

# **NEIGHBORIMPACT**

**CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**YEAR ENDED JUNE 30, 2014**

# NEIGHBORIMPACT

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## INDEPENDENT AUDITORS' REPORT

John P. Harrigan, CPA

Wesley B. Price III, CPA

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Kara L. Pardue, CPA

Karen C. Anderson, CPA

To the Board of Directors  
NeighborImpact  
Redmond, Oregon

We have audited the accompanying financial statements of NeighborImpact (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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.

### Auditors' 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 and the standards applicable to financial audits contained in Government Audit 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 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 entity'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 entity'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 opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NeighborImpact, as of June 30, 2014, and the changes in

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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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2014, on our consideration of the Organization'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 the results of that testing, and not to provide an opinion on 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.

#### **Other Matters**

##### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

##### *Prior-Year Summarized Comparative Information*

NeighborImpact's 2013 financial statements were audited by other auditors and they expressed an unmodified opinion on them in their report dated January 21, 2014. In our opinion, the summarized comparative information provided herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Harrigan Price Frunk & Co. LLP*

December 29, 2014



## **FINANCIAL STATEMENTS**

# NEIGHBORIMPACT

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION JUNE 30, 2014 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

	Totals	
	2014	2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,565,315	\$ 1,439,528
Short-term investments		425,000
Accounts receivable		629
Grants receivable	1,713,968	977,225
Prepaid expenses and other current assets	8,145	85,167
Food inventory	105,489	90,272
<b>TOTAL CURRENT ASSETS</b>	<b>4,392,917</b>	<b>3,017,821</b>
<b>OTHER ASSETS</b>		
Long-term investments	1,775,000	1,775,000
Restricted notes receivable	261,071	339,651
Other notes receivable, net of deferred portion	348,537	376,415
<b>TOTAL OTHER ASSETS</b>	<b>2,384,608</b>	<b>2,491,066</b>
<b>FIXED ASSETS, net of accumulated depreciation</b>	<b>2,077,247</b>	<b>4,237,661</b>
<b>INTANGIBLE ASSETS, net of accumulated amortization</b>		<b>25,398</b>
<b>TOTAL ASSETS</b>	<b>\$ 8,854,772</b>	<b>\$ 9,771,946</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 208,235	\$ 169,386
Accrued expenses	235,796	142,879
Escrow liability	7,835	9,894
Security deposits		44,113
Current portion of long-term debt	3,396	42,863
<b>TOTAL CURRENT LIABILITIES</b>	<b>455,262</b>	<b>409,135</b>
<b>LONG TERM DEBT, net of current portion</b>	<b>37,776</b>	<b>1,421,401</b>
<b>TOTAL LIABILITIES</b>	<b>493,038</b>	<b>1,830,536</b>
<b>NET ASSETS</b>		
Unrestricted	2,555,316	2,466,280
Temporarily restricted	5,094,631	4,763,343
Permanently restricted	711,787	711,787
<b>TOTAL NET ASSETS</b>	<b>8,361,734</b>	<b>7,941,410</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 8,854,772</b>	<b>\$ 9,771,946</b>

See independent auditors' report and notes to financial statements

# NEIGHBORIMPACT

## CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2014 (WITH COMPARATIVE TOTALS FOR THE JUNE 30, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2014	2013
SUPPORT AND REVENUE					
Federal grants	\$	\$ 5,189,510	\$	\$ 5,189,510	\$ 5,027,759
State and local grants		4,431,385		4,431,385	5,000,933
Contributions	192,045	3,606,792		3,798,837	3,610,355
Program revenue		244,089		244,089	363,437
Rental income	215,296	41,821		257,117	484,872
Interest income	38,955			38,955	39,573
Other revenue	45,905			45,905	69,640
Gain on sale of assets	619,117			619,117	
Net assets, released from restrictions	13,182,309	(13,182,309)			
Total Support and Revenues	14,293,627	331,288		14,624,915	14,596,569
EXPENSES					
Program services					
Health and welfare	12,787,790			12,787,790	13,880,758
Support services					
Management and general	1,197,750			1,197,750	633,598
Fundraising	219,051			219,051	166,282
Total Expenses	14,204,591			14,204,591	14,680,638
CHANGE IN NET ASSETS	89,036	331,288		420,324	(84,069)
NET ASSETS - Beginning of year	2,466,280	4,763,343	711,787	7,941,410	8,025,479
NET ASSETS - End of year	\$ 2,555,316	\$ 5,094,631	\$ 711,787	\$ 8,361,734	\$ 7,941,410

