

NEIGHBORHOOD
PARTNERSHIPS, INC.

Audited Financial Statements

For the year ended June 30, 2016



MCDONALD JACOBS

Shareholders

Mark A. Clift, CPA

Jill Oswald

Karin S. Wandtke, CPA

Sang Ahn, CPA

Gerard DeBlois Jr., CPA

Mary Strasdin, CPA

Anthony Almer, CPA

Principals

Jake Jacobs, CPA

Susan J. Marks, CPA

Tyee Carr, CPA

Victor Epstein, 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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 22, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
October 7, 2016

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2016
(With comparative totals for 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 386,450	\$ 233,757
Restricted cash and certificates of deposit	29,380,937	25,342,888
Grants and accounts receivable	571,129	262,319
Other assets	45,464	31,534
 TOTAL ASSETS	 \$ 30,383,980	 \$ 25,870,498
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 64,731	\$ 43,833
Deferred revenue	582,006	659,750
Grants and contracts payable	3,000	98,484
Oregon IDA Initiative funds	6,069,344	3,965,573
Grants payable - Oregon IDA Initiative	22,971,382	20,590,077
 Total liabilities	 29,690,463	 25,357,717
Net assets:		
Unrestricted	272,408	222,850
Temporarily restricted	421,109	289,931
 Total net assets	 693,517	 512,781
 TOTAL LIABILITIES AND NET ASSETS	 \$ 30,383,980	 \$ 25,870,498

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2016
(With comparative totals for 2015)

	2016			2015 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Oregon IDA Initiative:				
IDA contributions raised in current year	\$ -	\$ 12,289,319	\$ 12,289,319	\$ 11,359,802
Interest income	-	81,138	81,138	78,281
Program fees	759,978	-	759,978	659,569
Grants obligated or paid	-	(9,411,036)	(9,411,036)	(9,030,000)
Outstanding donor designations	-	(2,959,421)	(2,959,421)	(2,408,083)
Net IDA initiative revenues	<u>759,978</u>	<u>-</u>	<u>759,978</u>	<u>659,569</u>
Bridges to Housing:				
Government funding recognized	-	-	-	968,121
Service provider obligations	-	-	-	(936,566)
Net Bridges to Housing	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,555</u>
Government contracts	98,269	-	98,269	86,786
Grants and contributions	56,726	525,000	581,726	631,289
Dues and other revenue	55,011	-	55,011	58,246
Training and program fees	63,600	-	63,600	73,152
Other income	590	-	590	9,267
Net assets released from restrictions:				
Satisfaction of purpose restrictions	<u>393,822</u>	<u>(393,822)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,427,996</u>	<u>131,178</u>	<u>1,559,174</u>	<u>1,549,864</u>
Expenses:				
Program services	1,135,132	-	1,135,132	1,065,396
Management and general	195,920	-	195,920	154,592
Fundraising	47,386	-	47,386	26,065
Total expenses	<u>1,378,438</u>	<u>-</u>	<u>1,378,438</u>	<u>1,246,053</u>
Change in net assets	49,558	131,178	180,736	303,811
Net assets:				
Beginning of year	<u>222,850</u>	<u>289,931</u>	<u>512,781</u>	<u>208,970</u>
End of year	<u>\$ 272,408</u>	<u>\$ 421,109</u>	<u>\$ 693,517</u>	<u>\$ 512,781</u>

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2016
(With comparative totals for 2015)

	Program Services							Total
	Policy and Advocacy	IDA Program	Asset Building Coalition	Other Programs	Management and General	Fund- raising	2016 Total	
Salaries and related expenses	\$ 137,396	\$ 397,381	\$ 60,945	\$ 20,809	\$ 154,516	\$ 40,550	\$ 811,597	\$ 670,366
Grants and program contracts	62,532	145,256	22,657	9,468	11,797	1,133	252,843	305,159
Professional fees	733	8,957	906	81	3,691	1,298	15,666	15,929
Rent	5,908	21,714	2,775	1,307	7,164	1,980	40,848	34,750
Telephone and utilities	1,327	5,618	657	208	1,649	480	9,939	8,934
Postage and shipping	263	2,633	116	133	328	110	3,583	4,495
Printing	302	4,190	101	4,289	939	75	9,896	21,298
Office and computer expense	1,383	26,999	746	7,336	1,829	908	39,201	41,565
Facility rental, lodging and food	1,353	7,501	2,317	36,011	-	-	47,182	44,915
Staff travel	5,650	7,596	1,554	1,669	509	56	17,034	29,405
Conferences and meetings	3,526	4,028	2,349	1,239	3,973	-	15,115	29,704
Insurance	1,073	17,529	535	179	1,355	380	21,051	20,855
Depreciation	506	1,774	234	118	571	134	3,337	3,215
Miscellaneous	2,306	71,922	6,318	2,719	7,599	282	91,146	15,463
Total expenses	\$ 224,258	\$ 723,098	\$ 102,210	\$ 85,566	\$ 195,920	\$ 47,386	\$ 1,378,438	\$ 1,246,053

