

**NEIGHBORIMPACT
AND
SUPPORTING ORGANIZATION**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

**For the Year Ended June 30, 2009
(With Comparative Totals for
the Year Ended June 30, 2008)**



JONES & ROTH
CPAs and Business Consultants

NEIGHBORIMPACT AND SUPPORTING ORGANIZATION
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
For the Year Ended June 30, 2009
(With Comparative Totals for the Year Ended June 30, 2008)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
NeighborImpact and Supporting Organization
Redmond, Oregon

We have audited the accompanying consolidated statement of financial position of NeighborImpact (a nonprofit organization), and its supporting organization, Community Action Foundation of Central Oregon, as of June 30, 2009, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the organizations' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the organizations' June 30, 2008 financial statements and, in our report dated November 21, 2008, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NeighborImpact, and its supporting organization, Community Action Foundation of Central Oregon, as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2009 on our consideration of NeighborImpact's internal control over financial reporting and 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 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.

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

Jones + Roth, P.C.

Jones & Roth, P.C.
Bend, Oregon
November 23, 2009

CONSOLIDATED FINANCIAL STATEMENTS

NEIGHBORIMPACT AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2009
(With Comparative Totals for June 30, 2008)

	<u>2009</u>	<u>Restated 2008</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 889,114	\$ 1,486,873
Short-term investments	1,419,473	885,153
Grants receivable	1,155,074	591,570
Prepaid expenses and other current assets	3,838	3,563
Food inventory	47,334	39,140
Total current assets	<u>3,514,833</u>	<u>3,006,299</u>
Other assets		
Long-term investments	632,482	633,794
Restricted notes receivable	237,086	219,187
Other notes receivable, net of deferred portion	1,260,342	1,279,978
Total other assets	<u>2,129,910</u>	<u>2,132,959</u>
Property and equipment, net of depreciation	<u>1,186,097</u>	<u>1,158,196</u>
Total assets	<u>\$ 6,830,840</u>	<u>\$ 6,297,454</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 301,512	\$ 163,661
Accrued expenses	236,742	170,999
Deferred grant revenue	177,080	114,521
Escrow liability	32,207	20,971
Current portion of long-term debt	2,109	1,941
Total current liabilities	<u>749,650</u>	<u>472,093</u>
Long-term debt, net of current portion	<u>52,857</u>	<u>54,814</u>
Total liabilities	<u>802,507</u>	<u>526,907</u>
Net assets		
Unrestricted	3,008,435	2,578,463
Temporarily restricted	2,358,398	2,457,084
Permanently restricted	661,500	735,000
Total net assets	<u>6,028,333</u>	<u>5,770,547</u>
Total liabilities and net assets	<u>\$ 6,830,840</u>	<u>\$ 6,297,454</u>

The accompanying notes are an integral part of these consolidated statements.

NEIGHBORIMPACT AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009
(With Comparative Totals for the Year Ended June 30, 2008)

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds
	<u> </u>	<u> </u>	<u> </u>
Support and revenue			
Federal grants	\$ -	\$ 6,020,032	\$ 100,000
State and local grants	-	4,111,262	-
Contributions	252,873	2,112,434	-
Program revenue	-	199,897	-
Other revenue	35,008	110,151	-
Interest income	14,565	27,016	-
Net assets released from program restrictions	<u>12,852,978</u>	<u>(12,679,478)</u>	<u>(173,500)</u>
 Total support and revenue	 <u>13,155,424</u>	 <u>(98,686)</u>	 <u>(73,500)</u>
 Expenses			
Program services:			
Health and welfare	11,720,397	-	-
Support services:			
Management and general	798,646	-	-
Community relations	153,603	-	-
Fundraising	<u>52,806</u>	<u>-</u>	<u>-</u>
 Total expenses	 <u>12,725,452</u>	 <u>-</u>	 <u>-</u>
 Change in net assets	 429,972	 (98,686)	 (73,500)
Net assets, beginning of year	<u>2,578,463</u>	<u>2,457,084</u>	<u>735,000</u>
Net assets, end of year	<u>\$ 3,008,435</u>	<u>\$ 2,358,398</u>	<u>\$ 661,500</u>