See independent auditors' report and notes to financial statements

# NEIGHBORIMPACT

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2014 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	Support Services		Program Services	Totals	
	Management and General	Fundraising	Health and Welfare	2014	2013
PERSONNEL					
Salaries and wages	\$ 673,404	\$ 132,765	\$ 3,706,934	\$ 4,513,103	\$ 4,311,571
Payroll taxes and benefits	247,825	33,715	1,370,628	1,652,168	1,607,904
Total Personnel	921,229	166,480	5,077,562	6,165,271	5,919,475
MATERIALS AND SERVICES					
Printing	4,939	10,133	34,322	49,394	35,707
Office expenses	20,867	19,017	157,994	197,878	198,474
Interest	924		44,114	45,038	50,553
Insurance	4,516		45,454	49,970	59,702
Professional fees	69,571		11,863	81,434	43,015
Contract services	4,568	40	41,076	45,684	7,742
Repairs and maintenance	26,199		91,943	118,142	201,005
Client assistance			6,450,389	6,450,389	7,129,934
Transportation and lodging	22,198	2,953	196,834	221,985	213,231
Rent	48,058	10,205	135,168	193,431	127,377
Janitorial	2,448	651	21,382	24,481	10,290
Utilities and telephone	18,684	3,570	131,810	154,064	174,921
Training and recruitment	12,503	1,896	65,979	80,378	51,447
Dues and fees	17,541	2,260	26,590	46,391	12,780
Other	7,977	1,846	75,096	84,919	158,170
Total materials and services	260,993	52,571	7,530,014	7,843,578	8,474,348
Total expenses before depreciation	1,182,222	219,051	12,607,576	14,008,849	14,393,823
Depreciation	15,528		180,214	195,742	286,815
TOTAL EXPENSES	\$ 1,197,750	\$ 219,051	\$ 12,787,790	\$ 14,204,591	\$ 14,680,638

See independent auditors' report and notes to financial statements



# NEIGHBORIMPACT

## CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 420,324	\$ (84,069)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	195,742	286,815
Gain on sale of fixed assets	(619,117)	
Changes in current assets and liabilities		
Accounts receivable	629	(607)
Grants receivable	(736,743)	(382,353)
(Increase) decrease in food inventory	(15,217)	70,469
Prepaid expenses	77,022	(58,156)
Accounts payable		(24,954)
Accrued expenses	38,849	(47,190)
Deferred grant revenue	92,917	
Escrow liability	(2,059)	2,817
Security deposits	(44,113)	4,320
NET CASH USED IN OPERATING ACTIVITIES	(591,766)	(232,908)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of investments		(200,000)
Redemption of investments	425,000	
Collections and write-offs of notes receivable		195,758
Issuance of notes receivable	106,458	(40,508)
Disposition of intangible assets	25,398	
Proceeds from the sale of fixed assets	1,341,359	
Purchase of property and equipment	(164,041)	
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	1,734,174	(44,750)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(16,621)	(41,421)
NET CASH USED IN FINANCING ACTIVITIES	(16,621)	(41,421)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,125,787	(319,079)
CASH AND CASH EQUIVALENTS - Beginning of year	1,439,528	1,758,607
CASH AND CASH EQUIVALENTS - End of year	\$ 2,565,315	\$ 1,439,528

See independent auditors' report and notes to financial statements

# NEIGHBORIMPACT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Organization***

From 1985, NeighborImpact (the Organization), has been recognized by the Oregon Housing and Community Services Department (OHCSD) as a community action agency to serve Crook, Deschutes and Jefferson Counties. It is organized as a 501(c)(3) charitable corporation. A 15-member volunteer Board is responsible for setting policy and direction for the Organization. Its service area encompasses all of Crook, Deschutes and Jefferson Counties in a region known as Central Oregon. The Organization maintains over 17 offices and classroom sites in the communities of La Pine, Bend, Redmond, Sisters, Prineville and Madras.

The Organization is dedicated to empowering individuals and families to succeed and become engaged citizens in the community. The Organization's mission is delivered through the services provided by its three largest department areas; Emergency Services and Food, Early Care and Education and Housing Center. The Organization takes a team approach in providing comprehensive services that build on the strengths of the customer in order to increase assets in the following areas:

- Personal (job skills and education/school readiness)
- Financial (earnings, income, savings)
- Social (formal and informal support networks)
- Family (family functioning and stability)

The Organization believes that assets help people through times of need and to realize their hopes and dreams for the future. The Organization's strategy in building assets is accomplished through communication, collaboration and coordination of services across program areas and in partnership with customers and community.

The Organization provides the following services to assist low and moderate income residents of Central Oregon:

#### **Emergency Services and Food Programs**

Emergency Services – provides emergency rental assistance, energy shut-off prevention as well as information and referral to individuals and families.

Energy Services – helps eligible families and individuals pay a portion of their heating costs during the winter months, participate in energy education and/or receive energy case management.

Family Shelter – provides short-term shelter to homeless families with children. The program is located in Bend and can provide housing for up to five families at a time for up to three months.

Food Bank – collects and distributes food to network of 40 local agencies in Crook, Deschutes and Jefferson Counties. These groups are independent non-profits and/or churches that include Emergency Food Box Sites, Congregate Meal Sites, Brown Bag Programs, Shelters, Child Care Providers and Senior Programs.

# NEIGHBORIMPACT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### *Organization – Continued*

#### **Emergency Services and Food Programs – Continued**

Rent Services – provides rent assistance, information and referral and case management to eligible individuals and families through a variety of rent programs. Services are based on need, eligibility and available funding.

Transitional Housing – helps homeless families with their immediate housing crisis and longer term self-sufficiency through rental subsidies, case management support and training assistance.

#### **Early Care and Education Programs**

Child Care Resources – offers training to providers related to effective early childhood education and preschool readiness; provides parents and employers with information and referral services; assists providers in obtaining state quality rating.

