

NEIGHBORIMPACT

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2015

NEIGHBORIMPACT

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INDEPENDENT AUDITORS' REPORT

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, 2015, 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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, 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

We have previously audited the Organization's 2014 financial statements, and we expressed an unmodified opinion on them in our report dated December 29, 2014. In our opinion, except as described in Note 14, the summarized comparative information provided herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Price Frank + Co.

December 1, 2015

FINANCIAL STATEMENTS

NEIGHBORIMPACT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2014)

	Totals	
	2015	Restated 2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,594,709	\$ 2,565,315
Grants receivable	1,992,175	1,713,968
Prepaid expenses and other current assets	660	8,145
Food inventory	104,596	105,489
TOTAL CURRENT ASSETS	5,692,140	4,392,917
OTHER ASSETS		
Long-term investments	700,000	1,775,000
Restricted notes receivable, net of allowance	86,955	249,312
Other notes receivable, net of allowance	2,108,420	2,673,674
TOTAL OTHER ASSETS	2,895,375	4,697,986
FIXED ASSETS, net of accumulated depreciation	2,283,113	2,146,933
TOTAL ASSETS	\$ 10,870,628	\$ 11,237,836
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 149,529	\$ 208,235
Accrued expenses	164,963	235,796
Escrow liability	13,987	7,835
Current portion of long-term debt	3,633	3,396
TOTAL CURRENT LIABILITIES	332,112	455,262
LONG-TERM DEBT, net of current portion	34,119	37,776
TOTAL LIABILITIES	366,231	493,038
NET ASSETS		
Unrestricted	2,896,748	2,658,121
Temporarily restricted	6,943,809	7,374,966
Permanently restricted	663,840	711,711
TOTAL NET ASSETS	10,504,397	10,744,798
TOTAL LIABILITIES AND NET ASSETS	\$ 10,870,628	\$ 11,237,836

See independent auditors' report and notes to financial statements

NEIGHBORIMPACT

CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR THE JUNE 30, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2015	Restated 2014
SUPPORT AND REVENUE					
Federal grants	\$	\$ 5,887,822	\$	\$ 5,887,822	\$ 5,189,510
State and local grants		4,861,273		4,861,273	4,431,385
Contributions	411,380	3,189,660		3,601,040	3,359,554
Program revenue		102,881		102,881	244,089
Rental income	12,998			12,998	257,117
Interest income	45,591		1,310	46,901	38,955
Other revenue	55,576			55,576	45,905
Gain on sale of assets					619,117
Net assets, released from restrictions	14,521,974	(14,472,793)	(49,181)		
Total Support and Revenues	<u>15,047,519</u>	<u>(431,157)</u>	<u>(47,871)</u>	<u>14,568,491</u>	<u>14,185,632</u>
EXPENSES					
Program services					
Health and welfare	13,286,463			13,286,463	12,787,790
Support services					
Management and general	1,239,847			1,239,847	1,197,750
Community relations	60,000			60,000	
Fundraising	222,582			222,582	219,051
Total Expenses	<u>14,808,892</u>			<u>14,808,892</u>	<u>14,204,591</u>
CHANGE IN NET ASSETS	<u>238,627</u>	<u>(431,157)</u>	<u>(47,871)</u>	<u>(240,401)</u>	<u>(18,959)</u>
NET ASSETS - Beginning of year, as originally reported	2,658,121	7,374,966	711,711	10,744,798	7,941,410
Prior period adjustment					2,822,347
NET ASSETS - Beginning of year, as restated	<u>2,658,121</u>	<u>7,374,966</u>	<u>711,711</u>	<u>10,744,798</u>	<u>10,763,757</u>
NET ASSETS - End of year	<u>\$ 2,896,748</u>	<u>\$ 6,943,809</u>	<u>\$ 663,840</u>	<u>\$ 10,504,397</u>	<u>\$ 10,744,798</u>