Totals	
2009	Restated 2008
\$ 6,120,032	\$ 4,876,808
4,111,262	3,248,587
2,365,307	2,249,903
199,897	338,865
145,159	95,333
41,581	67,289
-	-
12,983,238	10,876,785
11,720,397	9,744,335
798,646	770,746
153,603	40,474
52,806	70,780
12,725,452	10,626,335
257,786	250,450
5,770,547	5,520,097
\$ 6,028,333	\$ 5,770,547

The accompanying notes are an integral part of these consolidated statements.

NEIGHBORIMPACT AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2009
(With Comparative Totals for the Year Ended June 30, 2008)

	Support Services			Program Services
	Management and General	Community Relations	Fundraising	Health and Welfare
Salaries and wages	\$ 472,005	\$ 31,793	\$ 31,793	\$ 3,069,473
Payroll taxes and benefits	149,377	10,712	10,712	1,303,060
Printing	1,637	5,351	5,351	16,928
Office expenses	46,508	2,704	2,704	143,778
Interest	8,204	-	-	4,806
Insurance	22,804	-	-	30,523
Professional fees	15,480	-	-	13,884
Contract services	6,436	102,759	-	36,599
Maintenance	6,531	-	-	49,052
Client assistance	-	-	-	6,680,885
Transportation and lodging	2,843	-	695	127,537
Rent	1,959	-	660	40,266
Janitorial	12,200	-	-	-
Utilities and telephone	25,426	-	318	63,862
Training	3,757	-	286	56,540
Dues and fees	7,663	-	287	11,472
Other	-	284	-	-
Total expenses before depreciation	782,830	153,603	52,806	11,648,665
Depreciation	15,816	-	-	71,732
Total expenses	\$ 798,646	\$ 153,603	\$ 52,806	\$ 11,720,397

Totals	
2009	Restated 2008
\$ 3,605,064	\$ 3,114,270
1,473,861	1,265,739
29,267	25,542
195,694	239,039
13,010	13,425
53,327	48,599
29,364	22,070
145,794	27,927
55,583	66,902
6,680,885	5,374,382
131,075	128,645
42,885	30,529
12,200	11,927
89,606	87,361
60,583	45,374
19,422	17,014
284	512
<hr/>	<hr/>
12,637,904	10,519,257
<hr/>	<hr/>
87,548	107,078
<hr/>	<hr/>
<u>\$ 12,725,452</u>	<u>\$ 10,626,335</u>

The accompanying notes are an integral part of these consolidated statements.

NEIGHBORIMPACT AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2009
(With Comparative Totals for the Year Ended June 30, 2008)

	<u>2009</u>	<u>Restated 2008</u>
Cash flows from operating activities		
Change in net assets	\$ 257,786	\$ 250,450
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	87,548	107,078
Loss from investments	1,311	1,338
(Increase) decrease in:		
Grants receivable	(563,504)	179,417
Prepaid expenses	(275)	(3,453)
Inventory	(8,194)	(1,480)
Increase (decrease) in:		
Accounts payable	135,251	12,742
Accrued expenses	65,743	31,314
Deferred grant revenue	62,559	(83,299)
Escrow liability	11,236	(33,040)
	<u>49,461</u>	<u>461,067</u>
 Cash flows from investing activities		
Purchase of short-term investments	(535,214)	(885,153)
Net change in notes receivable	1,737	51,627
Purchase of property and equipment	<u>(111,954)</u>	<u>(5,078)</u>
	<u>(645,431)</u>	<u>(838,604)</u>
 Cash flows from financing activities		
Principal payments on notes payable	<u>(1,789)</u>	<u>(1,702)</u>
	(597,759)	(379,239)
Net decrease in cash and cash equivalents	(597,759)	(379,239)
Cash and cash equivalents, beginning of year	<u>1,486,873</u>	<u>1,866,112</u>
Cash and cash equivalents, end of year	<u>\$ 889,114</u>	<u>\$ 1,486,873</u>

The accompanying notes are an integral part of these consolidated statements.

