

NEIGHBORIMPACT AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2018

NEIGHBORIMPACT AND AFFILIATE

TABLE OF CONTENTS YEAR ENDED JUNE 30, 2018

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8
SUPPLEMENTAL INFORMATION	
Consolidating Schedule of Financial Position	24
Consolidating Schedule of Revenues and Expenses	25
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.....	26
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	28
Schedule of Findings and Questioned Costs	30
Status of Prior Year (2017) Findings	31
Schedule of Expenditures of Federal Awards	32
Notes to the Schedule of Expenditures of Federal Awards	33

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
NeighborImpact
Redmond, Oregon

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of NeighborImpact (a nonprofit organization) and Affiliate, which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of NeighborImpact and Affiliate, as of June 30, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated 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 consolidated 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 consolidated financial statements. The information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 United States Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Prior-Year Summarized Comparative Information

We have previously audited the Organization's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 6, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018, 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 the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Price Frunk & Co.

December 13, 2018

FINANCIAL STATEMENTS

NEIGHBORIMPACT AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,786,330	\$ 2,993,643
Grants receivable	1,275,125	1,501,501
Notes receivable		475,791
Prepaid expenses and other current assets	4,310	12,010
Food inventory	61,928	86,744
TOTAL CURRENT ASSETS	5,127,693	5,069,689
OTHER ASSETS		
Beneficial interest in Oregon Community Foundation	29,961	28,374
Investments in mutual funds	45,588	
Investment in LLC	179,641	72,788
Restricted notes receivable, net of allowance	1,254,166	630,152
Other notes receivable, net of allowance	2,745,681	2,739,372
TOTAL OTHER ASSETS	4,255,037	3,470,686
FIXED ASSETS, net of accumulated depreciation	2,045,562	2,053,356
TOTAL ASSETS	\$ 11,428,292	\$ 10,593,731
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 282,935	\$ 200,352
Accrued expenses	184,894	154,492
Current portion of long-term debt	4,606	4,419
TOTAL CURRENT LIABILITIES	472,435	359,263
LONG-TERM DEBT, net of current portion	20,844	25,422
TOTAL LIABILITIES	493,279	384,685
NET ASSETS		
Unrestricted	3,527,683	3,550,986
Temporarily restricted	6,863,831	6,039,805
Permanently restricted	543,499	618,255
TOTAL NET ASSETS	10,935,013	10,209,046
TOTAL LIABILITIES AND NET ASSETS	\$ 11,428,292	\$ 10,593,731

See notes to financial statements

NEIGHBORIMPACT AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2018	2017
SUPPORT AND REVENUE					
Federal grants	\$	\$ 6,607,840	\$ 50,000	\$ 6,657,840	\$ 5,337,667
State and local grants		5,964,057		5,964,057	6,424,795
Contributions - cash	285,646	865,723		1,151,369	1,048,639
Contributions - noncash		2,563,719		2,563,719	3,124,352
Program revenue	143,876			143,876	78,646
Interest income	81,920			81,920	97,263
Income from investment in LLC	106,853			106,853	70,070
Gain on sale of assets					3,207
Other revenue	14,443	268,478	72,528	355,449	25,670
Net assets, released from restrictions	15,643,075	(15,445,791)	(197,284)		
Total Support and Revenues	16,275,813	824,026	(74,756)	17,025,083	16,210,309
EXPENSES					
Program services					
Early care and education	5,090,548			5,090,548	4,750,838
Community services	4,909,249			4,909,249	4,870,016
Lending	113,008			113,008	181,538
Other	4,688,880			4,688,880	4,727,220
Support services					
Management and general	1,237,955			1,237,955	1,152,771
Fundraising and community relations	259,476			259,476	263,231
Total Expenses	16,299,116			16,299,116	15,945,614
CHANGE IN NET ASSETS	(23,303)	824,026	(74,756)	725,967	264,695
NET ASSETS - Beginning of year	3,550,986	6,039,805	618,255	10,209,046	9,944,351
NET ASSETS - End of year	\$ 3,527,683	\$ 6,863,831	\$ 543,499	\$ 10,935,013	\$ 10,209,046

