

**THE NEIGHBORHOOD
PARTNERSHIP FUND**

**Audited Financial
Statements
Including Reports required by
OMB Circular A-133**

**For the Year Ended
June 30, 2007**



MCDONALD JACOBS

Jake Jacobs, CPA

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*Jill Oswald
Principal*

*James R. McDonald, CPA
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Neighborhood Partnership Fund
Portland, Oregon

We have audited the accompanying statement of financial position of The Neighborhood Partnership Fund (a nonprofit corporation) as of June 30, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from The Neighborhood Partnership Fund's 2006 financial statements, and in our report dated September 7, 2006, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Neighborhood Partnership Fund as of June 30, 2007, 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.

Strength in Numbers

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2007, on our consideration of The Neighborhood Partnership Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of The Neighborhood Partnership Fund taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

McDonald Jacobson, P.C.

September 18, 2007

THE NEIGHBORHOOD PARTNERSHIP FUND
STATEMENT OF FINANCIAL POSITION
June 30, 2007
(With comparative totals for 2006)

	2007	2006
ASSETS		
Cash and cash equivalents	\$ 1,230,409	\$ 725,106
Restricted cash	2,133,064	550,958
Grants receivable	1,220,670	1,064,195
Prepaid expenses and deposits	96,503	8,449
Property and equipment	8,819	13,299
 TOTAL ASSETS	 \$ 4,689,465	 \$ 2,362,007
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 97,176	\$ 20,761
Deferred revenue	83,460	161,771
Oregon IDA Initiative funds	2,133,064	550,958
Grants payable	218,954	164,579
 Total liabilities	 2,532,654	 898,069
Net assets:		
Unrestricted:		
Available for operations	130,725	115,231
Net property and equipment	8,819	13,299
Total unrestricted net assets	139,544	128,530
Temporarily restricted	2,017,267	1,335,408
 Total net assets	 2,156,811	 1,463,938
 TOTAL LIABILITIES AND NET ASSETS	 \$ 4,689,465	 \$ 2,362,007

See notes to financial statements.

THE NEIGHBORHOOD PARTNERSHIP FUND
STATEMENT OF ACTIVITIES
For the year ended June 30, 2007
(With comparative totals for 2006)

	2007			2006 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenues:				
Foundation grants	\$ 12,820	\$ 2,092,926	\$ 2,105,746	\$ 740,802
Other contributions and grants	37,090	77,550	114,640	543,003
Government grants and contracts	-	95,993	95,993	206,375
Training and consulting fees	362,424	-	362,424	109,473
Interest income	26,088	-	26,088	11,375
Net assets released from restrictions:				
Satisfaction of program restrictions	1,584,610	(1,584,610)	-	-
Total support and revenues	2,023,032	681,859	2,704,891	1,611,028
Expenses:				
Program services	1,906,861	-	1,906,861	1,467,292
Management and general	81,383	-	81,383	107,596
Fundraising	23,774	-	23,774	19,432
Total expenses	2,012,018	-	2,012,018	1,594,320
Change in net assets	11,014	681,859	692,873	16,708
Net assets:				
Beginning of year	128,530	1,335,408	1,463,938	1,447,230
End of year	\$ 139,544	\$ 2,017,267	\$ 2,156,811	\$ 1,463,938

See notes to financial statements.

THE NEIGHBORHOOD PARTNERSHIP FUND
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2007
(With comparative totals for 2006)