NEIGHBORIMPACT AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization

From 1985 to date, 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 over 17 offices and classroom sites in the communities of La Pine, Bend, Redmond, Sisters, Prineville, and Madras.

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

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

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

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

Emergency Services & Food Programs

- **Emergency Services** - provides emergency rental assistance, energy shut-off prevention as well as information and referral to individuals and families.
- **Energy Services** - helps eligible families and individuals pay a portion of their heating costs during the winter months, participate in energy education, and/or receive energy case management.
- **Family Shelter** - provides short-term shelter to homeless families with children. The program is located in Bend and can provide housing for up to five families at a time for up to three months.
- **Food Bank** - collects and distributes food to network of 40 local agencies in Crook, Deschutes, and Jefferson Counties. These groups are independent non-profits and/or churches that include Emergency Food Box Sites, Congregate Meal Sites, Brown Bag Programs, Shelters, Child Care Providers, and senior programs.
- **Rent Services** - provides rent assistance, information, and referral and case management to eligible individuals and families through a variety of rent programs. Services are based on need, eligibility, and available funding.

NEIGHBORIMPACT AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Organization, continued

Emergency Services & Food Programs, continued

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

Early Care and Education Programs

- **Child Care Resources** - serves parents, providers, and employers with information and referral services.
- **Head Start Program** - promoting school readiness and self-sufficiency through early childhood education, parent involvement, family support, health services, social services, and nutritious meals for primarily low-income families, children with disabilities, or other special needs.

Housing Center Programs

- **Home Ownership** - offers a variety of programs including foreclosure prevention classes and counseling, first time homeownership classes and counseling, down payment assistance loans, reverse mortgage counseling, financial literacy classes and counseling, home owner rehabilitation loans, and a matched saving program (IDA).
- **Home Rehabilitation** - provides low interest home repair loans to clients that are below 80 percent of the area median.
- **Weatherization** - Weatherization is a year-round program that makes improvements to homes to reduce energy loss for clients at or below 60 percent of the state area median income. Some improvements may include insulation, heating systems, and air sealing. There is a home evaluation process to determine what items will be considered. A client may rent or own their home.

Consolidation Policy

The accompanying consolidated financial statements include the accounts of the Organization and those of its supporting organization, Community Action Foundation of Central Oregon (CAFCO). NeighborImpact has control over appointments to the board of CAFCO, so consolidation is required under generally accepted accounting principles. Once appointed, NeighborImpact does not have the ability to remove board members of CAFCO and NeighborImpact 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 is a not-for-profit corporation which has been granted tax-exempt status under code section 501(c)(3). In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the code. Accordingly, these statements do not reflect a provision for income taxes.

NEIGHBORIMPACT AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Support and Revenues

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, when 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 statement of activities as net assets released from restrictions. Contributions of donated noncash assets are recorded at their fair values in the period received. 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 values in the period received.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

Inventory

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

Compensated Absences

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

NEIGHBORIMPACT AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Allocation of Supporting Service Expenditures

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.

Fixed Assets

Fixed assets acquired by the Organization are considered to be owned by the Organization. However, federal and state 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. Fixed assets are depreciated using the straight-line method over estimated useful lives of the assets. The Organization capitalizes all property and equipment with a purchase price of greater than \$5,000 and a useful life of greater than one year.

Prior Year Summarized Information

The consolidated financial statements and notes to consolidated financial statements contain certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2008, 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 net assets – These net assets are restricted by grantors or donors for specific program purposes.

Permanently restricted net assets – 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.

2. Cash and Cash Equivalents

At June 30, cash and cash equivalents consisted of the following:

	<u>2009</u>	<u>2008</u>
Checking and savings accounts	<u>\$ 889,114</u>	<u>\$ 1,486,873</u>

NEIGHBORIMPACT AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Short-term Investments

Investments consist of United States Treasury bills and certificates of deposits with original maturity dates greater than 90 days, stated at fair value, in the amount of \$1,419,473 and \$885,153 as of June 30, 2009 and 2008, respectively. Principal amounts range from \$100,000 to \$200,000 with maturity dates that range from July 2009 through May 2010. Interest earned on these investments, for the years ended June 30, 2009 and 2008, was \$19,984 and \$13,139, respectively.

