totals for 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 282,915	\$ 260,727
Restricted cash and other investments	30,557,721	35,975,973
Grants and accounts receivable	513,463	180,209
Other assets	34,126	48,276
 TOTAL ASSETS	 \$ 31,388,225	 \$ 36,465,185
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 76,204	\$ 89,041
Deferred revenue	190,466	276,210
Oregon IDA Initiative funds	4,088,498	11,724,494
Grants payable - Oregon IDA Initiative	26,305,453	23,958,234
Total liabilities	30,660,621	36,047,979
Net assets:		
Without donor restrictions	192,708	197,037
With donor restrictions	534,896	220,169
Total net assets	727,604	417,206
 TOTAL LIABILITIES AND NET ASSETS	 \$ 31,388,225	 \$ 36,465,185

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2019
(With comparative totals for 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Oregon IDA Initiative:				
IDA contributions	\$ -	\$ 2,354,677	\$ 2,354,677	\$ 19,066,178
Interest income	-	497,642	497,642	136,455
Program fees	780,230	-	780,230	825,512
Grants obligated or paid	-	(9,600,000)	(9,600,000)	(10,797,753)
Outstanding donor designations	-	6,747,681	6,747,681	(8,404,880)
Net IDA initiative revenues	780,230	-	780,230	825,512
Government contracts	130,536	-	130,536	182,096
Grants and contributions	88,924	610,000	698,924	427,805
Dues and other revenue	94,352	-	94,352	89,006
Training and program fees	55,764	-	55,764	52,400
Net assets released from restrictions:				
Satisfaction of purpose restrictions	237,273	(237,273)	-	-
Satisfaction of time restrictions	58,000	(58,000)	-	-
Total support and revenue	1,445,079	314,727	1,759,806	1,576,819
Expenses:				
Program services	1,188,371	-	1,188,371	1,319,985
Management and general	218,460	-	218,460	212,115
Fundraising	42,577	-	42,577	51,936
Total expenses	1,449,408	-	1,449,408	1,584,036
Change in net assets	(4,329)	314,727	310,398	(7,217)
Net assets:				
Beginning of year	197,037	220,169	417,206	424,423
End of year	\$ 192,708	\$ 534,896	\$ 727,604	\$ 417,206

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2019

	Program Services				Total Program Services	Management and General	Fund- raising	Total
	Policy and Advocacy	IDA Program	Financial Inclusion and Asset Building	Other Programs				
Salaries and related expenses	\$ 168,621	\$ 406,934	\$ 35,001	\$ 34,602	\$ 645,158	\$ 166,952	\$ 37,168	\$ 849,278
Grants and program contracts	57,761	228,939	1,373	11,487	299,560	18,740	864	319,164
Professional fees	3,036	13,674	472	1,524	18,706	4,289	636	23,631
Rent	5,136	13,595	651	2,059	21,441	5,233	1,473	28,147
Telephone and utilities	1,698	3,940	219	418	6,275	1,316	374	7,965
Postage and shipping	263	745	32	65	1,105	196	149	1,450
Printing	204	1,029	7	2,112	3,352	840	19	4,211
Office and computer expense	2,709	26,921	451	2,655	32,736	3,402	425	36,563
Facility rental, lodging and food	8,435	8,691	726	48,354	66,206	3,513	-	69,719
Travel	10,153	15,110	1,415	9,245	35,923	2,550	96	38,569
Conferences and meetings	3,708	16,078	2,018	113	21,917	3,437	249	25,603
Insurance	1,806	17,848	229	410	20,293	1,416	400	22,109
Depreciation	1,289	3,145	179	268	4,881	1,045	314	6,240
Miscellaneous	2,923	4,971	537	2,387	10,818	5,531	410	16,759
Total expenses	<u>\$ 267,742</u>	<u>\$ 761,620</u>	<u>\$ 43,310</u>	<u>\$ 115,699</u>	<u>\$ 1,188,371</u>	<u>\$ 218,460</u>	<u>\$ 42,577</u>	<u>\$ 1,449,408</u>

