

NEIGHBORHOOD  
PARTNERSHIPS, INC.

Audited Financial Statements

For the year ended June 30, 2017



MCDONALD JACOBS

Shareholders

MARK A. CLIFT, CPA  
KARIN S. WANDTKE, CPA  
SANG AHN, CPA  
GERARD DEBLOIS JR., CPA  
MARY STRASDIN, CPA  
ANTHONY ALMER, CPA  
TYEE CARR, CPA

Principals

JAKE JACOBS, CPA Retired  
SUSAN J. MARKS, CPA

## 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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 7, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McDonald Jacoby, P.C.*

Portland, Oregon  
October 6, 2017

NEIGHBORHOOD PARTNERSHIPS, INC.  
STATEMENT OF FINANCIAL POSITION  
June 30, 2017  
(With comparative totals for 2016)

	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 256,978	\$ 386,450
Restricted cash and certificates of deposit	25,587,470	29,380,937
Grants and accounts receivable	198,562	571,129
Other assets	46,866	45,464
 TOTAL ASSETS	 \$ 26,089,876	 \$ 30,383,980
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 52,243	\$ 64,731
Deferred revenue	434,510	582,006
Grants and contracts payable	-	3,000
Oregon IDA Initiative funds	4,256,214	6,069,344
Grants payable - Oregon IDA Initiative	20,922,486	22,971,382
 Total liabilities	 25,665,453	 29,690,463
Net assets:		
Unrestricted	235,329	272,408
Temporarily restricted	189,094	421,109
 Total net assets	 424,423	 693,517
 TOTAL LIABILITIES AND NET ASSETS	 \$ 26,089,876	 \$ 30,383,980

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2017  
(With comparative totals for 2016)

	2017			2016 Total
	Unrestricted	Temporarily Restricted	Total	
<b>Support and revenue:</b>				
Oregon IDA Initiative:				
IDA contributions	\$ -	\$ 8,762,108	\$ 8,762,108	\$ 12,289,319
Interest income	-	156,401	156,401	81,138
Program fees	771,027	-	771,027	759,978
Grants obligated or paid	-	(10,028,250)	(10,028,250)	(9,411,036)
Outstanding donor designations	-	1,109,741	1,109,741	(2,959,421)
Net IDA initiative revenues	771,027	-	771,027	759,978
Government contracts	179,533	-	179,533	98,269
Grants and contributions	93,352	233,000	326,352	581,726
Dues and other revenue	73,150	-	73,150	55,011
Training and program fees	47,674	-	47,674	63,600
Other income	540	-	540	590
Net assets released from restrictions:				
Satisfaction of purpose and time restrictions	465,015	(465,015)	-	-
Total support and revenue	1,630,291	(232,015)	1,398,276	1,559,174
<b>Expenses:</b>				
Program services	1,394,070	-	1,394,070	1,135,132
Management and general	201,896	-	201,896	195,920
Fundraising	71,404	-	71,404	47,386
Total expenses	1,667,370	-	1,667,370	1,378,438
Change in net assets	(37,079)	(232,015)	(269,094)	180,736
<b>Net assets:</b>				
Beginning of year	272,408	421,109	693,517	512,781
End of year	\$ 235,329	\$ 189,094	\$ 424,423	\$ 693,517

See notes to financial statements.

**NEIGHBORHOOD PARTNERSHIPS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended June 30, 2017  
(With comparative totals for 2016)

	Program Services							2016 Total	
	Policy and Advocacy	IDA Program	Inclusion and Asset Building	Other Programs	Program Services	Management and General	Fund- raising		
Salaries and related expenses	\$ 205,967	\$ 405,316	\$ 106,902	\$ 7,849	\$ 726,034	\$ 150,630	\$ 56,871	\$ 933,535	\$ 811,597
Grants and program contracts	106,326	260,483	25,305	4,413	396,527	9,492	7,537	413,556	252,843
Professional fees	3,362	8,641	1,349	43	13,395	3,625	783	17,803	15,666
Rent	6,768	15,562	3,248	345	25,923	5,127	1,938	32,988	40,848
Telephone and utilities	2,106	4,922	978	82	8,088	1,573	610	10,271	9,939
Postage and shipping	244	1,943	104	179	2,470	160	90	2,720	3,583
Printing	409	10,768	1,060	2,455	14,692	4,254	304	19,250	9,896
Office and computer expense	2,987	25,237	1,235	5,535	34,994	2,026	756	37,776	39,201
Facility rental, lodging and food	15,207	7,048	12,587	43,534	78,376	679	-	79,055	47,182
Staff travel	8,254	2,871	3,904	364	15,393	460	581	16,434	17,034
Conferences and meetings	3,631	23,484	9,841	76	37,032	4,228	359	41,619	15,115
Insurance	1,641	17,073	796	73	19,583	1,234	480	21,297	21,051
Depreciation	973	2,221	471	44	3,709	726	291	4,726	3,337
Miscellaneous	2,267	13,158	893	1,536	17,854	17,682	804	36,340	91,146
<b>Total expenses</b>	<b>\$ 360,142</b>	<b>\$ 798,727</b>	<b>\$ 168,673</b>	<b>\$ 66,528</b>	<b>\$ 1,394,070</b>	<b>\$ 201,896</b>	<b>\$ 71,404</b>	<b>\$ 1,667,370</b>	<b>\$ 1,378,438</b>