See notes to financial statements

NEIGHBORIMPACT AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	Support Services		Program Services	
	Management and General	Fundraising and Community Relations	Early Care and Education	Community Services
PERSONNEL				
Salaries and wages	\$ 642,400	\$ 149,885	\$ 2,848,695	\$ 742,922
Payroll taxes and benefits	173,498	43,349	1,090,273	202,037
Total Personnel	815,898	193,234	3,938,968	944,959
MATERIALS AND SERVICES				
Printing	5,206	12,137	18,142	7,088
Office expenses	45,841	25,207	69,144	57,039
Interest	326			
Insurance	11,986	102	38,853	6,514
Professional fees	45,115		920	60
Contract services	31,338	13,784	39,488	148,625
Repairs and maintenance	25,287		153,275	12,482
Client assistance			488,607	3,573,457
Transportation and lodging	10,178	3,827	87,113	54,132
Rent	103,866	2,999	65,740	29,908
Janitorial	17,876	215		2,784
Utilities and telephone	36,673	1,036	66,503	28,903
Training and recruitment	13,538	607	55,368	23,727
Dues and fees	42,785	6,328	12,747	4,161
Other	12,408			
Total materials and services	402,423	66,242	1,095,900	3,948,880
Total expenses before depreciation	1,218,321	259,476	5,034,868	4,893,839
Depreciation	19,634		55,680	15,410
TOTAL EXPENSES	\$ 1,237,955	\$ 259,476	\$ 5,090,548	\$ 4,909,249

Program Services		Totals	
Lending	Other	2018	2017
\$ 75,394	\$ 681,208	\$ 5,140,504	\$ 4,872,067
18,025	209,616	1,736,798	1,761,915
93,419	890,824	6,877,302	6,633,982
1,362	5,096	49,031	51,890
3,066	52,112	252,409	165,444
		326	31
680	17,836	75,971	73,276
3,854	380	50,329	34,491
4,190	14,160	251,585	160,354
	30,778	221,822	139,643
	3,548,383	7,610,447	7,858,141
4,015	66,832	226,097	194,966
470	2,506	205,489	183,896
	3,027	23,902	21,089
300	13,219	146,634	131,588
1,589	13,285	108,114	87,389
63	3,569	69,653	64,658
		12,408	27,384
19,589	3,771,183	9,304,217	9,194,240
113,008	4,662,007	16,181,519	15,828,222
	26,873	117,597	117,392
\$ 113,008	\$ 4,688,880	\$ 16,299,116	\$ 15,945,614

See notes to financial statements

NEIGHBORIMPACT AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 725,967	\$ 264,695
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	117,597	117,392
Income from investment in LLC	(106,853)	
Non-cash investment income	43,415	(73,444)
Gain on sale of assets		(3,207)
Changes in operating assets and liabilities		
Grants receivable	226,376	(514,201)
Notes receivable	(154,532)	(763,924)
Prepaid expenses	7,700	72,908
Food inventory	24,816	(13,112)
Accounts payable	82,583	(10,337)
Accrued expenses	30,402	1,801
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>997,471</u>	<u>(921,429)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of investments	586	
Proceeds from sale of property and equipment		3,207
Purchase of property and equipment	(109,803)	(24,998)
Purchase of investments	(45,588)	
NET CASH USED IN INVESTING ACTIVITIES	<u>(154,805)</u>	<u>(21,791)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(4,391)	(4,291)
NET CASH USED IN FINANCING ACTIVITIES	<u>(4,391)</u>	<u>(4,291)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	838,275	(947,511)
CASH AND CASH EQUIVALENTS - Beginning of year	<u>2,993,643</u>	<u>3,941,154</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 3,831,918</u>	<u>\$ 2,993,643</u>

See notes to financial statements

NEIGHBORIMPACT AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

From 1985, NeighborImpact (the Organization) has been recognized by the Oregon Housing and Community Services Department (OHCSA) as a community action agency serving Crook, Deschutes and Jefferson Counties and the Confederated Tribes of Warm Springs. 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 and the Confederated Tribes of Warm Springs in a region known as Central Oregon. The Organization maintains offices and classroom sites in the communities of Bend, La Pine, Madras, Prineville and Redmond, and also serves the cities of Culver, Metolius and Sisters.

The Organization is dedicated to supporting people and strengthening communities, especially through assistance to those living in poverty. The Organization's mission is delivered through two major divisions, Community Services (including Food) and Early Care and Education.

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 55 agencies in Crook, Deschutes and Jefferson Counties and in the Confederated Tribes of Warm Springs region. These groups are independent non-profits and/or faith-based organizations that distribute supplemental food and fresh produce and operate congregate meal sites. The Organization is the local distribution partner of the Oregon Food Bank and Feeding America. The agency provides transition housing and emergency housing assistance, operates a 5-bed shelter, coordinates assistance in paying utility bills and providing weatherization services and education for low-income individuals and provides home-ownership counseling, financial education and assistance to individuals trying to stay in their homes through foreclosure prevention counseling, mortgage assistance and reverse mortgage counseling. Through its matched savings program, the Organization helps individuals save for home ownership, education and small business investments as well as other needs.

Early Care and Education – operates Head Start and Early Head Start in Crook and Deschutes Counties. More than 445 children attend Head Start in 22 classrooms operating at 9 sites. Early Head Start operates a home visiting program. The Head Start program also supports families of the children they serve, helping them move toward greater stability and a self-determined future. The Organization embraces a Two-Generation approach to eliminating poverty, giving children the skills to succeed and avoid poverty while helping their parents overcome factors keeping them in poverty. This division also operates the Childcare Resources program, which provides training, technical assistance and business support to childcare providers throughout Central Oregon. Childcare Resources coordinates training and education for the region's childcare system and providers and evaluating and rating providers.