See independent auditors' report and notes to financial statements

NEIGHBORIMPACT

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	Support Services			Program Services	Totals	
	Management and General	Community Relations	Fundraising	Health and Welfare	2015	Restated 2014
PERSONNEL						
Salaries and wages	\$ 655,860	\$ 51,813	\$ 132,768	\$ 3,888,732	\$ 4,729,173	\$ 4,513,103
Payroll taxes and benefits	160,514	8,187	41,853	1,520,946	1,731,500	1,644,158
Total Personnel	816,374	60,000	174,621	5,409,678	6,460,673	6,157,261
MATERIALS AND SERVICES						
Printing	6,776		9,217	37,990	53,983	49,394
Office expenses	53,655		10,582	116,093	180,330	155,338
Interest						45,038
Insurance				23,519	23,519	49,970
Professional fees	32,622			2,320	34,942	81,434
Contract services	34,796		1,240	121,207	157,243	84,057
Repairs and maintenance	29,688			103,376	133,064	117,964
Client assistance	25,331		3,127	6,895,975	6,924,433	6,525,242
Transportation and lodging	16,620		3,071	193,854	213,545	221,985
Rent	89,770		8,879	92,178	190,827	193,431
Janitorial	19,162		595	4,608	24,365	24,481
Utilities and telephone	32,385		3,319	95,936	131,640	154,064
Training and recruitment	8,400		944	83,445	92,789	79,862
Dues and fees	44,625		6,987	38,114	89,726	47,011
Administration	3,961				3,961	22,317
Total materials and services	397,791		47,961	7,808,615	8,254,367	7,851,588
Total expenses before depreciation	1,214,165	60,000	222,582	13,218,293	14,715,040	14,008,849
Depreciation	25,682			68,170	93,852	195,742
TOTAL EXPENSES	\$ 1,239,847	\$ 60,000	\$ 222,582	\$ 13,286,463	\$ 14,808,892	\$ 14,204,591

See independent auditors' report and notes to financial statements

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CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2015

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	2015	Restated 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (240,401)	\$ (18,959)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	93,852	195,742
Gain on sale of fixed assets		(619,117)
Non cash adjustment to notes receivable	205,132	106,458
Changes in operating assets and liabilities		
Accounts receivable		629
Grants receivable	(278,207)	(736,743)
Notes receivable	522,479	439,283
Food inventory	893	(15,217)
Prepaid expenses	7,485	77,022
Accounts payable	(58,706)	38,849
Accrued expenses	(70,833)	92,917
Escrow liability	6,152	(2,059)
Security deposits		(44,113)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	187,846	(485,308)
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of investments	1,075,000	425,000
Disposition of intangible assets		25,398
Proceeds from the sale of fixed assets		1,341,359
Purchase of property and equipment	(230,032)	(164,041)
NET CASH PROVIDED BY INVESTING ACTIVITIES	844,968	1,627,716
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(3,420)	(16,621)
NET CASH USED IN FINANCING ACTIVITIES	(3,420)	(16,621)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,029,394	1,125,787
CASH AND CASH EQUIVALENTS - Beginning of year	2,565,315	1,439,528
CASH AND CASH EQUIVALENTS - End of year	\$ 3,594,709	\$ 2,565,315

See independent auditors' report and notes to financial statements

NEIGHBORIMPACT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

From 1985, NeighborImpact (the Organization), has been recognized by the Oregon Housing and Community Services Department (OHCS) 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 offices and classroom sites in the communities of La Pine, Bend, Redmond, Sisters, Prineville and Madras.

The Organization is dedicated to supporting people and strengthening communities. The Organization's mission is delivered through the services provided by its three largest department areas; Community Services (including Food), Early Care and Education and Housing & Assets.

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

Community Services – provides food through operation of the regional food bank, collecting food and redistributing it through approximately 40 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 is the local distribution partner of the Oregon Food Bank and Feed America. The Community Services Department also operates the Energy Assistance and Weatherization programs, which help eligible families and individuals pay a portion of their heating costs during the winter months, participate in energy education and participate in having their homes physically improved to reduce total energy usage.

Early Care and Education – operates Head Start in Crook and Deschutes Counties. Approximately 451 children attend Head Start in 24 classrooms operating at 9 sites. The Head Start program also supports families toward stability and a self-determined future. This division also operates the Childcare Resources program, which provides training, technical assistance and business support to childcare providers throughout Central Oregon. The program also assists parents in identifying caregivers who can meet the unique needs of their children.