Head Start Program – promoting school readiness and self-sufficiency through early childhood education, parent involvement, family support, health services, social services and nutritious meals for primarily low-income families, children with disabilities or other special needs.

#### **Housing Center Programs**

Home Ownership – offers a variety of programs including foreclosure prevention classes and counseling, first time homeownership classes and counseling, down-payment assistance loans, reverse mortgage counseling, financial literacy classes and counseling and a matched saving program (IDA).

Home Rehabilitation – provides low interest home repair loans to clients that are below 80 percent of the area median.

Weatherization – is a year-round program that makes improvements to homes to reduce energy loss for clients at or below 60 percent of the state area median income. Some improvements may include insulation, heating systems and air sealing. There is a home evaluation process to determine what items will be considered. A client may rent or own their home.

Lending to Income Qualified Individuals – offers low-cost and deferred loans to income qualified homeowners and individuals to rehabilitate property, replace failing septic and support microenterprise and entrepreneurship to supplement income.

#### **Consolidation Policy**

The accompanying consolidated financial statements include the accounts of NeighborImpact Community Action Foundation of Central Oregon (CAFCO), and Healy Heights Partner, LLC (HHP).

# NEIGHBORIMPACT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### ***Consolidation Policy – Continued***

The Organization has control over appointments to the Board of CAFCO so consolidation is required under accounting principles generally accepted in the United States of America. Once appointed, the Organization does not have the ability to remove Board members of CAFCO and does not control the activity of CAFCO. Inter-organization transactions and balances have been eliminated in consolidation.

Effective June 15, 2011, the Organization, through its wholly owned subsidiary HHP, became the 99 percent owner and limited partner of Deschutes Family Housing Limited Partnership (DFHLP). CAFCO is the 1 percent owner and general partner of DFHLP. As a result, consolidation is required under accounting principles generally accepted in the United States of America. Inter-organization transactions and balances have been eliminated in consolidation. DFHLP is an Oregon limited partnership, formed November 15, 1993, to construct, own and operate a 70-unit affordable housing project, in conformity with the provisions of Section 42 of the Internal Revenue Code (IRC). The partnership will terminate not later than December 31, 2034.

#### ***Basis of Accounting***

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### ***Income Taxes***

The Organization and CAFCO are not-for-profit corporations which have been granted tax-exempt status under IRC Section 501(c)(3). In addition, they have been determined by the Internal Revenue Services (IRS) not to be private foundations within the meaning of Section 509(a) of the code. DFHLP is not a taxing entity for federal or state tax purposes as the partners report partnership income on their respective tax returns. Accordingly, these consolidated statements do not reflect a provision for income taxes. The tax returns for the Organization, CAFCO and DFHLP are subject to examination by the IRS generally for three years after they were filed.

#### ***Support and Revenue***

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with grantor or donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, then a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, and would typically need to be purchased if not provided by the donation, are recorded at their fair market value in the period received.

# NEIGHBORIMPACT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### ***Estimates***

The preparation of consolidated financial statements, in conformity with accounting principles generally accepted in the United States of America, required management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### ***Cash and Cash Equivalents***

Cash equivalents are stated at cost which approximates market value. For purposes of the consolidated statement of cash flows, the Organization considers all cash investments with maturities of three months or less to be cash equivalents.

#### ***Grants Receivable***

Management believes that grants receivable will be fully collectible. Therefore, no allowance was recorded.

#### ***Functional Allocation of Expenses***

The Organization allocates indirect expenses of administrative overhead and other allocable costs to supporting service departments based on various direct costs and other information. The Organization's management reviews and updates these allocations on an annual basis.

The cost of providing various programs and other activities has been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

#### ***Inventory***

Inventory consists primarily of food and food supplies used in the Organization's client service programs and is stated at the lower of cost (determined by the first-in, first-out method) or market. Amounts held at year end are considered to be temporarily restricted in accordance with grantor requirements.

#### ***Compensated Absences***

Compensated absences are recorded as a liability and an expense when earned rather than when paid. When vacation is taken, amounts disbursed for vacation pay are charges against the liability. Compensated absences are valued at current pay rates.

# NEIGHBORIMPACT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2014

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### ***Property and Equipment***

Property and equipment acquired by the Organization are considered to be owned by the Organization. However, government funding sources may maintain an interest in the property purchased with grant funding as well as the right to determine the use of any proceeds from the sale of such assets. The land, building and improvements at the Organization's main location in Redmond, Oregon with a total cost of \$1,187,571, and related accumulated depreciation of \$481,560 as of June 30, 2014, is subject to a land use lease with the City of Redmond whereby upon termination of the lease, title of the property would transfer to the City of Redmond. The lease, after two extension options, expires May 2049. Management deems the likelihood of the lease terminating prior to such date to be remote.

Paving, landscaping and furnishings and equipment owned by DFHLP are depreciated using the declining balance method over estimated useful lives of the assets. All other fixed assets are depreciated using the straight-line method over estimated useful lives of the assets. The Organization capitalizes all property and equipment with a purchase price of greater than \$5,000 and a useful life of greater than one year.

#### ***Prior Year Summarized Information***

The consolidated financial statements and notes to consolidated financial statements contain certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2013, from which the summarized information was derived.