	2007										
	Program Services										
	OCDC & PNDSC Coll- aboratives	Resident Services	Conferences and Training	IDA Program	Policy and Advocacy	Other Programs	Total Program Services	Management and general	Fund- raising	Total	2006 Total
Salaries and related expenses	\$ 115,827	\$ 21,914	\$ 79,075	\$ 64,707	\$ 47,490	\$ 83,544	\$ 412,557	\$ 60,745	\$ 16,976	\$ 490,278	\$ 434,991
Contract services	-	-	154,312	70,386	60,541	52,918	338,157	-	-	338,157	244,121
Professional fees	2,492	23	4,409	7,018	1,651	3,223	18,816	2,561	544	21,921	9,937
Grants	779,000	11,090	436	7,650	1,500	-	799,676	-	-	799,676	752,350
Program supplies	404	-	15,670	92	282	102	16,550	-	-	16,550	-
Rent	7,096	1,282	4,684	3,811	2,823	5,018	24,714	3,763	1,061	29,538	29,455
Telephone and utilities	1,031	190	1,643	708	1,243	812	5,627	835	144	6,606	4,794
Postage and shipping	308	156	741	1,206	170	142	2,723	226	185	3,134	1,758
Printing	1,086	271	1,918	6,462	2,898	1,723	14,358	2,321	3,831	20,510	7,837
Office and computer expense	2,229	385	1,383	1,086	994	1,513	7,590	6,129	273	13,992	6,987
Facility rental, lodging, and food	-	946	224,133	290	849	1,117	227,335	-	-	227,335	63,452
Staff travel	1,364	641	2,011	910	2,453	940	8,319	284	178	8,781	5,366
Conferences and meetings	2,651	126	6,172	3,866	4,096	3,508	20,419	1,947	25	22,391	21,754
Insurance	919	101	611	439	361	651	3,082	514	117	3,713	1,804
Depreciation	1,232	179	684	583	390	726	3,794	538	148	4,480	4,195
Miscellaneous	640	100	725	569	674	436	3,144	1,520	292	4,956	5,519
Total expenses	\$ 916,279	\$ 37,404	\$ 498,607	\$ 169,783	\$ 128,415	\$ 156,373	\$ 1,906,861	\$ 81,383	\$ 23,774	\$ 2,012,018	\$ 1,594,320

See notes to financial statements.

THE NEIGHBORHOOD PARTNERSHIP FUND
STATEMENT OF CASH FLOWS
For the year ended June 30, 2007
(With comparative totals for 2006)

	2007	2006
Cash flows from operating activities:		
Change in net assets	\$ 692,873	\$ 16,708
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,480	4,195
(Increase) decrease in:		
Grants receivable	(156,475)	216,352
Prepaid expenses	(88,054)	1,309
Increase (decrease) in:		
Accounts payable and accrued expenses	76,415	1,385
Deferred revenue	(78,311)	149,571
Oregon IDA Initiative funds	1,582,106	202,415
Grants payable	54,375	(129,878)
Net cash provided by operating activities	2,087,409	462,057
Cash flows from investing activities:		
Purchase of property and equipment	-	(6,901)
Net cash used in investing activities	-	(6,901)
Net increase in cash and cash equivalents	2,087,409	455,156
Cash and cash equivalents - beginning of year	1,276,064	820,908
Cash and cash equivalents - end of year	\$ 3,363,473	\$ 1,276,064
Cash and cash equivalents:		
Unrestricted	\$ 1,230,409	\$ 725,106
Restricted	2,133,064	550,958
Total cash and cash equivalents	\$ 3,363,473	\$ 1,276,064

See notes to financial statements.

THE NEIGHBORHOOD PARTNERSHIP FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. DESCRIPTION OF ORGANIZATION

The Neighborhood Partnership Fund (NPF) is an Oregon nonprofit corporation which is incorporated as a separate entity of December 31, 1998. Prior to incorporation, NPF operated as a fund of The Oregon Community Foundation (OCF). NPF operated as a 501 (c)(3) supporting organization of OCF from 1998 until 2006. NPF changed its classification from supporting organization of OCF to a public supported charitable organization in 2006 and received an advance ruling from the Internal Revenue Service dated December 5, 2006.

NPF receives support from public and private foundations, government agencies, and corporations. During the year ended June 30, 2007, NPF received approximately 85% of total support from three entities.

NPF's programs support three primary goal areas:

- To create thriving communities throughout Oregon which meet the housing needs of their residents.
- To increase opportunities for low-income Oregonians to succeed in school and in life, by supporting quality programs that provide interwoven housing and services.
- To increase the household financial resources and stability for low-income Oregonians.

The Program areas of NPF are:

Policy and Advocacy

The success of the affordable housing and community development industry is threatened by a lack of support and funding at the local and state level. NPF's policy and advocacy efforts are designed to develop long-term relationships with decision leaders and inspire them with a passion for community development. NPF also strives to support these efforts with research and dissemination of new ideas, creative strategies, and proven approaches.

Training and Technical Assistance (Conferences and Training)

NPF's training and technical delivery system has three components. First, NPF strives to provide national caliber trainings in leadership, management, and technical issues. Second, NPF works to nurture peer support networks so that staff have the ability to talk through approaches, problems and concerns in a supportive environment. Third, NPF partners to provide on-site technical assistance as a follow up to group learning so that lessons and new approaches can be fully implemented.