Housing & Assets – helps support families into housing to prevent and alleviate homeless. The program also operates a small family shelter for up to five families at a time. This division, which includes NeighborWorks America- supported programs, provides home buyer education and support, foreclosure prevention and mortgage assistance, reverse mortgage counseling, matched savings for education, home ownership and business startup through the use of Individualized Development Accounts and general financial education. NeighborImpact is a designated local liaison agency for the Corporation for Economic Development.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Organization – Continued

Lending to Income Qualified Individuals – offers low-cost and deferred loans to income qualified homeowners and individuals to rehabilitate property, replace failing septic, provide downpayment assistance and closing cost loans and to 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).

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 was terminated during the year ended June 30, 2015 (see Note 8).

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 taxpaying 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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 \$1,241,466, and related accumulated depreciation of \$467,828 as of June 30, 2015, 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.

All fixed assets are depreciated using the straight-line method over the 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, 2014, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2015

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

Cash paid for interest amounted to \$0 and \$45,038 for the years ended June 30, 2015, and 2014, respectively. The Organization paid no income taxes.

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 \$700,000 and \$1,775,000 as of June 30, 2015, and 2014, respectively. Principal amounts range from \$25,000 to \$200,000 with maturity dates that range from July 2015 through June 2016.

NOTE 4 – NOTES RECEIVABLE

Restricted notes receivable consisted of the following:

	<u>2015</u>	<u>2014</u>
NeighborImpact Reinvestment Corporation Loans - various interest rates, secured by real estate.	\$ 98,714	\$ 261,071
Allowance for doubtful accounts	<u>(11,759)</u>	<u>(11,759)</u>
Net of allowance	<u>\$ 86,955</u>	<u>\$ 249,312</u>

Other notes receivable consisted of the following:

	<u>2015</u>	<u>2014</u>
Housing Assistance Loans, principal due subject to certain restrictions, various interest rates, secured by real estate, various maturities.	\$ 2,202,829	\$ 2,703,903
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>
	2,383,773	2,884,847
Allowance for doubtful accounts	<u>(275,353)</u>	<u>(211,173)</u>
Net of allowance	<u>\$ 2,108,420</u>	<u>\$ 2,673,674</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4 – NOTES RECEIVABLE – CONTINUED

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 long-term notes receivable based on historical experiences, and adjusts the allowance on an annual basis to report the net realizable value.

NOTE 5 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment:

	<u>2015</u>	<u>2014</u>
Land	\$ 694,766	\$ 694,766
Buildings	1,855,426	1,783,467
Furniture and equipment	376,103	368,683
Roads and landscaping	45,096	45,096
Vehicles	870,825	720,172
	<u>3,842,216</u>	<u>3,612,184</u>
Accumulated depreciation	<u>(1,559,103)</u>	<u>(1,465,251)</u>
	<u>\$ 2,283,113</u>	<u>\$ 2,146,933</u>

NOTE 6 – LONG-TERM DEBT

Long-term debt consisted of the following:

	<u>2015</u>	<u>2014</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, 2015, and 2014. Secured by real estate, due 2023.	\$ 37,752	\$ 41,172
Less current portion	<u>(3,633)</u>	<u>(3,396)</u>
	<u>\$ 34,119</u>	<u>\$ 37,776</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 6 – LONG-TERM DEBT – CONTINUED

Maturities of long-term debt are as follows:

Year ending June 30,

2016	\$	3,633
2017		3,886
2018		4,156
2019		4,446
2020		4,755
Thereafter		<u>16,876</u>
Total	\$	<u>37,752</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 certain times, the Organization's bank balances may exceed the amount secured by the FDIC. The Organization actively monitors this risk and has entered into an overnight repurchase agreement with their financial institution. The overnight repurchase 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 \$2,482,487 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. DFHLP was subsequently closed during the year ended June 30, 2015 following this sale. The Organization provides significant accounting and operations support to these partnerships.

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.