#### ***Net Assets***

Net assets of the Organization consist of the following:

Unrestricted. These net assets are available for the general obligations of the Organization.

Temporarily Restricted. These net assets are restricted by grantors or donors for specific purposes.

Permanently Restricted. These net assets are restricted indefinitely by grantors or donors. Income earned on permanently restricted funds is, if not specifically required to be added to permanently restricted net assets, transferred to temporarily restricted or unrestricted classification.



# NEIGHBORIMPACT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

### NOTE 2 – STATEMENTS OF CASH FLOWS – NONCASH AND OTHER ITEMS

Cash paid for interest amounted to \$45,038 and \$50,553 for the years ended June 30, 2014, and 2013, respectively. The Organization paid no income taxes. The statements of cash flows for the year ended June 30, 2014, omitted noncash proceeds from the sale of fixed assets of \$1,561,141 which were used to directly pay selling costs and pay off debt related to the property.

### NOTE 3 – INVESTMENTS

Investments consist primarily of certificates of deposits and treasury bills with original maturity dates greater than 90 days, stated at fair value, in the amount of \$1,775,000 and \$2,200,000 as of June 30, 2014, and 2013, respectively. Principal amounts range from \$50,000 to \$200,000 with maturity dates that range from October 2014 through June 2016.

### NOTE 4 – NOTES RECEIVABLE

Notes receivable consisted of the following:

	<u>2014</u>	<u>2013</u>
Housing Assistance Loans, principal due subject to certain restrictions, various interest rates, secured by real estate, various maturities.	\$ 2,871,496	\$ 2,845,588
NeighborImpact Reinvestment Corporation Loans - various interest rates, secured by real estate.	261,071	339,651
HW Madras Limited Liability Company, principal due subject to certain restrictions, interest at 3.66%, secured by real estate, due September 2030.	<u>180,944</u>	<u>180,944</u>
	3,313,511	3,366,183
Deferred portion	<u>(2,703,903)</u>	<u>(2,650,117)</u>
Net of deferred portion	<u>\$ 609,608</u>	<u>\$ 716,066</u>

The Organization considers all notes receivable to be long-term since collection is contingent on future events and repayments in the near-term cannot be reasonably estimated. Management estimates the net value of certain long-term notes receivables based on historical experiences. The policy of the Organization is to include 100 percent of the face value of new housing assistance loans in the deferred portion above as payments are not received until the property is sold or otherwise transferred.

# NEIGHBORIMPACT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2014

### NOTE 5 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment:

	<u>2014</u>	<u>2013</u>
Land	\$ 714,473	\$ 1,034,032
Buildings	1,803,356	6,283,603
Furniture and equipment	340,254	416,070
Roads and landscaping	5,500	215,793
Vehicles	<u>720,172</u>	<u>619,652</u>
	3,583,755	8,569,150
Accumulated depreciation	<u>(1,506,508)</u>	<u>(4,331,489)</u>
	<u>\$ 2,077,247</u>	<u>\$ 4,237,661</u>

### NOTE 6 – LONG-TERM DEBT

Long-term debt consisted of the following:

	<u>2014</u>	<u>2013</u>
Payable to Bank of the Cascades from the Organization, monthly payments of \$506, including interest at the Bank of the Cascades 3-year rate plus 2.75%, which was 6.75% as of June 30, 2014, and 2013. Secured by real estate, due 2023.	\$ 41,172	\$ 44,314
Payable to Chase from DFHLP, monthly payments of \$7,417, including interest at 3.51%. This note was paid in full in December 2013.	<u>41,172</u>	<u>1,419,950</u>
	41,172	1,464,264
Less current portion	<u>(3,396)</u>	<u>(42,863)</u>
	<u>\$ 37,776</u>	<u>\$ 1,421,401</u>

# NEIGHBORIMPACT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

### NOTE 6 – LONG-TERM DEBT – CONTINUED

Maturities of long-term debt are as follows:

Year ending June 30,

2015	\$	3,396
2016		3,633
2017		3,886
2018		4,156
2019		4,446
Thereafter		<u>21,655</u>
Total	\$	<u>41,172</u>

### NOTE 7 – CONCENTRATIONS OF CREDIT RISKS

Financial instruments that potentially subject the Organization to a concentration of credit risk consist principally of cash and cash equivalents and notes receivable. The Organization maintains the majority of its cash balances at Federal Deposit Insurance Corporation (FDIC) insured institutions and invests in U.S. Government securities. At June 30, 2014, and 2013, \$1,793,073 and \$884,770, respectively, in deposits exceeded FDIC insurance of \$250,000. The Organization actively monitors this risk and has entered into an overnight repurchase agreement with their financial institution. The overnight repurchases obligations of the financial institution are secured by collateral that includes government securities.

The Organization provides down payment and housing rehabilitation loans primarily to low and moderate income individuals. Notes receivable totaling \$3,313,511 are secured by property purchased or improved. These notes are a concentration of credit risk. Additionally, the Organization received approximately 92 percent of its funding from grants, contracts and contributions.