NEIGHBORIMPACT AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Organization – Continued

Lending to Income Qualified Individuals – separate from the above programs, the Organization offers low-cost and deferred loans to income-qualified homeowners and individuals to preserve and rehabilitate property, replace failing wells and septic systems, provide downpayment assistance and closing cost loans and to support microenterprise and entrepreneurship to supplement income.

Advocacy – NeighborImpact has filed with the IRS an election to make expenditures to influence legislation. NeighborImpact reserves the right to make expenditures in the amount up to the designated election for lobbying purposes. As a matter of policy, NeighborImpact does not endorse or oppose partisan candidates for office and does not engage in partisan lobbying.

Supporting and affiliated organizations – the Central Oregon Community Action Foundation (CAFCO) is a 501(c)3 whose directors are appointed by the Organization board. CAFCO is a supporting organization that owns the headquarters building housing the Organization administration and receives and distributes grants supporting the Organization and other nonprofit organizations with missions that further the mission of the Organization.

The Organization is the majority partner of HousingImpact, a nonprofit LLC comprised of the Organization and Housing Works, the local housing authority for Central Oregon. HousingImpact's mission is to develop affordable housing in Central Oregon. The managing partner of HousingImpact is selected by the two organizations and is currently Housing Works.

The Organization is a member of the Community Action Partnership of Oregon (CAPO), and holds a board seat in that organization. CAPO is the designated statutory authority responsible for coordinating the delivery system for federal antipoverty programs in Oregon, including the Community Services Block Grant, Low Income Energy Assistance Program, State Department of Energy Weatherization Program and such other programs as may be available. The authority of the Community Action Partnership of Oregon can be found at ORS 458.505. There are 18 community action agencies in Oregon that comprise CAPO and share responsibility for delivery of anti-poverty services.

The Organization is a member of the NeighborWorks America network. There are approximately 240 NeighborWorks organizations nationwide, including 6 in Oregon. NeighborWorks organizations support affordable housing and community development and the people who benefit from them. NeighborWorks provides financial support to its members organizations to allow them to build more houses, empower more individuals and transform more communities than they would be able to do on their own.

The Organization operates its food program under a contract with FeedingAmerica, which coordinates its work in Oregon through the Oregon Food Bank. Feeding America is a nationwide network of food banks and the nation's leading domestic hunger-relief charity. Feeding America feeds 46 million people annually through approximately 60,000 food pantries and meal programs. The Organization receives food commodities through its affiliation with FeedingAmerica and the Oregon Food Bank.

NEIGHBORIMPACT AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Organization – Continued

Resource Development – the Organization is supported in part through community donations. The Organization operates a fundraising and resource development program which seeks support from individual donors, foundations and corporations. Funds raised are used as local match for federal and state resources, program enhancement and to underwrite administrative costs (including fundraising costs) not permitted to be funded by federal and state funding. Total funds raised in 2017-2018 were \$798,336. As part of its Resource Development Program the Organization maintains a Board designated quasi-endowment, managed by the Oregon Community Foundation. Principal from the quasi-endowment is preserved and interest is distributed, 50% in support of operations and 50% to build endowment corpus.

Consolidation Policy

The accompanying consolidated financial statements include the accounts of NeighborImpact and Community Action Foundation of Central Oregon (CAFCO).

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.

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. Accordingly, these consolidated statements do not reflect a provision for income taxes. The tax returns for the Organization and CAFCO 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

NEIGHBORIMPACT AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Support and Revenue – Continued

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

Based on past experience, 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.

NEIGHBORIMPACT AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

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 \$1,229,369, and related accumulated depreciation of \$596,208 as of June 30, 2018, 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, 2017, 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 AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

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

Cash paid for interest amounted to \$326 and \$31 for the years ended June 30, 2018, and 2017, respectively. The Organization paid no income taxes.

NOTE 3 – INVESTMENT IN LLC

The Organization holds a 51% ownership interest in HousingImpact LLC, an Oregon limited liability company. Although the Organization holds a majority interest in this company, the minority owner, Central Oregon Regional Housing Authority, dba Housing Works, makes all management decisions. As such, the Organization's investment in this company is presented in accordance with the equity method of accounting for investments.

Condensed financial information of HousingImpact LLC is summarized below as of and for the year ended June 30:

	<u>2018</u>	<u>2017</u>
Balance Sheet Data:		
Total assets	\$ 992,779	\$ 1,006,922
Total liabilities	<u>(522,096)</u>	<u>(755,563)</u>
Members' capital	<u>\$ 470,683</u>	<u>\$ 251,359</u>
Statement of Operations Data:		
Revenues	\$ 243,341	\$ 167,409
Expenses	<u>(24,017)</u>	<u>(30,016)</u>
Net income	<u>\$ 219,324</u>	<u>\$ 137,393</u>

The information above was audited as part of the audit of the minority owner. Recognized in the Organization's revenue is their 51% ownership share of HousingImpact's net income in the amount of \$106,853 and \$70,070 for the years ended June 30, 2018, and 2017, respectively. The Organization did not receive any cash distributions from the LLC in 2018 or 2017.