NEIGHBORIMPACT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 9 – RESTRICTED FUNDS

Permanently Restricted

The Organization invested the proceeds from capital grants provided by NeighborWorks America in prior years in certificates of deposit in order to comply with grantor requirements. As of June 30, 2015, and 2014, the Organization held a total of \$565,126 and \$450,640 in these certificates, and held 6 and 14 loans totaling \$98,714 and \$261,071, respectively, in connection with this program. There were no loans as of June 30, 2015, or 2014 that were considered to be delinquent.

Temporarily Restricted

The Organization receives the majority of their income in the form of grants and contributions restricted for a specific purpose. As of June 30, 2015, the majority of these funds were restricted to the Early Care and Education program, Home Ownership program, and Lending program in the amounts of \$626,887, \$699,310, and \$3,678,851, respectively.

NOTE 10 – OPERATING LEASE COMMITMENTS

The Organization entered into three new two year building leases with Deschutes Children's Foundation which will all expire in June 2016. These leases require monthly payments of \$1,374, \$1,490, and \$326 for the terms of the leases. Total lease payments of \$38,285 were made for the year ended June 30, 2015.

The Organization leases office space in Prineville, Oregon from Crook County, a political subdivision of the state of Oregon. The lease requires monthly payments of \$396 for the term of the lease which will expire in June 2016. Total lease payments of \$4,747 were made for the year ended June 30, 2015.

The Organization leases office space in Redmond, Oregon from Central Oregon Regional Housing Authority dba Housing Works. The lease requires monthly payments of \$1,000 for the term of the lease, which expired in June 2014, and now continues on a month to month basis. Total lease payments of \$12,000 were made for the year ended June 30, 2015.

The Organization entered into a new building lease with the La Pine Park and Recreation District. The lease requires monthly payments of \$350 for the term of the lease, which is indefinite, but requires a 60-day notice to vacate the premises. Total lease payments of \$1,050 were made for the year ended June 30, 2015.

The Organization leases office space in Redmond, Oregon from MNE Holdings, Inc. The lease requires monthly lease payments of \$680 until September 2015, at which point monthly rents increase to \$737 for the remainder of the term of the lease, which expires in August 2016. Total lease payments of \$8,051 were made for the year ended June 30, 2015.

The Organization leases office space in Madras, Oregon from four individuals. The lease requires monthly payments of \$725 until August 2015, at which point monthly rents increase to \$750 for the remainder of the term of the lease, which expires in July 2016. Total lease payments of \$8,675 were made for the year ended June 30, 2015.

NEIGHBORIMPACT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 10 – OPERATING LEASE COMMITMENTS – CONTINUED

The Organization leases office space in Bend, Oregon from Deschutes Properties LLC. The lease requires monthly payments of \$4,374 through September 2015, with annual increases each October to \$4,779 in 2017. The lease expires in September 2018. Total lease payments of \$52,486 were made for the year ended June 30, 2015.

The following is a schedule of future minimum lease payments required under these leases:

Year ending June 30,

2016	\$	119,604
2017		61,701
2018		61,135
2019		18,538
2020		4,200
		<hr/>
	\$	265,178

NOTE 11 – RETIREMENT PLAN

The Organization maintains a Simplified Employee Pension (SEP) plan for eligible employees. During the years ended June 30, 2015, and 2014, employer pension expense totaled \$167,858 and \$160,817, 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 Organization's management, such disallowances, if any, will not be significant.

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

NEIGHBORIMPACT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 12 – CONTINGENCIES – CONTINUED

Tax Positions – Continued

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, 2015, or June 30, 2014, 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 2011.

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.

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.

NEIGHBORIMPACT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015

Certain balances in the 2014 column of the consolidated financial statements were adjusted based on information obtained in the current year. Previously, Housing Assistance Loans were reported as fully deferred. In the current year it was determined that the loans should be part of temporarily restricted net assets and reported in full as assets net of estimated uncollectible amounts. See Note 4. The 2014 temporarily restricted net assets balance was increased by \$2,752,661 to correct the error. In addition, several fixed assets were identified that are still in service, but had previously been reported as disposals. The 2014 fixed assets balance was increased by \$69,686 to correct the error.