### NOTE 8 – RELATED PARTY TRANSACTIONS

The Organization leases its Redmond administrative facilities from CAFCO. CAFCO is a supporting non-profit corporation formed exclusively to support the charitable purposes of the Organization. Located in Redmond, Oregon, it is the general partner of the DFHLP, and Oregon limited partnership formed to own and operate the Bill Healy Family Center (Healy Heights Apartments), which was sold to an unrelated third party during the year ended June 30, 2014. The Organization provides significant accounting and operations support to these partnerships.

The Organization is the single member of HHP which is the 99 percent owner and limited partner of DFHLP. As a result of the consolidation of DFHLP (see note 2), inter-organization notes receivable from DFHLP to the Organization have been eliminated in the consolidated financial statements as of June 30, 2014, and 2013.

# NEIGHBORIMPACT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

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### NOTE 8 – RELATED PARTY TRANSACTIONS – CONTINUED

The Organization's services are occasionally utilized by members of the board of directors. Such services are provided on the same basis as those provided to the general public.

### NOTE 9 – PERMANENTLY RESTRICTED FUNDS

The Organization invested the proceeds from capital grants provided by NeighborWorks America in prior years in U.S. Treasury bills in order to comply with grantor requirements. As of June 30, 2014, and 2013, the Organization held 14 and 19 loans totaling \$261,071 and \$339,651, respectively, in connection with this program. There were no loans as of June 30, 2014, or 2013 that were considered to be delinquent.

### NOTE 10 – OPERATING LEASE COMMITMENT

As of June 30, 2014, the Organization's aggregate annual lease commitments excluding operating costs under non-cancelable leases with terms of one year or more are payable as follows:

Year ending June 30,

2015	\$ 124,672
2016	110,412
2017	57,827
2018	56,935
2019	<u>14,338</u>
	<u>\$ 364,184</u>

### NOTE 11 – RETIREMENT PLAN

The Organization maintains a Simplified Employee Pension (SEP) plan for eligible employees. During the years ended June 30, 2014, and 2013, employer pension expense totaled \$160,817 and \$175,674, respectively. Effective July 1, 2014, the Organization also implanted an IRC Section 403(b) Plan that allows employees to defer tax on part of their compensation.

### NOTE 12 – CONTINGENCIES

#### *Grants*

The Organization receives grants from various federal, state and local agencies that are subject to review and audit by these agencies. Such audits could result in a request for reimbursement by these agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the Council's management, such disallowances, if any, will not be significant.

# NEIGHBORIMPACT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

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### NOTE 12 – CONTINGENCIES

#### *Tax Positions*

The Organization is exempt from federal and state income taxes, with the exception of federal taxes for net profits on unrelated business income, under Internal Revenue Code Section 501(c)(3).

Regarding uncertain income tax positions, the Organization will recognize in its financial statements the benefit of a tax position when it believes that tax position will more likely than not be sustained on audit based on the technical merits of the position. For an exempt organization, uncertain tax positions could result from unrelated business income activities or actions that jeopardize its status as tax-exempt, such as political activity, substantial lobbying expenditures or excessive unrelated business activities. The Organization has concluded that it had no unrecognized income tax benefits at June 30, 2014, or June 30, 2013, and it has no tax positions for which it estimates a significant change over the next 12 months.

The Organization is subject to examination by state and federal tax authorities. With few exceptions, the Organization is no longer subject to examination by major taxing authorities for year before 2010.

### NOTE 13 – FAIR VALUE MEASUREMENT

Accounting principles generally accepted in the United States of America established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active market that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

# **NEIGHBORIMPACT**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

JUNE 30, 2014

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### **NOTE 13 – FAIR VALUE MEASUREMENT – CONTINUED**

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value was calculated and provided by Wells Fargo Securities. The investments in certificates of deposit were Level 1 assets.

### **NOTE 14 – SUBSEQUENT EVENTS**

On November 7, 2014, Deschutes Family Housing Limited Partnership was dissolved.

Subsequent events have been evaluated through December 29, 2014, the date the financial statements were available to be issued.



## **SUPPLEMENTAL INFORMATION**

# NEIGHBORIMPACT

## CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

JUNE 20, 2014

(WITH COMPARATIVE TOTALS JUNE 30, 2013)

	2014			
	NeighborImpact	Community Action Foundation of Central Oregon	Healy Heights Partner, LLC	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 752,360	\$ 134,556	\$ 1,678,399	\$ 2,565,315
Short-term investments				
Accounts receivable				
Grants receivable	1,713,968			1,713,968
Prepaid expenses and other current assets	8,145			8,145
Food inventory	105,489			105,489
<b>TOTAL CURRENT ASSETS</b>	<b>2,579,962</b>	<b>134,556</b>	<b>1,678,399</b>	<b>4,392,917</b>
<b>OTHER ASSETS</b>				
Long-term investments	1,775,000			1,775,000
Restricted notes receivable	261,071			261,071
Other notes receivable, net of deferred portion	348,537			348,537
<b>TOTAL OTHER ASSETS</b>	<b>2,384,608</b>			<b>2,384,608</b>
<b>FIXED ASSETS, net of accumulated depreciation</b>	<b>1,732,909</b>	<b>344,338</b>		<b>2,077,247</b>
<b>INTANGIBLE ASSETS, net of accumulated amortization</b>				
<b>TOTAL ASSETS</b>	<b>\$ 6,697,479</b>	<b>\$ 478,894</b>	<b>\$ 1,678,399</b>	<b>\$ 8,854,772</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 208,235	\$	\$	\$ 208,235
Accrued expenses	235,796			235,796
Escrow liability	7,835			7,835
Security deposits				
Current portion of long-term debt	3,396			3,396
<b>TOTAL CURRENT LIABILITIES</b>	<b>455,262</b>			<b>455,262</b>
<b>LONG TERM DEBT, net of current portion</b>	<b>37,776</b>			<b>37,776</b>
<b>TOTAL LIABILITIES</b>	<b>493,038</b>			<b>493,038</b>
<b>NET ASSETS</b>				
Unrestricted	647,633	478,894	1,428,789	2,555,316
Temporarily restricted	4,845,021		249,610	5,094,631
Permanently restricted	711,787			711,787
<b>TOTAL NET ASSETS</b>	<b>6,204,441</b>	<b>478,894</b>	<b>1,678,399</b>	<b>8,361,734</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,697,479</b>	<b>\$ 478,894</b>	<b>\$ 1,678,399</b>	<b>\$ 8,854,772</b>