NEIGHBORIMPACT AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 4 – NOTES RECEIVABLE

Short-term notes receivable (in CAFCO) consisted of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Note receivable from HousingWorks, with a face value of \$450,000, paid in full in May 2018. Interest only payments were due monthly beginning in July 2017. Secured by real estate. Year-end balance includes accrued interest.	\$	\$ 472,685
Note receivable from insurance claim related to gutter repair work. Amount is unsecured and due upon demand.		3,106
	<u>\$ -</u>	<u>\$ 475,791</u>

Restricted notes receivable consisted of the following as of June 30:

	<u>2018</u>	<u>2017</u>
NeighborHood Reinvestment Corporation Loans - various interest rates, secured by real estate	\$ 1,282,274	\$ 719,510
Allowance for doubtful accounts	<u>(28,108)</u>	<u>(89,358)</u>
Net of allowance	<u>\$ 1,254,166</u>	<u>\$ 630,152</u>

NEIGHBORIMPACT AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 4 – NOTES RECEIVABLE – CONTINUED

Other notes receivable consisted of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Housing Assistance Loans, principal due subject to certain restrictions, various interest rates, secured by real estate, various maturities.	2,648,212	\$ 2,924,152
HW Madras Limited Liability Company, principal due subject to certain restrictions, interest at 4.75%, secured by real estate, due November 2026.	155,600	180,000
	2,803,812	3,104,152
Allowance for doubtful accounts	(58,131)	(364,780)
Net of allowance	<u>\$ 2,745,681</u>	<u>\$ 2,739,372</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 long-term notes receivable based on historical experience and adjusts the allowance on an annual basis to report the net realizable value.

NEIGHBORIMPACT AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 4 – NOTES RECEIVABLE – CONTINUED

The allowance for doubtful accounts related to financing receivables consisted of the following as of June 30, 2018:

	Home Preservation	Septic Repair	Down Payment Assistance	Closing Cost Assistance	Micro Enterprise	Unallocated	Total
Allowance for doubtful accounts:							
Beginning balance	\$ 254,499	\$ 17,257	\$ 176,932	\$ 2,770	\$ 2,680	\$	\$ 454,138
Charge-offs	(25,781)						(25,781)
Recoveries	(191,723)	(13,000)	(133,289)	(2,087)	(2,019)		(342,118)
Provisions							
Ending balance	<u>\$ 36,995</u>	<u>\$ 4,257</u>	<u>\$ 43,643</u>	<u>\$ 683</u>	<u>\$ 661</u>	<u>\$</u>	<u>\$ 86,239</u>
Financing receivables:							
Ending balance	<u>\$ 2,318,874</u>	<u>\$ 127,772</u>	<u>\$ 1,316,909</u>	<u>\$ 49,929</u>	<u>\$ 117,002</u>	<u>\$ 155,600</u>	<u>\$ 4,086,086</u>

An aging analysis of past due financing receivables as of June 30, 2018, is presented below:

	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Financing Receivables	Recorded Investment > 90 Days and Accruing
Home Preservation	\$	\$	\$	\$	\$ 2,318,874	\$ 2,318,874	\$
Septic Repair					127,772	127,772	
Down Payment Assistance					1,316,909	1,316,909	
Closing Cost Assistance					49,929	49,929	
Micro Enterprise	809				116,193	117,002	
Unallocated					155,600	155,600	
	<u>\$ 809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,085,277</u>	<u>\$ 4,086,086</u>	<u>\$ -</u>

Any loan balance on which payment has not been received within 30 days during the amortization period is considered past due. Loans in forbearance are not considered past due, so long as the borrower makes alternate payment arrangements. Loans in deferral are not considered past due as payment is triggered by a future sale.