NOTE 15 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 1, 2015, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

NEIGHBORIMPACT

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION JUNE 30, 2015 (WITH COMPARATIVE TOTALS JUNE 30, 2014)

	2015			Total
	NeighborImpact	Community Action Foundation of Central Oregon	Healy Heights Partner, LLC	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,825,923	\$ 1,727,916	\$ 40,870	\$ 3,594,709
Grants receivable	1,992,175			1,992,175
Prepaid expenses and other current assets	660			660
Food inventory	104,596			104,596
TOTAL CURRENT ASSETS	3,923,354	1,727,916	40,870	5,692,140
OTHER ASSETS				
Long-term investments	700,000			700,000
Restricted notes receivable, net of allowance	86,955			86,955
Other notes receivable, net of allowance	2,108,420			2,108,420
TOTAL OTHER ASSETS	2,895,375			2,895,375
FIXED ASSETS, net of accumulated depreciation	1,805,559	477,554		2,283,113
TOTAL ASSETS	\$ 8,624,288	\$ 2,205,470	\$ 40,870	\$ 10,870,628
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 149,529			\$ 149,529
Accrued expenses	164,963			164,963
Escrow liability	13,987			13,987
Current portion of long-term debt	3,633			3,633
TOTAL CURRENT LIABILITIES	332,112			332,112
LONG-TERM DEBT, net of current portion	34,119			34,119
TOTAL LIABILITIES	366,231			366,231
NET ASSETS				
Unrestricted	650,408	2,205,470	40,870	2,896,748
Temporarily restricted	6,943,809			6,943,809
Permanently restricted	663,840			663,840
TOTAL NET ASSETS	8,258,057	2,205,470	40,870	10,504,397
TOTAL LIABILITIES AND NET ASSETS	\$ 8,624,288	\$ 2,205,470	\$ 40,870	\$ 10,870,628

**Restated
2014**

NeighborImpact	Community Action Foundation of Central Oregon	Healy Heights Partner, LLC	Total
\$ 752,360	\$ 134,556	\$ 1,678,399	\$ 2,565,315
1,713,968			1,713,968
8,145			8,145
105,489			105,489
<u>2,579,962</u>	<u>134,556</u>	<u>1,678,399</u>	<u>4,392,917</u>
1,775,000			1,775,000
249,312			249,312
<u>2,673,674</u>			<u>2,673,674</u>
<u>4,697,986</u>			<u>4,697,986</u>
<u>1,707,102</u>	<u>439,831</u>		<u>2,146,933</u>
<u>\$ 8,985,050</u>	<u>\$ 574,387</u>	<u>\$ 1,678,399</u>	<u>\$ 11,237,836</u>
\$ 208,235	\$	\$	\$ 208,235
235,796			235,796
7,835			7,835
3,396			3,396
<u>455,262</u>			<u>455,262</u>
<u>37,776</u>			<u>37,776</u>
<u>493,038</u>			<u>493,038</u>
405,335	574,387	1,678,399	2,658,121
7,374,966			7,374,966
711,711			711,711
<u>8,492,012</u>	<u>574,387</u>	<u>1,678,399</u>	<u>10,744,798</u>
<u>\$ 8,985,050</u>	<u>\$ 574,387</u>	<u>\$ 1,678,399</u>	<u>\$ 11,237,836</u>

NEIGHBORIMPACT

CONSOLIDATING SCHEDULE OF REVENUE AND EXPENSES YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR THE JUNE 30, 2014)

