

NEIGHBORHOOD
PARTNERSHIPS, INC.

Audited Financial Statements

For the year ended June 30, 2020



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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobz, P.C.

Portland, Oregon
October 16, 2020

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2020
(With comparative totals for 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 428,560	\$ 282,915
Restricted cash and other investments	25,412,881	30,557,721
Grants and accounts receivable	277,329	513,463
Other assets	27,731	34,126
 TOTAL ASSETS	 \$ 26,146,501	 \$ 31,388,225
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 54,991	\$ 76,204
Deferred revenue	83,960	190,466
Oregon IDA Initiative funds	3,967,479	4,088,498
Grants payable - Oregon IDA Initiative	21,445,402	26,305,453
Total liabilities	25,551,832	30,660,621
Net assets:		
Without donor restrictions	224,963	192,708
With donor restrictions	369,706	534,896
Total net assets	594,669	727,604
 TOTAL LIABILITIES AND NET ASSETS	 \$ 26,146,501	 \$ 31,388,225

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2020
(With comparative totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Oregon IDA Initiative:				
IDA contributions	\$ -	\$ 4,708,005	\$ 4,708,005	\$ 2,354,677
Interest income	-	446,401	446,401	497,642
Program fees	977,885	-	977,885	780,230
Grants obligated or paid	-	(4,013,099)	(4,013,099)	(9,600,000)
Outstanding donor designations	-	(1,141,307)	(1,141,307)	6,747,681
Net IDA initiative revenues	977,885	-	977,885	780,230
Government contracts	112,668	-	112,668	130,536
Grants and contributions	110,108	126,000	236,108	698,924
Dues and other revenue	68,067	-	68,067	94,352
Training and program fees	175,042	-	175,042	55,764
Net assets released from restrictions:				
Satisfaction of purpose restrictions	221,190	(221,190)	-	-
Satisfaction of time restrictions	70,000	(70,000)	-	-
Total support and revenue	1,734,960	(165,190)	1,569,770	1,759,806
Expenses:				
Program services	1,444,469	-	1,444,469	1,188,371
Management and general	234,328	-	234,328	218,460
Fundraising	23,908	-	23,908	42,577
Total expenses	1,702,705	-	1,702,705	1,449,408
Change in net assets	32,255	(165,190)	(132,935)	310,398
Net assets:				
Beginning of year	192,708	534,896	727,604	417,206
End of year	\$ 224,963	\$ 369,706	\$ 594,669	\$ 727,604

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2020
(With comparative totals for 2019)

	Program Services							2020 Total	2019 Total
	Policy and Advocacy	IDA Program	Financial Inclusion and Asset Building	Other Programs	Total Program Services	Management and General	Fund- raising		
Salaries and related expenses	\$ 176,109	\$ 448,378	\$ 36,458	\$ 28,473	\$ 689,418	\$ 178,583	\$ 20,537	\$ 888,538	\$ 849,278
Grants and program contracts	65,252	428,576	10,766	9,950	514,544	18,790	411	533,745	319,164
Professional fees	3,168	17,887	465	2,237	23,757	3,993	204	27,954	23,631
Rent	11,053	27,923	2,044	2,000	43,020	10,965	1,341	55,326	28,147
Telephone and utilities	1,713	3,961	268	374	6,316	1,729	219	8,264	7,965
Postage and shipping	177	1,070	33	19	1,299	180	581	2,060	1,450
Printing	-	8,361	-	-	8,361	695	-	9,056	4,211
Office and computer expense	1,646	20,731	263	1,657	24,297	4,275	125	28,697	36,563
Facility rental, lodging and food	5,481	4,437	612	41,276	51,806	1,327	-	53,133	69,719
Travel	7,899	11,490	103	11,477	30,969	350	16	31,335	38,569
Conferences and meetings	4,536	4,990	2,125	276	11,927	2,739	9	14,675	25,603
Insurance	1,602	17,813	279	367	20,061	1,498	233	21,792	22,109
Depreciation	1,092	2,759	200	202	4,253	1,079	132	5,464	6,240
Miscellaneous	1,346	8,665	156	4,274	14,441	8,125	100	22,666	16,759
Total expenses	<u>\$ 281,074</u>	<u>\$ 1,007,041</u>	<u>\$ 53,772</u>	<u>\$ 102,582</u>	<u>\$ 1,444,469</u>	<u>\$ 234,328</u>	<u>\$ 23,908</u>	<u>\$ 1,702,705</u>	<u>\$ 1,449,408</u>