THE NEIGHBORHOOD PARTNERSHIP FUND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

1. DESCRIPTION OF ORGANIZATION, Continued

Training and Technical Assistance (Conferences and Training), Continued

This program is never static, as the needs of the industry change rapidly. Emerging issues that NPF is addressing include succession planning, asset management, long-term portfolio planning, program design and evaluation, resident service program best practices, cultural diversity among staff and residents, and leadership for emerging leaders.

Programs in 2006-2007 included training in housing development and asset management. A leadership institute for emerging leaders was launched, and we hosted a retreat for community development leaders from across the country.

Support for Oregon's Community Development Corporations (OCDC and PNDSC Collaboratives)

NPF works in partnership with The Enterprise Foundation, Portland's Bureau of Housing and Community Development, and Oregon Housing and Community Services to fund operating expenses of Oregon community development corporations. In 2006-2007, NPF funded 13 groups through the Portland Neighborhood Development Support Collaborative (PNDSC), and 22 groups through the Oregon Community Development Collaborative (OCDC). These collaborative structures assist organizations in developing benchmarks for success, monitoring progress, and addressing organizational challenges. NPF's role as program administrator keeps NPF integrally connected to the industry.

Bridges to Housing (Other Programs)

In late 2005, NPF was asked to assume a coordinating role for a four county, two state effort to alleviate family homelessness. As the coordinator of Bridges to Housing, NPF acts to centralize program design and delivery, to evaluate impact, and to support fundraising.

Resident Services

Housing, while a critical component of family stability, is not always enough to allow low income families and individuals to make the most of their opportunities and succeed. NPF's resident services project makes resources and technical assistance available to organizations providing housing plus services, and seeks to measure both individual outcomes (better grades in school, financial literacy) and system-related outcomes (lower involuntary turnover, lower maintenance costs).

THE NEIGHBORHOOD PARTNERSHIP FUND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

1. DESCRIPTION OF ORGANIZATION, Continued

Asset Building through Individual Development Accounts (IDA)

NPF is the nonprofit partner for the State of Oregon's Individual Development Account (IDA) Tax Credit Program. NPF raises funds through the sale of tax credits that will be used to match individuals' savings towards higher education, a new home purchase, or a small business startup. The funds are utilized by a network of statewide partner organizations that provide financial literacy training, enterprise development assistance, and homeownership counseling.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

NPF reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.
- Permanently restricted net assets represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

NPF had only unrestricted and temporarily restricted net assets at June 30, 2007 and 2006.

Cash and Cash Equivalents

NPF 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 designated for specific purposes by grantors.

THE NEIGHBORHOOD PARTNERSHIP FUND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, Continued

Property and Equipment

Acquisitions of property and equipment in excess of \$500 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

Depreciation of property and equipment is computed on the straight-line method based on estimated useful lives of three to ten years.

Grants Receivable

Unconditional grants received from other organizations are recorded as revenue when NPF is notified of the award.

Deferred Revenue

Proceeds from trainings and conferences are recognized as revenues in the period the event occurs. Amounts received in advance for trainings and conferences are recorded as deferred revenue.

Grants Payable

Grants payable to other organizations are recorded as expense when they are approved by the Board of Directors for payment. Grants payable at June 30, 2007 are payable within one year.

Grants received on behalf of others, in which NPF has no variance power over the grants, are recorded as a liability. Contributions received under the IDA program, in which NPF has no variance power, are included in grants payable on the statement of financial position and approximate \$2,133,000 and \$551,000, at June 30, 2007 and 2006, respectively.

Unrestricted and Restricted Support, Revenues, and Contributions

Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions when the restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished).