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2018

	Program Services				Total Program Services	Management and General	Fund- raising	Total
	Policy and Advocacy	IDA Program	Financial Inclusion and Asset Building	Other Programs				
Salaries and related expenses	\$ 151,758	\$ 473,834	\$ 71,264	\$ 31,781	\$ 728,637	\$ 144,487	\$ 43,239	\$ 916,363
Grants and program contracts	77,168	204,327	9,874	10,340	301,709	39,188	967	341,864
Professional fees	9,177	8,329	1,435	896	19,837	2,759	594	23,190
Rent	7,959	27,644	3,185	1,901	40,689	7,475	2,378	50,542
Telephone and utilities	1,283	4,496	554	356	6,689	1,244	371	8,304
Postage and shipping	275	2,338	94	43	2,750	244	571	3,565
Printing	348	9,617	523	1,735	12,223	1,059	1,614	14,896
Office and computer expense	1,961	31,386	1,134	3,551	38,032	2,493	493	41,018
Facility rental, lodging and food	7,377	32,255	3,827	41,541	85,000	1,671	-	86,671
Travel	3,865	9,257	2,127	4,060	19,309	385	472	20,166
Conferences and meetings	4,443	10,023	3,006	297	17,769	4,165	114	22,048
Insurance	1,356	18,413	535	319	20,623	1,278	417	22,318
Depreciation	1,027	3,809	390	270	5,496	1,043	357	6,896
Miscellaneous	1,511	15,727	238	3,746	21,222	4,624	349	26,195
Total expenses	<u>\$ 269,508</u>	<u>\$ 851,455</u>	<u>\$ 98,186</u>	<u>\$ 100,836</u>	<u>\$ 1,319,985</u>	<u>\$ 212,115</u>	<u>\$ 51,936</u>	<u>\$ 1,584,036</u>

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2019
(With comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 310,398	\$ (7,217)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	6,240	6,896
(Increase) decrease in:		
Grants and accounts receivable	(311,508)	(20,850)
Other assets	7,910	(1,707)
Increase (decrease) in:		
Accounts payable and accrued expenses	(12,837)	36,798
Deferred revenue	<u>21,985</u>	<u>(3,572)</u>
Net cash flows from operating activities	<u>22,188</u>	<u>10,348</u>
 Cash flows from investing activities:		
Purchase of property and equipment	<u>-</u>	<u>(6,599)</u>
Net cash flows from investing activities	<u>-</u>	<u>(6,599)</u>
 Net change in cash and cash equivalents	22,188	3,749
 Cash and cash equivalents - beginning of year	<u>260,727</u>	<u>256,978</u>
 Cash and cash equivalents - end of year	<u>\$ 282,915</u>	<u>\$ 260,727</u>

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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
- Other Programs

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, 2019

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 \$40.5 million in matching funds since 2008 to over 8,000 successful 'graduates,' who saved over \$17.3 million.

Financial Inclusion and Asset Building: NP serves as a convener of partners focused on household financial resilience and asset building. NP provides 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

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Net Assets, Continued

- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 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.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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. The expenses that are allocated include salaries and related expense, grants and program contracts, facility rental, lodging and food, professional services, rent, travel, office and computer expense, insurance, and miscellaneous, which are allocated on the basis of estimates of time and effort.

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. Based on tax law changes, the Organization may be subject to unrelated business income tax on certain taxable benefits. Any provision for income taxes associated with these changes is estimated to be immaterial. The Organization has no other activities subject to unrelated business income tax. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC *Topic 740 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.

Change in Accounting Principle

The Organization has implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU modified net asset classification and enhances disclosures regarding liquidity and availability of resources and functional expense reporting. The principle has been applied retrospectively to all periods presented.

Subsequent Events

The Organization has evaluated all subsequent events October 18, 2019, the date the financial statements were available to be released.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

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

Summarized Financial Information for 2018

The accompanying financial information as of and for the year ended June 30, 2018 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

3. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and grants and accounts receivable.

Financial assets of the Organization consist of the following at June 30, 2019:

	Total Financial Assets	Board Designated	With Donor Restrictions	Available for General Expenditure
Cash and cash equivalents	\$ 282,915	\$ 58,000	\$ 254,896	\$ (29,981)
Grants and accounts receivable	513,463	-	280,000	233,463
	<u>\$ 796,378</u>	<u>\$ 58,000</u>	<u>\$ 534,896</u>	203,482
Release of time restriction in 2020				70,000
Total financial assets				<u>\$ 273,482</u>

The board-designated funds of \$58,000 are available for spending when approved by the board of directors. See Note 9 regarding board designated net assets.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

4. 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>2019</u>	<u>2018</u>
Restricted cash	\$ 8,662,690	\$ 21,659,950
Certificates of deposit	8,350,302	7,272,312
Federally backed bonds	<u>13,544,729</u>	<u>7,043,711</u>
Total restricted cash and other investments	<u>\$ 30,557,721</u>	<u>\$ 35,975,973</u>

The Organization holds multiple certificates of deposit, with interest rates ranging from .3% to 3.0%, maturing between August 19, 2019 and September 21, 2021.