**2013**

<u>NeighborImpact</u>	<u>Community Action Foundation of Central Oregon</u>	<u>Healy Heights Partner, LLC</u>	<u>Total</u>
\$ 876,758	\$ 180,454	\$ 382,316	\$ 1,439,528
425,000			425,000
		629	629
977,225			977,225
85,167			85,167
90,272			90,272
<u>2,454,422</u>	<u>180,454</u>	<u>382,945</u>	<u>3,017,821</u>
1,775,000			1,775,000
339,651			339,651
376,415			376,415
<u>2,491,066</u>			<u>2,491,066</u>
<u>1,726,158</u>	<u>303,789</u>	<u>2,207,714</u>	<u>4,237,661</u>
		25,398	25,398
<u>\$ 6,671,646</u>	<u>\$ 484,243</u>	<u>\$ 2,616,057</u>	<u>\$ 9,771,946</u>
\$ 169,386	\$	\$	\$ 169,386
142,807		72	142,879
9,894			9,894
		44,113	44,113
3,158		39,705	42,863
<u>325,245</u>		<u>83,890</u>	<u>409,135</u>
41,156		1,380,245	1,421,401
<u>366,401</u>		<u>1,464,135</u>	<u>1,830,536</u>
1,089,123	484,243	892,914	2,466,280
4,504,335		259,008	4,763,343
711,787			711,787
<u>6,305,245</u>	<u>484,243</u>	<u>1,151,922</u>	<u>7,941,410</u>
<u>\$ 6,671,646</u>	<u>\$ 484,243</u>	<u>\$ 2,616,057</u>	<u>\$ 9,771,946</u>

# NEIGHBORIMPACT

## CONSOLIDATING SCHEDULE OF REVENUE AND EXPENSES

YEAR ENDED JUNE 30, 2014

(WITH COMPARATIVE TOTALS FOR THE JUNE 30, 2013)

	Neighborhood Impact	Community Action Foundation of Central Oregon	Healy Heights Partner, LLC	Totals	
				2014	2013
<b>SUPPORT AND REVENUE</b>					
Federal grants	\$ 5,189,510	\$	\$	\$ 5,189,510	\$ 5,027,759
State and local grants	4,431,385			4,431,385	5,000,933
Contributions	3,798,837			3,798,837	3,610,355
Program revenue	244,089			244,089	363,437
Rental income		12,998	244,119	257,117	484,872
Interest income	38,712	195	48	38,955	39,573
Other revenue	45,024		881	45,905	69,640
Gain on sale of assets			619,117	619,117	
<b>Total Support and Revenues</b>	<b>13,747,557</b>	<b>13,193</b>	<b>864,165</b>	<b>14,624,915</b>	<b>14,596,569</b>
<b>EXPENSES</b>					
Personnel services:					
Salaries and wages	4,489,363		23,740	4,513,103	4,311,571
Payroll taxes and benefits	1,652,168			1,652,168	1,607,904
<b>Total personnel expenses</b>	<b>6,141,531</b>		<b>23,740</b>	<b>6,165,271</b>	<b>5,919,475</b>
Materials and services:					
Printing	49,394			49,394	35,707
Office expense	195,151	1,352	1,375	197,878	198,474
Interest	924		44,114	45,038	50,553
Insurance	45,155		4,815	49,970	59,702
Professional fees	74,706	1,588	5,140	81,434	43,015
Contract services	45,684			45,684	7,742
Repairs and maintenance	63,531	787	53,824	118,142	201,005
Client assistance	6,450,389			6,450,389	7,129,934
Transportation and lodging	221,985			221,985	213,231
Rent	192,234		1,197	193,431	127,377
Janitorial	24,481			24,481	10,290
Utilities and telephone	124,560		29,504	154,064	174,921
Training and recruitment	78,009	802	1,567	80,378	51,447
Dues and other fees	33,966	558	11,867	46,391	12,780
Administration	79,761		5,158	84,919	158,170
<b>Total materials and services</b>	<b>7,679,930</b>	<b>5,087</b>	<b>158,561</b>	<b>7,843,578</b>	<b>8,474,348</b>
<b>Total expenses</b>	<b>13,821,461</b>	<b>5,087</b>	<b>182,301</b>	<b>14,008,849</b>	<b>14,393,823</b>
<b>CHANGE IN NET ASSETS, before transfer and depreciation</b>	<b>(73,904)</b>	<b>8,106</b>	<b>681,864</b>	<b>616,066</b>	<b>202,746</b>
Transfer (to) from other funds	76,746		(76,746)		
Depreciation and amortization	(103,646)	(13,455)	(78,641)	(195,742)	(286,815)
<b>CHANGE IN NET ASSETS</b>	<b>(100,804)</b>	<b>(5,349)</b>	<b>526,477</b>	<b>420,324</b>	<b>(84,069)</b>
<b>NET ASSETS - Beginning of year</b>	<b>6,305,245</b>	<b>484,243</b>	<b>1,151,922</b>	<b>7,941,410</b>	<b>8,025,479</b>
<b>NET ASSETS - End of year</b>	<b>\$ 6,204,441</b>	<b>\$ 478,894</b>	<b>\$ 1,678,399</b>	<b>\$ 8,361,734</b>	<b>\$ 7,941,410</b>