NEIGHBORIMPACT AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 5 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 483,930	\$ 483,930
Buildings	1,870,767	1,861,558
Furniture and equipment	414,551	370,094
Roads and landscaping	51,283	45,096
Vehicles	<u>1,011,670</u>	<u>988,842</u>
	3,832,201	3,749,520
Accumulated depreciation	<u>(1,786,639)</u>	<u>(1,696,164)</u>
	<u>\$ 2,045,562</u>	<u>\$ 2,053,356</u>

NOTE 6 – LONG-TERM DEBT

Long-term debt consisted of the following:

	<u>2018</u>	<u>2017</u>
Payable to First Interstate Bank from the Organization monthly payments of \$462, including interest at the First Interstate Bank 3-year rate plus 2.75%, which was 5.68% as of June 30, 2018, and 4.05% as of June 30, 2017. Secured by real estate, due 2023.	<u>\$ 25,450</u>	<u>\$ 29,841</u>
Less current portion	<u>(4,606)</u>	<u>(4,419)</u>
	<u>\$ 20,844</u>	<u>\$ 25,422</u>

NEIGHBORIMPACT AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 6 – LONG-TERM DEBT – CONTINUED

Maturities of long-term debt are as follows:

Year ending June 30,	
2019	\$ 4,606
2020	4,796
2021	4,994
2022	5,200
2023	5,854
	<hr/>
	\$ 25,450

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. The Organization utilizes sweep accounts to transfer any excess funds over the FDIC limit on a nightly basis to ensure all balances maintained at this institution remain insured by the FDIC at all times.

The Organization provides down payment and housing rehabilitation loans primarily to low and moderate income individuals. Notes receivable totaling \$4,086,086 are secured by property purchased or improved. These notes are a concentration of credit risk. Additionally, the Organization received approximately 98% of its funding from grants, contracts and contributions.

NOTE 8 – RELATED PARTY TRANSACTIONS

During the year ended June 30, 2017, CAFCO had a short-term note receivable (Note 4) from an LLC in which the Organization has an interest (Note 3).

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. Pursuant to ORS 65.364, no board members may receive loans through the Organization.

NEIGHBORIMPACT AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 9 – RESTRICTED FUNDS

Permanently Restricted

The Organization uses the proceeds from capital grants provided by NeighborWorks America to provide down payment assistance loans as part of its housing program. As of June 30, 2018, and 2017, the Organization held 16 and 18 loans totaling \$402,722 and \$452,937, respectively, in connection with this program. Unloaned cash balances totaled \$140,777 and \$165,318 as of June 30, 2018, and 2017, respectively. Although there were no loans as of June 30, 2018, or 2017 that were considered to be delinquent, the allowance for doubtful accounts estimated by management does affect the balance that is restricted (Note 4). These funds are subject to the restrictions imposed by NeighborWorks America, who adjusts the restricted amount from time to time.

Temporarily Restricted

The Organization receives the majority of its income in the form of grants and contributions restricted for a specific purpose. As of June 30, 2018, these funds were restricted to the Early Care and Education program, Emergency Services program, Lending program and various other programs in the amounts of \$661,742, \$935,743, \$4,044,201 and \$1,222,145, respectively.

NOTE 10 – OPERATING LEASE COMMITMENTS

The Organization leases office space in Madras, Oregon from RL Allen Group, LLC. The lease required monthly payments \$969 through December 2017, and increased to \$988 through the remainder of the lease which expires in December 2018. Total lease payments of \$11,742 were made for the year ended June 30, 2018.

The Organization leases office space in Bend, Oregon from Deschutes Properties LLC. The lease required monthly payments of \$4,779 through September 2018, at which point the lease was renewed through September 2023. The renewed lease agreement requires monthly payments of \$7,402 through September 2019, with an annual increase of 4% through the term of the lease. Total lease payments of \$57,348 were made for the year ended June 30, 2018.

The Organization leases office space in Bend, Oregon from Deschutes Business Center, LLC. The lease required monthly payments of \$1,194 through May 2018, with an annual increase of 3% through the term of the lease, which expires in May 2020. Total lease payments of \$14,328 were made for the year ended June 30, 2018.

The Organization entered into three lease agreements in July 2018 to lease office space in Bend, Oregon, Redmond, Oregon and La Pine, Oregon from the Deschutes Children's Foundation. The East Bend lease requires monthly payments of \$1,443 for the term of the lease, which expires in June 2020. The Redmond lease requires monthly payments of \$1,565 for the term of the lease, which expires in June 2020. The La Pine lease requires monthly payments of \$342 for the term of the lease, which expires in June 2020.

NEIGHBORIMPACT AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 10 – OPERATING LEASE COMMITMENTS – CONTINUED

The Organization leases office space in Prineville, Oregon from Ochoco Crossing School. The lease requires annual payments of \$1 for the term of the lease, which expires in July 2037. Total lease payments of \$1 were made for the year ended June 30, 2018.

The following is a schedule of future minimum lease payments required under these leases for the next five years:

Year ending June 30,	
2019	\$ 141,879
2020	145,620
2021	95,148
2022	98,954
2022	102,912
Thereafter	<u>25,978</u>
	<u>\$ 610,491</u>

NOTE 11 – RETIREMENT PLAN

The Organization maintains an IRC Section 403(b) Plan that allows eligible employees to defer tax on part of their compensation. During the years ended June 30, 2018, and 2017, employer pension expense totaled \$175,183 and \$165,433, respectively. Employees are eligible to participate after one year of service. The plan provides for a 5% employer contribution to all plan participants.

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).