5. GRANTS AND ACCOUNTS RECEIVABLE

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

	<u>2019</u>	<u>2018</u>
Grants	\$ 295,000	\$ 50,000
IDA funds due from fiscal intermediary	209,357	121,158
Contracts and other receivables	<u>9,106</u>	<u>9,051</u>
Total grants and accounts receivable	<u>\$ 513,463</u>	<u>\$ 180,209</u>

Grants receivable are expected to be received within one to five years as follows:

	<u>2019</u>	<u>2018</u>
Within one year	\$ 155,000	\$ 50,000
In two to five years	<u>140,000</u>	<u>-</u>
Total	<u>\$ 295,000</u>	<u>\$ 50,000</u>

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

6. OTHER ASSETS

Other assets consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 72,544	\$ 79,343
Software	39,345	39,345
Total property and equipment	<u>111,889</u>	<u>118,688</u>
Less accumulated depreciation	<u>97,500</u>	<u>98,059</u>
Net property and equipment	14,389	20,629
Prepaid expenses and deposits	<u>19,737</u>	<u>27,647</u>
Total other assets	<u><u>\$ 34,126</u></u>	<u><u>\$ 48,276</u></u>

7. DEFERRED REVENUE

Deferred revenue consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
Assets For Independence	\$ 140,602	\$ 251,892
Housing Alliance	26,976	17,290
Other	<u>22,888</u>	<u>7,028</u>
Total deferred revenue	<u><u>\$ 190,466</u></u>	<u><u>\$ 276,210</u></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.

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.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

8. AGENCY TRANSACTIONS, Continued

The Oregon IDA Initiative liability at June 30 is as follows:

	<u>2019</u>	<u>2018</u>
Oregon IDA Initiative funds	\$ 4,088,498	\$ 11,724,494
Grants payable - Oregon IDA Initiative	<u>26,305,453</u>	<u>23,958,234</u>
Total Oregon IDA Initiative liability	<u>\$ 30,393,951</u>	<u>\$ 35,682,728</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. BOARD-DESIGNATED NET ASSETS

Net assets without donor restrictions at June 30, 2019 include board-designated net assets of \$58,000 designated for the housing program.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at:

	<u>2019</u>	<u>2018</u>
Expiring restrictions:		
Financial inclusion policy action	\$ 97,172	\$ 47,686
Policy and asset building	83,666	50,929
Housing policy action	-	121,554
Diversifying voices	139,920	-
Other purpose restrictions	62,138	-
Time restricted	<u>152,000</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 534,896</u>	<u>\$ 220,169</u>

II. 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, 2019

12. 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 \$28,100 and \$50,500 for the years ended June 30, 2019 and 2018, respectively. In 2019, the Organization received reimbursement for property tax abatements for the years 2018 and 2019 which was offset against rent expense. Future minimum lease obligations are as follows:

Year ending June 30, 2020	\$ 53,300
2021	54,900
2022	<u>9,200</u>
	<u>\$ 117,400</u>

13. 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 \$62,400 and \$68,700 for the years ended June 30, 2019 and 2018, respectively.

14. RELATED PARTY DISCLOSURES

The Organization maintains cash balances approximating \$1 million at June 30, 2019 (\$15 million at June 30, 2018) 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.

15. 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, 2019, uninsured balances approximated \$20.8 million (\$27.5 million at June 30, 2018).

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

15. CONCENTRATION OF CREDIT RISK, Continued

Revenues for the year ended June 30, 2019 were concentrated with 14% of total revenues coming from one source. The Organization had no revenues concentrations for the year ended June 30, 2018. Credit risk for grants receivable is concentrated with 55% of the balance due from one organization at June 30, 2019. There were no concentrations at June 30, 2018. In addition, substantially all of the balances are receivable from organizations and individuals located within the same geographic region.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

16. 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.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

16. FAIR VALUE MEASUREMENTS, Continued

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

	<u>Total</u>	<u>Level 1</u>
June 30, 2019		
Federally backed bonds	\$ 13,544,729	\$ 13,544,729
June 30, 2018		
Federally backed bonds	\$ 7,043,711	\$ 7,043,711

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