THE NEIGHBORHOOD PARTNERSHIP FUND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, 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

The Neighborhood Partnership Fund is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code. 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 2006

The accompanying financial information as of and for the year ended June 30, 2006 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

THE NEIGHBORHOOD PARTNERSHIP FUND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

3. GRANTS RECEIVABLE

Grants receivable at June 30, 2007 are expected to be received as follows:

Within one year	\$ 1,020,670
In two to five years	<u>200,000</u>
Total grants receivable	<u>\$ 1,220,670</u>

A conditional grant receivable for \$225,000 which is contingent on NPF meeting matching requirements is not recorded in the financial statements. Revenue from this grant will be recorded when the Organization has met the matching requirements.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2007</u>	<u>2006</u>
Furniture and equipment	\$ 82,579	\$ 82,579
Less accumulated depreciation	<u>73,760</u>	<u>69,280</u>
Property and equipment, net	<u>\$ 8,819</u>	<u>\$ 13,299</u>

5. LINE OF CREDIT

NPF has a \$150,000 revolving line of credit with Wells Fargo Bank. The line of credit bears interest at prime plus 2.0% and is payable on demand. There were no outstanding advances on the line at June 30, 2007 and 2006.

THE NEIGHBORHOOD PARTNERSHIP FUND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

6. RESTRICTED NET ASSETS

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

	2007	2006
PNDSC & OCDC Collaboratives	\$ 2,546	\$ 466,000
Resident services	70,903	-
Bridges to Housing	988,171	-
Trainings and conferences	893,850	675,477
Policy	52,641	117,833
IDA operating support	-	46,098
Asset Building	9,156	30,000
Total temporarily restricted net assets	\$ 2,017,267	\$ 1,335,408

7. RETIREMENT PLAN

NPF established a retirement plan whereby all employees over 20-1/2 years of age are eligible to participate. Employees may enter the plan on the first day of any month. NPF makes discretionary contributions to the plan for employees with over 1,000 hours of service in the plan year. NPF contributed \$33,885 during the year ended June 30, 2007, and \$32,597 during the year ended June 30, 2006. Amounts contributed by NPF become 100% vested after the employee has performed three years of service.

8. LEASE COMMITMENTS

NPF rents office space under an operating lease agreement in effect through February 2009. For the years ended June 30, 2007 and 2006, rent expense approximated \$30,000 and \$29,000, respectively.

Future minimum lease payments are as follows

For the year ending June 30, 2008	\$	28,800
2009		19,600
	\$	48,400

THE NEIGHBORHOOD PARTNERSHIP FUND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

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. CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization maintains its cash balances in several financial institutions located in Portland. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000 per institution. At June 30, 2007 and 2006, uninsured balances approximated \$3,286,000 and \$1,198,000, respectively.

REPORTS REQUIRED BY OMB CIRCULAR A-133

THE NEIGHBORHOOD PARTNERSHIP FUND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2007

Federal Grantor/Pass-through Grantor Program title	CFDA Number	Contract Number	Federal Expend- itures
US Department of Housing and Urban Development:			
Technical Assistance	14.239		\$ 40,239
Technical Assistance	14.329		6,584
Passed through Enterprise Foundation:			
Living Cities	14-XXX	B-00-NC-MD- 0002	289,750
Capacity Building	14-XXX	B-00-NC-MD- 0006	376,860
Total expenditures of federal awards			\$ <u>713,433</u>

THE NEIGHBORHOOD PARTNERSHIP FUND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS
For the year ended June 30, 2007

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes all federal grant activity of The Neighborhood Partnership Fund and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

Total expenditures of federal awards	\$	713,433
Non federal expenditures		<u>1,298,585</u>
 Total expenses per Statement of Activities	 \$	 <u>2,012,018</u>

2. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, The Neighborhood Partnership Fund provided federal awards to subrecipients as follows:

Program Title	Grant or CFDA Number	Amount Provided to Sub- recipients
Living Cities	B-00-NC-MD- 0002	\$ 240,000
Capacity Building	B-00-NC-MD- 0006	<u>329,000</u>
 Total amount provided to subrecipients		 \$ <u>569,000</u>

THE NEIGHBORHOOD PARTNERSHIP FUND
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the year ended June 30, 2007

Finding No. 1: Capacity Building Grant number: #B-00-NC-MD-0006
Subrecipient Responsibilities

Condition

The Neighborhood Partnership Fund is responsible for reporting the amount of federal funds awarded to subrecipients. The Neighborhood Partnership Fund did not report to subrecipients the amount of federal funds on grants under the Capacity Building Program.

Recommendation:

The Neighborhood Partnership Fund should take immediate action and inform subrecipients of the amount and source of federal funds awarded.

Action Taken:

In October 2006, The Neighborhood Partnership Fund notified the subrecipients in separate mailings of the amount of federal awards granted for the year ended June 30, 2006.