NEIGHBORIMPACT AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 12 – CONTINGENCIES – CONTINUED

Tax Positions – Continued

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, 2018, or June 30, 2017, 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 years before 2014.

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 AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

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 values for long-term investments were calculated and provided by Oregon Community Foundation and Merrill Lynch. The investments in the quasi-endowment fund held by Oregon Community Foundation and in the Merrill Lynch brokerage account were Level 2 assets.

NOTE 14 – INCREASE IN NET ASSETS

Total net assets as shown in the Consolidating Schedule of Financial Position increased by \$725,967 over the one-year period ended June 30, 2018. Components of this increase include the following:

Increase in cash and cash equivalents	\$ 792,687
Reduction in grants receivable	(226,376)
Reduction in notes receivable	(475,791)
Reduction in prepaid expenses and other current assets	(7,700)
Reduction in food inventory	(24,816)
Increase in long-term investments	47,175
Income from investment in LLC	106,853
Increase in notes receivable (restricted and other), net of allowances	630,323
Reduction in net book value of fixed assets	<u>(7,794)</u>
Increase in total assets	<u>\$ 834,561</u>
Increase in total liabilities	<u>\$ 108,594</u>

NEIGHBORIMPACT AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 14 – INCREASE IN NET ASSETS – CONTINUED

The increase in cash and cash equivalents was due to a newly adopted management policy of maximizing the frequency with which available federal and state funds are drawn. In addition, this balance also increased due to the collection of the note receivable balance owed by Housing Works to CAFCO.

The reduction in grants receivable was also associated with the increased frequency of draws on federal and state grants.

The reduction in notes receivable was caused by the early collection of a balance due from Housing Works, which accounts for the entire balance.

The reduction in prepaid expenses and other current assets was related to the timing of year end payroll.

The reduction in food inventory reflects a reduction in non-cash food donations in the current year of \$560,633. This reduction was attributable to general improvements in efficiency in food management by local grocery stores, resulting in less excess product available for donation to the Organization.

The increase in long-term investments was a result of additions to the quasi-endowment created by the Organization's board of directors.

The increase in investment in LLC is the Organization's share of HousingImpact's net income (Note 3).

The increase in restricted and other notes receivable, net of allowances, reflects a management decision to reduce the allowances for doubtful accounts to amounts more consistent with historical collection experience since the lending portfolio was restructured in 2014. The allowances were reduced from 12.5% of the total outstanding loan balances to 2.2% during the current year. Actual write-offs during the current year were 0.9% of the total outstanding balances.

The increase in total liabilities is the result of timing differences in the payment of balances in accounts payable and accrued expenses compared to the prior year end.

NOTE 15 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 13, 2018, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

NEIGHBORIMPACT AND AFFILIATE

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

	2018		
	NeighborImpact	Community Action Foundation of Central Oregon	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,137,731	\$ 1,648,599	\$ 3,786,330
Grants receivable	1,275,125		1,275,125
Notes receivable			
Prepaid expenses and other current assets	4,310		4,310
Food inventory	61,928		61,928
TOTAL CURRENT ASSETS	3,479,094	1,648,599	5,127,693
OTHER ASSETS			
Beneficial interest in Oregon Community Foundation	29,961		29,961
Investment in mutual funds	45,588		45,588
Investment in LLC	179,641		179,641
Restricted notes receivable, net of allowance	1,254,166		1,254,166
Other notes receivable, net of allowance	2,745,681		2,745,681
TOTAL OTHER ASSETS	4,255,037		4,255,037
FIXED ASSETS, net of accumulated depreciation	1,660,719	384,843	2,045,562
TOTAL ASSETS	\$ 9,394,850	\$ 2,033,442	\$ 11,428,292
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 282,935	\$	\$ 282,935
Accrued expenses	184,894		184,894
Current portion of long-term debt	4,606		4,606
TOTAL CURRENT LIABILITIES	472,435		472,435
LONG-TERM DEBT, net of current portion	20,844		20,844
TOTAL LIABILITIES	493,279		493,279
NET ASSETS			
Unrestricted	1,494,241	2,033,442	3,527,683
Temporarily restricted	6,863,831		6,863,831
Permanently restricted	543,499		543,499
TOTAL NET ASSETS	8,901,571	2,033,442	10,935,013
TOTAL LIABILITIES AND NET ASSETS	\$ 9,394,850	\$ 2,033,442	\$ 11,428,292

2017		
NeighborImpact	Community Action Foundation of Central Oregon	Total
\$ 1,797,095	\$ 1,196,548	\$ 2,993,643
1,501,501		1,501,501
	475,791	475,791
12,010		12,010
86,744		86,744
3,397,350	1,672,339	5,069,689
28,374		28,374
72,788		72,788
630,152		630,152
2,739,372		2,739,372
3,470,686		3,470,686
1,648,879	404,477	2,053,356
\$ 8,516,915	\$ 2,076,816	\$ 10,593,731
\$ 199,352	\$ 1,000	\$ 200,352
154,492		154,492
4,419		4,419
358,263	1,000	359,263
25,422		25,422
383,685	1,000	384,685
1,475,170	2,075,816	3,550,986
6,039,805		6,039,805
618,255		618,255
8,133,230	2,075,816	10,209,046
\$ 8,516,915	\$ 2,076,816	\$ 10,593,731