See notes to financial statements

## **SINGLE AUDIT COMPLIANCE**

**INDEPENDENT AUDITORS' 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**

John P. Harrigan, CPA

Wesley B. Price III, CPA

Candace S. Fronk, CPA

Kara L. Pardue, CPA

Karen C. Anderson, CPA

To the Board of Directors  
NeighborImpact

We have audited, in accordance with the 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, the financial statements of NeighborImpact (the Organization) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 29, 2014.

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**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs, 2014-1, to be a material weakness.



**INDEPENDENT AUDITORS' 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 –  
CONTINUED**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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*.

**NeighborImpact's Response to Findings**

NeighborImpact's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. NeighborImpact's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Harrigan Price Frunk & Co. LLP*

December 29, 2014



## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

John P. Harrigan, CPA

Wesley B. Price III, CPA

Candace S. Fronk, CPA

Kara L. Pardue, CPA

Karen C. Anderson, CPA

Board of Directors  
NeighborImpact

### Report on Compliance for Each Major Federal Program

We have audited NeighborImpact's (the Organization), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2014. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with 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 Organization'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.



# INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 – CONTINUED

## Unmodified Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency described in the accompanying schedule of findings and questioned costs, 2014-2, to be a significant deficiency.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133 – CONTINUED**

The Organization's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Harrigan Price Fronk & Co. LLP*

December 29, 2014

# NEIGHBORIMPACT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2014

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### SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of NeighborImpact (the Organization).
2. One material weakness in internal control over financial reporting was identified during the audit of the financial statements. See current year finding 2014-1.
3. No instances of noncompliance required to be reported under *Government Auditing Standards* were identified during the audit of the financial statements.
4. No deficiencies in internal control over compliance considered to be material weaknesses were identified during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the Organization expresses an unmodified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for the Organization are reported in this Schedule.
7. The programs tested as major programs were:
  - 10.568 – Emergency Food Assistance Program (TEFAP) Administrative costs
  - 10.569 – Emergency Food Assistance Program (TEFAP) Food commodities
  - 14.235 – Supportive Housing Program
  - 93.568 – Low-income Energy Assistance Program (LIHEAP)
  - 93.600 – Head Start
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Organization was determined not to be a low-risk auditee.

### FINDINGS – FINANCIAL STATEMENT AUDIT

#### 2014-1 Year End Closing and Subsidiary Ledgers

*Condition:* Material adjustments were necessary to correct numerous accounts within the statement of financial position.

*Effect:* Inaccurate balances on the statement of financial position and failure to the correct balances during year-end closing could result in a material misstatement of the financial statements.

*Cause:* This condition was caused by a lack of internal controls over timely reconciliation of the subsidiary ledgers and other accounts during month-end and year-end closing procedures. Controls focusing on review and oversight should have caught and corrected material inaccuracies within the accounts.

# NEIGHBORIMPACT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED YEAR ENDED JUNE 30, 2014

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*Auditor's Recommendation:* Management should adequately maintain and update subsidiary ledgers, reconcile all bank accounts and periodically review other accounts on the statement of financial position. Balances within the statement of financial position should be reconciled to agree to the subsidiary ledgers as part of each month-end's closing procedure. Management should review procedures and financial statements carefully to ensure that internal controls are operating and financial statement amounts are properly reported.

*Organization's Response:* Management has reviewed its procedures for closing a fiscal year and updated them accordingly. Management's ongoing financial objective is to provide readers of financial statements and accurate and transparent depiction of the Organization's financial status. Management has developed and follows a schedule of events (including a fiscal year closing procedures checklist). It addresses accounts payable, prepaid expenses, review of grant accounts, analysis of operating costs and adjustments to cost distribution, account receivable, inventory, transfer accounts (including pools and interfund transfer accounts).

Equipment additions and dispositions are updated throughout the year and analyzed at year end for accuracy and completion and to ensure that proper documentation is included.

Management notes that the correction of subsidiary ledgers was necessitated to correct employee error. Management discovered and addressed the employee issue. Unfortunately, the discovery came just before the audit commenced, resulting in the need to update and revise as auditors were arriving and commencing. Accounting staff responsibility and review procedures have been reviewed and revised to prevent recurrence.

### FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

#### 2014-2 Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

*Condition:* It was identified that the prepared Schedule of Expenditures of Federal Awards (SEFA) was incomplete and contained inaccuracies. OMB Circular A-133, Subpart C, Section 310, Paragraph (b) states that the SEFA be accurate for the period covered in the organization's financial statements.

*Effect:* Failure to maintain an accurate SEFA could result in the material misstatement of the consolidated financial statements. The affected programs were Child Care Development Block Grant and the Temporary Emergency Food Assistance Program.

*Cause:* The condition was caused by a lack of internal controls over the preparation of the SEFA, specifically a lack of a proper review and reconciliation process.

*Auditor's Recommendation:* Management should have the SEFA prepared and reconciled at the end of the reporting period. Procedures have been designed to prevent this type of error but were not followed consistently at the end of the fiscal year.



# **NEIGHBORIMPACT**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED** **YEAR ENDED JUNE 30, 2014**

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### *Organization's Response*

Management understands the importance of reporting an accurate and comprehensive SEFA each year. The Organization provided additional training around OMB Circular A-133 and audit objectives as well as reviewed and modified tracking procedures of Federal Revenues and related expenditures. In addition to the Organization hiring a compliance officer, department managers now collaborate with the fiscal department in ongoing data accumulation (including accurate CFDA numbers), regular status meetings and timely reimbursements of grants.

**NEIGHBORIMPACT  
BEND, OREGON**

**STATUS OF PRIOR YEAR (2013) FINDINGS  
YEAR ENDED JUNE 30, 2014**

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**2013-1 Year End Closing and Subsidiary Ledgers**

*Condition:* It was identified that several accounts were not adjusted to the correct balance during year-end closing procedures. Additionally, several subsidiary ledgers were not appropriately maintained throughout the reporting period.

*Organization Action Taken:* Management has reviewed its procedures for closing a fiscal year and updated them accordingly. Management's ongoing financial objective is to provide readers of financial statements and accurate and transparent depiction of the Organization's financial status. Management has developed and follows a schedule of events (including a fiscal year closing procedures checklist). It addresses accounts payable, prepaid expenses, review of grant accounts, analysis of operating costs and adjustments to cost distribution, account receivable, inventory, transfer accounts (including pools and interfund transfer accounts).

Equipment additions and dispositions are updated throughout the year and analyzed at year-end for accuracy and completion and to ensure that proper documentation is included.

**2013-2 Preparation of the Schedule of Expenditures of Federal Awards (SEFA)**

*Condition:* It was identified that the prepared SEFA was incomplete and contained inaccuracies. OMB Circular A-133, Subpart C, Section 310, Paragraph (b) states that the SEFA be accurate for the period covered in the organization's financial statements.

*Organization Action Taken:* Management understands the importance of reporting an accurate and comprehensive SEFA each year. The Organization provided additional training around OMB Circular A-133 and audit objectives as well as reviewed and modified tracking procedures of Federal Revenues and related expenditures. In addition to the Organization hiring a compliance officer, department managers now collaborate with the fiscal department in ongoing data accumulation (including accurate CFDA numbers), regular status meetings and timely reimbursements of grants.

# NEIGHBORIMPACT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2014

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
Department of Energy		
Passed through Oregon Housing and Community Services		
Weatherization Assistance	81.042	\$ 98,360
BPA Weatherization	81.XXX	109,053
		<u>207,413</u>
Department of Treasury		
Passed through Oregon Housing and Community Services		
National Foreclosure Mitigation Counseling	21.000	<u>2,100</u>
Department of Health and Human Services		
Head Start	93.600	<u>1,268,753</u>
Passed through Oregon Housing and Community Services		
Housing Stabilization Program (TANF)	93.558	26,106
Low-income Energy Assistance (LIHEAP)	93.568	1,614,435
Community Services Block Grant	93.569	<u>218,297</u>
Passed through Child Care Resources and Referral Network		
Child Care Development Block Grant	93.575	274,743
Race to the Top - Early Learning Challenge	84.412	<u>165,213</u>
		<u>3,567,547</u>
Department of Agriculture		
Passed through Oregon Food Bank		
Temporary Emergency Food Assistance Program Admin Costs	10.568	22,909
Temporary Emergency Food Assistance Program Food Commodities (non-cash)	10.569	<u>300,279</u>
Passed through Oregon Department of Education		
Child and Adult Care Food Program	10.558	<u>222,007</u>
		<u>545,195</u>
Department of Housing and Urban Development		
Supportive Housing Program	14.235	<u>507,804</u>
Passed through NeighborWorks America		
Housing Counseling	14.169	26,089
NWA	14.169	<u>95,334</u>
Passed through Oregon Housing and Community Services		
Emergency Shelter Grant Program	14.231	125,101
Home TBA	14.239	<u>136,161</u>
Passed through the City of Bend		
Community Development Block Grant - Bend HOC	14.228	<u>4,796</u>
		<u>895,285</u>
		<u>\$ 5,217,540</u>

### Note A - BASIS OF PRESENTATION

The accompanying schedule of federal awards includes the federal grant activity of NeighborImpact and is presented on the accrual basis of accounting. The information presented in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.