	Management and General	Community Relations	Fundraising	Early Care and Education	Emergency Services	Food Bank Services	Home Ownership Program
SUPPORT AND REVENUE							
Federal grants	\$	\$	\$	\$ 2,320,245	\$ 2,763,586	\$ 26,384	\$ 777,607
State and local grants				2,907,429	1,240,624	56,856	656,364
Contributions		60,000	633,488	735	10,922	2,806,403	64,442
Program revenue			34,575	31,623	8,230	1,205	27,248
Rental income							
Interest income	15,979						
Other revenue	1,380			5,000			10,955
Gain on sale of assets							
Total support and revenues	17,359	60,000	668,063	5,265,032	4,023,362	2,890,848	1,536,616
EXPENSES							
Personnel services:							
Salaries and wages	655,860	51,813	132,768	2,606,519	632,881	163,346	416,120
Payroll taxes and benefits	160,514	8,187	41,853	1,118,839	191,876	64,652	130,054
Total personnel expenses	816,374	60,000	174,621	3,725,358	824,757	227,998	546,174
Materials and services:							
Printing	6,776		9,217	25,532	3,296	3,171	5,898
Office expense	52,847		10,582	43,057	29,772	6,651	33,227
Interest							
Insurance				14,566	2,119	2,821	3,372
Professional fees	31,033			790	410		710
Contract services	34,796		1,240	62,734	43,089	1,400	12,691
Repairs and maintenance	24,646			71,776	19,990	10,995	405
Client assistance	511		3,127	333,159	2,834,718	2,759,147	830,999
Transportation and lodging	16,620		3,071	115,433	37,654	12,408	27,257
Rent	89,770		8,879	66,937	13,233		5,739
Janitorial	19,162		595	924	2,628		1,056
Utilities and telephone	32,385		3,319	56,839	26,923	3,469	8,602
Training and recruitment	8,400		944	53,157	9,774	95	17,369
Dues and other fees	43,471		6,987	26,509	4,628	721	5,136
Administration	(1,019,613)		19,943	519,060	228,811	20,941	230,355
Total materials and services	(659,196)		67,904	1,390,473	3,257,045	2,821,819	1,182,816
Total expenses	157,178	60,000	242,525	5,115,831	4,081,802	3,049,817	1,728,990
CHANGE IN NET ASSETS, before transfer and depreciation							
	(139,819)		425,538	149,201	(58,440)	(158,969)	(192,374)
Transfer (to) from other funds	(62,007)	6,538	(354,871)	165,604	42,136	193,603	(312,037)
Depreciation and amortization	(9,511)			(30,262)	(14,792)	(23,116)	
CHANGE IN NET ASSETS	(211,337)	6,538	70,667	284,543	(31,096)	11,518	(504,411)
NET ASSETS - Beginning of year, as originally reported	1,431,123	(6,538)	288,707	342,344	495,043	318,620	1,150,588
Prior period adjustment							
NET ASSETS - Beginning of year, as restated	1,431,123	(6,538)	288,707	342,344	495,043	318,620	1,150,588
NET ASSETS - End of year	\$ 1,219,786	\$ -	\$ 359,374	\$ 626,887	\$ 463,947	\$ 330,138	\$ 646,177

Lending	Neighborhood Reinvestment Fund Capital	Total NeighborImpact	Community Action Foundation of Central Oregon	Healy Heights Partner, LLC	Totals	
					2015	Restated 2014
\$	\$	\$ 5,887,822	\$	\$	\$ 5,887,822	\$ 5,189,510
		4,861,273			4,861,273	4,431,385
25,050		3,601,040			3,601,040	3,359,554
		102,881			102,881	244,089
		-	12,998		12,998	257,117
29,085	1,310	46,374		527	46,901	38,955
8,627		25,962	29,614		55,576	45,905
						619,117
<u>62,762</u>	<u>1,310</u>	<u>14,525,352</u>	<u>42,612</u>	<u>527</u>	<u>14,568,491</u>	<u>14,185,632</u>
69,866		4,729,173			4,729,173	4,513,103
15,525		1,731,500			1,731,500	1,644,158
<u>85,391</u>		<u>6,460,673</u>			<u>6,460,673</u>	<u>6,157,261</u>
93		53,983			53,983	49,394
3,386		179,522	808		180,330	155,338
						45,038
641		23,519			23,519	49,970
410		33,353	1,589		34,942	81,434
1,293		157,243			157,243	84,057
210		128,022	5,042		133,064	117,964
88,771	49,181	6,899,613	24,820		6,924,433	6,525,242
1,102		213,545			213,545	221,985
6,269		190,827			190,827	193,431
		24,365			24,365	24,481
103		131,640			131,640	154,064
3,050		92,789			92,789	79,862
1,120		88,572	1,154		89,726	47,011
4,464		3,961			3,961	22,317
<u>110,912</u>	<u>49,181</u>	<u>8,220,954</u>	<u>33,413</u>		<u>8,254,367</u>	<u>7,851,588</u>
<u>196,303</u>	<u>49,181</u>	<u>14,681,627</u>	<u>33,413</u>		<u>14,715,040</u>	<u>14,008,849</u>
(133,541)	(47,871)	(156,275)	9,199	527	(146,549)	176,783
321,034		(77,681)	1,638,056	(1,638,056)	(93,852)	(195,742)
			(16,171)			
<u>187,493</u>	<u>(47,871)</u>	<u>(233,956)</u>	<u>1,631,084</u>	<u>(1,637,529)</u>	<u>(240,401)</u>	<u>(18,959)</u>
3,760,414	711,711	8,492,012	574,387	1,678,399	10,744,798	7,941,410
						2,822,347
<u>3,760,414</u>	<u>711,711</u>	<u>8,492,012</u>	<u>574,387</u>	<u>1,678,399</u>	<u>10,744,798</u>	<u>10,763,757</u>
<u>\$ 3,947,907</u>	<u>\$ 663,840</u>	<u>\$ 8,258,056</u>	<u>\$ 2,205,471</u>	<u>\$ 40,870</u>	<u>\$ 10,504,397</u>	<u>\$ 10,744,798</u>