NEIGHBORIMPACT AND AFFILIATE

CONSOLIDATING SCHEDULE OF REVENUES AND EXPENSES YEAR ENDED JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	Management and General	Fundraising	Early Care and Education	Energy and Housing	Food Bank Services	Home Ownership Center
SUPPORT AND REVENUE						
Federal grants	\$	\$	\$ 2,499,672	\$ 3,089,279	\$ 84,370	\$ 164,211
State and local grants			3,137,660	1,964,774	64,425	193,254
Contributions - cash		798,336	72,056	33,149	127,514	97,874
Contributions - noncash					2,563,719	
Program revenue	7,033	58,036	28,059	3,697		19,027
Interest income	(213)	494				
Income from investment in LLC	106,853					
Gain on sale of assets						
Other revenue	8,601		1,842			
Net assets, released from restriction						
Total support and revenues	122,274	856,866	5,739,289	5,090,899	2,840,028	474,366
EXPENSES						
Personnel services:						
Salaries and wages	642,400	149,885	2,848,695	742,922	196,677	264,940
Payroll taxes and benefits	173,498	43,349	1,090,273	202,037	71,211	76,627
Total personnel expenses	815,898	193,234	3,938,968	944,959	267,888	341,567
Materials and services:						
Printing	5,206	11,940	18,142	7,088	225	3,077
Office expense	45,641	24,730	69,144	57,039	5,963	9,278
Interest	326					
Insurance	11,986	102	38,853	6,514	12,110	462
Professional fees	44,688		920	60		130
Contract services	31,338	10,547	39,488	148,625	1,482	11,820
Repairs and maintenance	18,097		153,275	12,482	26,065	51
Client assistance			488,607	3,573,457	2,638,915	
Transportation and lodging	10,178	3,473	87,113	54,132	15,288	41,535
Rent	103,866	2,999	65,740	29,908	10	2,291
Janitorial	17,876	215		2,784	1,536	406
Utilities and telephone	36,673	275	66,503	28,903	3,828	3,018
Training and recruitment	13,538	585	55,368	23,727	81	8,252
Dues and other fees	36,270	5,044	12,747	4,161	460	1,654
Other						
Administration	(1,155,712)	31,386	599,646	236,965	57,901	106,959
Total materials and services	(780,029)	91,296	1,695,546	4,185,845	2,763,864	188,933
Total expenses	35,869	284,530	5,634,514	5,130,804	3,031,752	530,500
CHANGE IN NET ASSETS, before transfer and depreciation	86,405	572,336	104,775	(39,905)	(191,724)	(56,134)
Transfer (to) from other funds	(128,775)	(469,475)	(426)	47,297	354,402	57,100
Depreciation and amortization			(55,680)	(15,410)	(21,445)	
CHANGE IN NET ASSETS	(42,370)	102,861	48,669	(8,018)	141,233	966
NET ASSETS - Beginning of year	1,131,108	123,259	613,073	943,761	295,915	529,477
NET ASSETS - End of year	\$ 1,088,738	\$ 226,120	\$ 661,742	\$ 935,743	\$ 437,148	\$ 530,443

Lending	Neighborhood Reinvestment Fund Capital	Weatherization	Community Relations	Total NeighborImpact	Community Action Foundation of Central Oregon	Totals	
						2018	2017
\$ 110,000	\$ 50,000	\$ 660,308	\$	\$ 6,657,840	\$	\$ 6,657,840	\$ 5,337,667
		603,944		5,964,057		5,964,057	6,424,795
		22,440		1,151,369		1,151,369	1,048,639
				2,563,719		2,563,719	3,124,352
844		25,943	1,237	143,876		143,876	78,646
81,639				81,920		81,920	97,263
				106,853		106,853	70,070
							3,207
268,478	72,528			351,449	4,000	355,449	25,670
197,284	(197,284)						
658,245	(74,756)	1,312,635	1,237	17,021,083	4,000	17,025,083	16,210,309
75,394		219,591		5,140,504		5,140,504	4,872,067
18,025		61,778		1,736,798		1,736,798	1,761,915
93,419		281,369		6,877,302		6,877,302	6,633,982
1,362		1,794	197	49,031		49,031	51,890
3,066		36,871	477	252,209	200	252,409	165,444
				326		326	31
680		5,264		75,971		75,971	73,276
3,854		250		49,902	427	50,329	34,491
4,190		858	3,237	251,585		251,585	160,354
		4,662		214,632	7,190	221,822	139,643
		909,468		7,610,447		7,610,447	7,858,141
4,015		10,009	354	226,097		226,097	194,966
470		205		205,489		205,489	183,896
		1,085		23,902		23,902	21,089
300		6,373	761	146,634		146,634	131,588
1,589		4,952	22	108,114		108,114	87,389
63		1,455	1,284	63,138	6,515	69,653	64,658
					12,408	12,408	27,384
20,695		91,625	10,535				
40,284		1,074,871	16,867	9,277,477	26,740	9,304,217	9,194,240
133,703		1,356,240	16,867	16,154,779	26,740	16,181,519	15,828,222
524,542	(74,756)	(43,605)	(15,630)	866,304	(22,740)	843,564	382,087
53,175		71,072	15,630				
		(5,428)		(97,963)	(19,634)	(117,597)	(117,392)
577,717	(74,756)	22,039		768,341	(42,374)	725,967	264,695
3,466,484	618,255	411,898		8,133,230	2,075,816	10,209,046	9,944,351
\$ 4,044,201	\$ 543,499	\$ 433,937	\$ -	\$ 8,901,571	\$ 2,033,442	\$ 10,935,013	\$ 10,209,046