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2020
(With comparative totals for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (132,935)	\$ 310,398
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	5,464	6,240
(Increase) decrease in:		
Grants and accounts receivable	255,741	(311,508)
Other assets	931	7,910
Increase (decrease) in:		
Accounts payable and accrued expenses	(21,213)	(12,837)
Deferred revenue	<u>37,657</u>	<u>21,985</u>
Net cash flows from operating activities	<u>145,645</u>	<u>22,188</u>
Net change in cash and cash equivalents	145,645	22,188
Cash and cash equivalents - beginning of year	<u>282,915</u>	<u>260,727</u>
Cash and cash equivalents - end of year	<u>\$ 428,560</u>	<u>\$ 282,915</u>

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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
- Housing Stability
- 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 financial coaching, 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, 2020

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 3,500 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 9,000 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.

Housing Stability: As the convener for the statewide Housing Alliance, Neighborhood Partnerships supports a broad coalition to 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 and investment in housing needs and a new commitment to providing critical funding streams to communities. In 2019, the organization began working with residents of affordable housing to bring them to the advocacy table under the name Residents Organizing for Change, or ROC.

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:

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Net Assets, Continued

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *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. Other investments include certificate of deposits and federally backed bonds which are reflected at fair value.

Grants and Accounts Receivable

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.

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, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition

Revenues from various sources are recognized as follows:

Oregon IDA Initiative: Program fees represent revenue related to the administration of the Oregon IDA Initiative for the fiscal year and are recognized as services are carried out. See Note 8 for information about these agency transactions.

Government Grants and Contracts: Government grants and contracts are conditioned upon certain performance requirements and/or incurring allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization has not received any advances on these grants as of June 30, 2020 and 2019.

Contributions and Grants: Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Dues and Other Revenue: Membership dues received by Housing Alliance members are initially recorded as deferred revenue. Revenue is recognized as expenses supporting the Housing Alliance are incurred.

Training and Program Fees: Revenues from trainings and other programs are recognized in the period in which the trainings and programs occur. Deferred revenue represents advance payments for programs that relate to the following year.

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

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 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.

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.

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. The reclassifications had no impact on previously reported net assets.

Change in Accounting Principle

The Organization also implemented Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists organizations in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 were implemented applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There was no significant impact to the Organization's revenue recognition in either year presented for this change in accounting principle

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Subsequent Events

The Organization has evaluated all subsequent events October 16, 2020, the date the financial statements were available to be released.

Summarized Financial Information for 2019

The accompanying financial information as of and for the year ended June 30, 2019 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.

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 428,560	\$ 282,915
Grants and accounts receivable	<u>277,329</u>	<u>513,463</u>
	705,889	796,378
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions (current)	299,705	464,896
Board designations	-	58,000
Grants receivable due in more than one year	<u>-</u>	<u>140,000</u>
Financial assets available for general expenditure	<u>\$ 406,184</u>	<u>\$ 133,482</u>

The board-designated funds of \$58,000 are available for spending when approved by the board of directors, and were released during 2020. See Note 9 regarding board designated net assets.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

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>2020</u>	<u>2019</u>
Restricted cash	\$ 13,793,872	\$ 8,662,690
Certificates of deposit	6,586,442	8,350,302
Federally backed bonds	<u>5,032,567</u>	<u>13,544,729</u>
Total restricted cash and other investments	<u>\$ 25,412,881</u>	<u>\$ 30,557,721</u>

The Organization holds multiple certificates of deposit, with interest rates ranging from 0.2% to 3.0%, maturing through July 2021.