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2016
(With comparative totals for 2015)

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 180,736	\$ 303,811
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,337	3,215
(Increase) decrease in:		
Grants and accounts receivable	(94,145)	(129,671)
Other assets	(14,598)	(1,658)
Increase (decrease) in:		
Accounts payable and accrued expenses	20,898	14,197
Deferred revenue	154,619	52,259
Grants and contracts payable	(95,484)	(117,456)
Net cash provided by operating activities	155,363	124,697
 Cash flows from investing activities:		
Purchase of property and equipment	(2,670)	(1,299)
Net cash used in investing activities	(2,670)	(1,299)
 Net increase in cash and cash equivalents	152,693	123,398
 Cash and cash equivalents - beginning of year	233,757	110,359
 Cash and cash equivalents - end of year	\$ 386,450	\$ 233,757

See notes to financial statements.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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'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, 2016

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 \$25.5 million in matching funds since 2008 to over 4,450 successful 'graduates,' who saved over \$9 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, 2016

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, Bridges to Housing Program (for 2015) 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. All grants payable 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, 2016

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.

The Organization's information returns for years ended June 30, 2012 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions.

Summarized Financial Information for 2015

The accompanying financial information as of and for the year ended June 30, 2015 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 7, 2016, the date the financial statements were available to be released.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

3. GRANTS AND ACCOUNTS RECEIVABLE

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

	<u>2016</u>	<u>2015</u>
Grants	\$ 330,000	\$ 205,000
Contracts	4,601	20,983
IDA funds due from fiscal intermediary	214,664	-
Program service fees - IDA administration	<u>21,864</u>	<u>36,336</u>
Total grants and accounts receivable	<u>\$ 571,129</u>	<u>\$ 262,319</u>

Grants and contracts are expected to be received as follows:

	<u>2016</u>	<u>2015</u>
Within one year	\$ 571,129	\$ 187,319
In two to five years	<u>-</u>	<u>75,000</u>
Total	<u>\$ 571,129</u>	<u>\$ 262,319</u>

4. OTHER ASSETS

Other assets consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 56,551	\$ 53,881
Software	<u>39,345</u>	<u>39,345</u>
Total property and equipment	95,896	93,226
Less accumulated depreciation	<u>86,437</u>	<u>83,099</u>
Net property and equipment	9,459	10,127
Prepaid expenses and deposits	<u>36,005</u>	<u>21,407</u>
	<u>\$ 45,464</u>	<u>\$ 31,534</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 7.75% and is payable on demand. There were no outstanding advances on the line at June 30, 2016 or 2015.

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

6. DEFERRED REVENUE

Deferred revenue consists of the following at June 30:

	2016	2015
Assets For Independence	\$ 543,041	\$ 645,628
Housing Alliance	31,965	12,492
Other	7,000	1,630
Total deferred revenue	\$ 582,006	\$ 659,750

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:

	2016	2015
Oregon IDA Initiative funds	\$ 6,069,344	\$ 3,965,573
Grants payable - Oregon IDA Initiative	22,971,382	20,590,077
Total Oregon IDA Initiative liability	\$ 29,040,726	\$ 24,555,650

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, 2016

8. TEMPORARILY RESTRICTED NET ASSETS

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

	2016	2015
Financial Inclusion Policy Action	\$ 2,272	\$ 35,000
Policy and asset building	267,394	254,931
Diversifying Voices	90,443	-
Time restricted	61,000	-
Total temporarily restricted net assets	\$ 421,109	\$ 289,931

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 leased office space under an operating lease agreement through June 2016. Monthly rent was \$2,955 with annual rent escalation increases of 3%.

The Organization signed a new lease agreement in May 2016 that expires August 2021. There is an initial seven-month rent concession; thereafter, monthly rent is \$4,088 with annual increases of 3%.

Total rent expense approximated \$40,800 and \$34,700 for the years ended June 30, 2016 and 2015, respectively.

Future minimum lease obligations are as follows:

Year ending June 30, 2017	\$ 32,800
2018	50,300
2019	51,800
2020	53,300
2021	54,900
Thereafter	9,200
	\$ 252,300

NEIGHBORHOOD PARTNERSHIPS, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

11. RETIREMENT PLAN

The Organization established a retirement plan covering eligible employees. The Organization makes discretionary contributions to the plan for employees with over 1,000 hours of service in the plan year. Amounts contributed by the Organization become 100% vested after the employee has performed three years of service. The Organization's contribution approximated \$57,600 and \$48,500 for the years ended June 30, 2016 and 2015, respectively.

12. RELATED PARTY DISCLOSURES

The Organization maintains cash balances approximating \$10.8 million at June 30, 2016 (\$9.7 million at June 30, 2015) 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, 2016, uninsured balances approximated \$21.9 million (\$17.4 million at June 30, 2015).