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.  
STATEMENT OF CASH FLOWS  
For the year ended June 30, 2017  
(With comparative totals for 2016)

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (269,094)	\$ 180,736
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,726	3,337
(Increase) decrease in:		
Grants and accounts receivable	47,026	(94,145)
Other assets	10,065	(14,598)
Increase (decrease) in:		
Accounts payable and accrued expenses	(12,488)	20,898
Deferred revenue	109,486	154,619
Grants and contracts payable	<u>(3,000)</u>	<u>(95,484)</u>
Net cash provided by (used in) operating activities	<u>(113,279)</u>	<u>155,363</u>
 <b>Cash flows from investing activities:</b>		
Purchase of property and equipment	<u>(16,193)</u>	<u>(2,670)</u>
Net cash used in investing activities	<u>(16,193)</u>	<u>(2,670)</u>
 Net increase (decrease) in cash and cash equivalents	(129,472)	152,693
 Cash and cash equivalents - beginning of year	<u>386,450</u>	<u>233,757</u>
 Cash and cash equivalents - end of year	<u>\$ 256,978</u>	<u>\$ 386,450</u>

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

I. 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, 2017

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 nearly 3,400 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 \$28.6 million in matching funds since 2008 to over 5,950 successful 'graduates,' who saved over \$12.5 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.

**Strategic Communication:** 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, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 and federal funds for the Assets For Independence program.

Grants and Accounts Receivable

Unconditional grants received from other organizations are recorded as revenue when the Organization is notified of the award. Conditional grants are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Grants and accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

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.

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, 2017

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.

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.

Summarized Financial Information for 2016

The accompanying financial information as of and for the year ended June 30, 2016 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

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.

Subsequent Events

The Organization has evaluated all subsequent events October 6, 2017, the date the financial statements were available to be released.

NEIGHBORHOOD PARTNERSHIPS, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2017

3. GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable are unsecured, expected to be collected within one year, and consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Grants	\$ 35,000	\$ 330,000
IDA funds due from fiscal intermediary	156,401	214,664
Contracts and other receivables	<u>7,161</u>	<u>26,465</u>
Total grants and accounts receivable	<u>\$ 198,562</u>	<u>\$ 571,129</u>

4. OTHER ASSETS

Other assets consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 72,744	\$ 56,551
Software	<u>39,345</u>	<u>39,345</u>
Total property and equipment	112,089	95,896
Less accumulated depreciation	<u>91,163</u>	<u>86,437</u>
Net property and equipment	20,926	9,459
Prepaid expenses and deposits	<u>25,940</u>	<u>36,005</u>
Total other assets	<u>\$ 46,866</u>	<u>\$ 45,464</u>

5. 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% and is payable on demand. There were no outstanding advances on the line at June 30, 2017 or 2016.

NEIGHBORHOOD PARTNERSHIPS, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2017

6. DEFERRED REVENUE

Deferred revenue consists of the following at June 30:

	<u>2017</u>	<u>2016</u>
Assets For Independence	\$ 399,287	\$ 543,041
Housing Alliance	25,395	31,965
Other	<u>9,828</u>	<u>7,000</u>
Total deferred revenue	<u>\$ 434,510</u>	<u>\$ 582,006</u>

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:

	<u>2017</u>	<u>2016</u>
Oregon IDA Initiative funds	\$ 4,256,214	\$ 6,069,344
Grants payable - Oregon IDA Initiative	<u>20,922,486</u>	<u>22,971,382</u>
Total Oregon IDA Initiative liability	<u>\$ 25,178,700</u>	<u>\$29,040,726</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.

NEIGHBORHOOD PARTNERSHIPS, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2017

8. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Financial inclusion policy action	\$ 35,000	\$ 2,272
Policy and asset building	15,000	267,394
Housing policy action	120,000	90,443
Equity and inclusion	15,000	-
Other	4,094	-
Time restricted	-	61,000
Total temporarily restricted net assets	<u>\$ 189,094</u>	<u>\$ 421,109</u>

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 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 \$33,000 and \$40,800 for the years ended June 30, 2017 and 2016, respectively.

Future minimum lease obligations are as follows:

Year ending June 30, 2018	\$ 50,300
2019	51,800
2020	53,300
2021	54,900
2022	9,200
	<u>\$ 219,500</u>

NEIGHBORHOOD PARTNERSHIPS, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2017

11. 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 \$60,100 and \$57,600 for the years ended June 30, 2017 and 2016, respectively.

12. RELATED PARTY DISCLOSURES

The Organization maintains cash balances approximating \$7 million at June 30, 2017 (\$10.8 million at June 30, 2016) 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.

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 either the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA) up to \$250,000. At June 30, 2017, uninsured balances approximated \$18.6 million (\$21.9 million at June 30, 2016).