5. GRANTS AND ACCOUNTS RECEIVABLE

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

	<u>2020</u>	<u>2019</u>
Grants	\$ 171,000	\$ 295,000
IDA funds due from fiscal intermediary	103,542	209,357
Contracts and other receivables	<u>2,787</u>	<u>9,106</u>
Total grants and accounts receivable	<u>\$ 277,329</u>	<u>\$ 513,463</u>

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

	<u>2020</u>	<u>2019</u>
Within one year	\$ 171,000	\$ 155,000
In two to five years	<u>-</u>	<u>140,000</u>
Total	<u>\$ 171,000</u>	<u>\$ 295,000</u>

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

6. OTHER ASSETS

Other assets consist of the following at June 30:

	2020	2019
Furniture and equipment	\$ 72,544	\$ 72,544
Software	39,345	39,345
Total property and equipment	111,889	111,889
Less accumulated depreciation	102,964	97,500
Net property and equipment	8,925	14,389
Prepaid expenses and deposits	18,806	19,737
Total other assets	\$ 27,731	\$ 34,126

7. DEFERRED REVENUE

Deferred revenue consists of the following at June 30:

	2020	2019
Assets For Independence	\$ -	\$ 140,602
Housing Alliance	69,279	26,976
Other	14,681	22,888
Total deferred revenue	\$ 83,960	\$ 190,466

8. AGENCY TRANSACTIONS

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, 2020

8. AGENCY TRANSACTIONS, Continued

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

	<u>2020</u>	<u>2019</u>
Oregon IDA Initiative funds	\$ 3,967,479	\$ 4,088,498
Grants payable - Oregon IDA Initiative	<u>21,445,402</u>	<u>26,305,453</u>
Total Oregon IDA Initiative liability	<u>\$ 25,412,881</u>	<u>\$ 30,393,951</u>

Grants payable through the IDA Initiative are payable 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, which were released by the board during 2020.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at:

	<u>2020</u>	<u>2019</u>
Expiring restrictions:		
Financial inclusion	\$ 81,023	\$ 97,172
Housing policy	56,656	83,666
Diversifying voices	80,000	139,920
Resident organizing	70,026	62,138
Time restricted	<u>82,000</u>	<u>152,000</u>
Total net assets with donor restrictions	<u>\$ 369,705</u>	<u>\$ 534,896</u>

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

11. CONTINGENCIES AND UNCERTAINTIES

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.

The Organization has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation.

The Organization holds a contract that is dependent on the collected tax credit donations for the IDA Initiative. Due to impacts the Tax Cuts and Jobs Act of 2017, which amended certain provisions of the 1986 IRS Code, uncertainties exist. The Organization is actively working to minimize the current and future impact of these changes.

12. LEASE COMMITMENT

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 \$53,100 and \$28,100 for the years ended June 30, 2020 and 2019, 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, 2021	\$ 54,900
2022	<u>9,200</u>
	<u>\$ 64,100</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 \$65,800 and \$62,400 for the years ended June 30, 2020 and 2019, respectively.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

14. RELATED PARTY DISCLOSURE

The Organization maintains cash balances approximating \$1 million at both June 30, 2020 and June 30, 2019 in one bank which employs board members. 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, 2020, uninsured balances approximated \$17.3 million (\$20.8 million at June 30, 2019).

The Organization had 62% of revenues concentrated with one contract for the year ended June 30, 2020 (45% for the year ended June 30, 2019). Additionally, for the year ended June 30, 2019, 24% of revenue was from one contributor. Credit risk for grants receivable is concentrated with 50% of the balance due from one organization at June 30, 2020 (55% of grants receivable at June 30, 2019 with one organization) In addition, substantially all of the balances are receivable from organizations and individuals located within the same geographic region.

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, 2020

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, 2020		
Federally backed bonds	\$ 5,032,567	\$ 5,032,567
June 30, 2019		
Federally backed bonds	\$ 13,544,729	\$ 13,544,729

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