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

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, 2015, 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 1, 2015.

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.

**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.



December 1, 2015

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

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, 2015. 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.

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, 2015.

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.

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.

Price Fronek & Co.

December 1, 2015

NEIGHBORIMPACT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2015

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of NeighborImpact (the Organization).
2. No material weaknesses in internal control over financial reporting were identified during the audit of the financial statements.
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:
 - 21.000 – NeighborWorks America
 - 21.000 – National Foreclosure Mitigation Counseling
 - 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

None

**NEIGHBORIMPACT
BEND, OREGON**

**STATUS OF PRIOR YEAR (2014) FINDINGS
YEAR ENDED JUNE 30, 2015**

2014-1 Year End Closing and Subsidiary Ledgers

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

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 an 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, fixed assets, review of grant accounts, analysis of operating costs and adjustments to cost distribution, account receivable, inventory, transfer accounts (including pools and interfund transfer accounts).

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.

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, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
Department of Energy		
Passed through Oregon Housing and Community Services		
Weatherization Assistance	81.042	\$ 93,412
BPA Weatherization	81.XXX	125,504
		<u>218,916</u>
Department of Treasury		
Passed through Oregon Housing and Community Services		
National Foreclosure Mitigation Counseling	21.000	11,922
Passed through NeighborWorks America		
NWA	21.000	174,953
		<u>186,875</u>
Department of Health and Human Services		
Head Start	93.600	1,643,019
Passed through Oregon Housing and Community Services		
Housing Stabilization Program (TANF)	93.558	25,823
Low-income Energy Assistance (LIHEAP)	93.568	2,041,596
Community Services Block Grant	93.569	256,671
Passed through Child Care Resources and Referral Network		
Child Care Development Block Grant	93.575	273,260
Race to the Top - Early Learning Challenge	84.412	175,521
		<u>4,415,890</u>
Department of Agriculture		
Passed through Oregon Food Bank		
Temporary Emergency Food Assistance Program Admin Costs	10.568	26,384
Temporary Emergency Food Assistance Program Food Commodities (non-cash)	10.569	348,858
Passed through Oregon Department of Education		
Child and Adult Care Food Program	10.558	229,748
		<u>604,990</u>
Department of Housing and Urban Development		
Supportive Housing Program	14.267	506,913
Passed through NeighborWorks America		
Housing Counseling	14.169	33,699
Passed through Oregon Housing and Community Services		
Emergency Shelter Grant Program	14.231	143,507
Home TBA	14.239	163,123
Passed through the City of Bend		
Community Development Block Grant - Bend HOC	14.218	17,657
		<u>864,899</u>
		<u>\$ 6,291,570</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.