Status:

We verified by examining correspondence, that all subrecipients of the Capacity Building program were notified of the amount of federal funds awarded for the year ended June 30, 2006.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
The Neighborhood Partnership Fund
Portland, Oregon

We have audited the financial statements of The Neighborhood Partnership Fund (a nonprofit organization) as of and for the year ended June 30, 2007 and have issued our report thereon dated September 18, 2007. We conducted our audit in accordance auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Neighborhood Partnership Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that the misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Neighborhood Partnership Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The results of our tests disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as finding 1.

This report is intended solely for the information and use of the finance committee, management, others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McDonald Jacobson, P.C.

September 18, 2007



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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

To the Board of Directors
The Neighborhood Partnership Fund
Portland, Oregon

Compliance

We have audited the compliance of The Neighborhood Partnership Fund with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Neighborhood Partnership Fund's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The Neighborhood Partnership Fund's management. Our responsibility is to express an opinion on The Neighborhood Partnership Fund's compliance based on our audit.

We conducted our audit of compliance in with accordance auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Neighborhood Partnership Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of The Neighborhood Partnership Fund's compliance with those requirements.

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In our opinion, The Neighborhood Partnership Fund complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as finding 1.

Internal Control Over Compliance

The management of The Neighborhood Partnership Fund is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The Neighborhood Partnership Fund's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A control deficiency in an organization's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McDonald Jacobson, P.C.

September 18, 2007

**THE NEIGHBORHOOD PARTNERSHIP FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2007**

Section I: Summary of Auditor's Results

Financial Statements

- Type of auditor's report issued: unqualified
- Internal control over financial reporting:
 - Material weakness(es) identified? ___yes X no
 - Reportable condition(s) identified that are not considered to be material weaknesses? ___yes X none reported
- Noncompliance material to financial statements noted? ___yes X no

Federal Awards

- Internal control over major programs:
 - Material weakness(es) identified? ___yes X no
 - Reportable condition(s) identified that are not considered to be material weaknesses? ___yes X none reported
- Type of auditor's report issued on compliance for major programs: unqualified
- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X yes ___no

Identification of major programs:

CFDA Number:	14-XXX, B-00-NC-MD-0002
Name of Federal Program:	Living Cities

CFDA Number:	14-XXX, B-00-NC-MD-0006
Name of Federal Program:	Capacity Building

Dollar threshold used to distinguish between type A and type B programs:	<u>\$300,000</u>
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Auditee qualified as low-risk auditee	___yes <u> X </u> no
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THE NEIGHBORHOOD PARTNERSHIP FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the year ended June 30, 2007

Section II: Financial Statements Findings

There were no audit findings.

Section III: Federal Award Findings and Questioned Costs

Finding No. 1: Living Cities Grant number: #B-00-NC-MD-0002
Subrecipient Responsibilities

Condition:

During the fiscal year, The Neighborhood Partnership Fund granted federal awards to subrecipients totaling \$569,000. Grants totaling \$240,000 were awarded to subrecipients and passed-through to the subrecipients under the Living Cities program and were not identified as federal funds. These federal awards passed-through to subrecipients consisted of 7 grant awards, ranging from \$30,000 to \$42,000.

Criteria:

The pass-through organization is ultimately responsible for complying with federal requirements at the subrecipient level. The pass-through organization is responsible for informing the subrecipient of sources of federal funding.

Effect:

Subrecipients could be subject to A-133 requirements if other sources of federal funds including the pass-through funds from The Neighborhood Partnership Fund exceed the A-133 threshold.

Cause:

Standard grant documents used for the current grant period inadvertently omitted the explicit disclosure of the amount of federal funds awarded.

Recommendation:

The Neighborhood Partnership Fund should take immediate action and inform subrecipients of the amount and source of federal funds awarded.

**THE NEIGHBORHOOD PARTNERSHIP FUND
CORRECTIVE ACTION PLAN
For the year ended June 30, 2007**

Finding No. 1: Living Cities Grant number: B-00-NC-MD-0002
Subrecipient Responsibilities

Recommendation:

The Neighborhood Partnership Fund should take immediate action and inform subrecipients of the amount and source of federal funds awarded.

Action Taken:

The Neighborhood Partnership Fund concurs with the recommendation and has notified all subrecipients of the amount of the federal award in a letter dated August 23, 2007.