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 consolidated financial statements of NeighborImpact and Affiliate (the Organization), which comprise the statement of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated December 13, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered NeighborImpact'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 NeighborImpact's internal control. Accordingly, we do not express an opinion on the effectiveness of NeighborImpact's internal control.

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. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


**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*.

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 13, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the 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 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, 2018. The Organization's major federal programs are identified in the summary of auditors' 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 the audit requirements of Title 2 United States Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, 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 REQUIRED BY THE UNIFORM GUIDANCE – 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, 2018.

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 the Uniform Guidance, 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Price Frunk & Co.
December 13, 2018

NEIGHBORIMPACT AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified 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:

93.600 – Head Start
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Organization was determined to be a low-risk auditee.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

FINDINGS – FINANCIAL STATEMENT AUDIT

None

NEIGHBORIMPACT AND AFFILIATES

STATUS OF PRIOR YEAR (2017) FINDINGS YEAR ENDED JUNE 30, 2018

No prior year findings

NEIGHBORIMPACT AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Department of Energy				
Passed through Oregon Housing and Community Services				
Weatherization Assistance	81.042	DE-EE0007945	\$ 120,700	\$
BPA Weatherization	81.XXX	70589	135,126	
			255,826	
Department of Treasury				
Passed through Department of Housing and Urban Development				
NeighborWorks America	21.113	2017-8334-0125-NEC	135,834	
			135,834	
Department of Health and Human Services				
Head Start	93.600		1,896,101	
Passed through Oregon Housing and Community Services				
Housing Stabilization Program (TANF)	93.558	149368	25,827	
Low-income Energy Assistance (LIHEAP)	93.568	G-18B2ORLIEA	2,385,463	
Community Services Block Grant	93.569	G-17B1ORCOSR	288,178	
			4,595,569	
Passed through Oregon Department of Education				
Child Care and Development Block Grant	93.575	9827	170,325	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	11171	171,356	
Subtotal Child Care and Development Fund Cluster			341,681	
			4,937,250	
Department of Agriculture				
Passed through Oregon Food Bank				
Temporary Emergency Food Assistance Program Admin Costs	10.568	T17R12	34,370	
Temporary Emergency Food Assistance Program Food Commodities (non-cash)	10.569	T17R12	378,017	
Subtotal Food Distribution Cluster			412,387	
Passed through Oregon Department of Education				
Child and Adult Care Food Program	10.558	0903003	237,736	
			650,123	
Department of Housing and Urban Development				
Supportive Housing Program	14.267		522,461	
Passed through NeighborWorks America				
Housing Counseling	14.169	2017-8334-0631-OUT	1,924	
Passed through Oregon Housing and Community Services				
Emergency Shelter Grant Program	14.231	E17-DC-41-0001	129,561	105,992
Home TBA	14.239	M-16,M-17-SG-41-0101	166,426	
Passed through the City of Bend				
Community Development Block Grant - Bend HOC	14.218	B-17-MC-41-0010	13,087	
Passed through the City of Redmond				
Community Development Block Grant - Redmond HOC	14.218	B-16-MC-41-0013	10,000	
			843,459	105,992
			\$ 6,822,492	\$ 105,992

NEIGHBORIMPACT AND AFFILIATES

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

Note A - Basis of Presentation

The accompanying schedule of federal awards (the Schedule) includes the federal award activity of NeighborImpact (the Organization) under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 United States Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization it is not intended to and does not present the financial position, change in net assets or cash flows of the Organization.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

Note C - Indirect Cost Rate

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note D - Federal Loan Programs

There were no amounts of loans or loan guarantees related to federal awards outstanding at year end.