4. Notes Receivable

At June 30, notes receivable consisted of the following:

	2009	2008
Deschutes Family Housing Limited Partnership, principal due subject to certain restrictions (see Note 9), interest at 5.00%, secured by real estate, due August 2019.	\$ 391,393	\$ 391,393
Deschutes Family Housing Limited Partnership, principal due subject to certain restrictions (see Note 9), interest at 5.01%, secured by real estate, due November 2031.	110,000	110,000
Housing Assistance Loans, principal due subject to certain restrictions, various interest rates, secured by real estate, various maturities.	2,814,888	2,596,551
Neighborhood Reinvestment Corporation Loans, various interest rates, secured by real estate.	237,086	219,187
Madras Family Housing Limited Partnerships, principal due subject to certain restrictions (see Note 9), interest at 3.00%, secured by real estate, due August 2028.	444,167	444,167
	3,997,534	3,761,298
Deferred portion	(2,500,106)	(2,262,133)
Net notes receivable	\$ 1,497,428	\$ 1,499,165

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

NEIGHBORIMPACT AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Property and Equipment

As of June 30, the following is a summary of property and equipment:

	<u>2009</u>	<u>2008</u>
Land	\$ 210,836	\$ 210,836
Buildings	1,149,263	1,149,263
Equipment	333,946	316,940
Vehicles	<u>561,184</u>	<u>469,726</u>
	2,255,229	2,146,765
Accumulated depreciation	<u>(1,069,132)</u>	<u>(988,569)</u>
Net property and equipment	<u>\$ 1,186,097</u>	<u>\$ 1,158,196</u>

6. Long-term Debt

At June 30, long-term debt consisted of the following:

	<u>2009</u>	<u>2008</u>
Home Federal Bank, monthly payments of \$550 including interest at the Federal Home Loan Bank three year rate plus 2.75%, which was 8.3% and 6.75% as of June 30, 2008 and 2009, respectively. Secured by real estate, due 2023.	\$ 54,966	\$ 56,755
Current portion	<u>(2,109)</u>	<u>(1,941)</u>
Long-term debt, net of current portion	<u>\$ 52,857</u>	<u>\$ 54,814</u>

Maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	
2010	\$ 2,109
2011	2,291
2012	2,478
2013	2,704
2014	2,938
Thereafter	<u>42,446</u>
Total	<u>\$ 54,966</u>

NEIGHBORIMPACT AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to a concentration of credit risk consist principally of cash and cash equivalents and notes receivable. The Organization maintains the majority of its cash balances at Federal Deposit Insurance Corporation (FDIC) insured institutions and invests in U.S. Government securities. At June 30, 2009, \$578,552 in deposits exceeded FDIC insurance of \$250,000.

The Organization provides down payment and housing rehabilitation loans primarily to low and moderate income individuals. Notes receivable totaling \$3,997,534 are secured by property purchased or improved. These notes are a concentration of credit risk. Additionally, the Organization receives approximately 95 percent of its funding from grants and contracts. Management does not anticipate a reduction in funding.

8. Related Party Transactions

The Organization leases its Redmond administrative facilities from the Community Action Foundation of Central Oregon, Inc. (CAFCO). CAFCO is a supporting non-profit corporation formed exclusively to support the charitable purposes of NeighborImpact. Located in Redmond, Oregon, it is the general partner of the Deschutes Family Housing Limited Partnership, an Oregon limited partnership formed to own and operate the Bill Healy Family Center (Healy Heights Apartments), and the Madras Family Housing Limited Partnership, an Oregon limited partnership formed to own and operate the Madras Family Housing Center. NeighborImpact provides significant accounting and operations support to these partnerships. Included in the consolidated financial statements are notes receivable at June 30, 2009, from the Deschutes Family Housing Limited Partnership in the amount of \$501,393. This note was incurred in connection with the construction of the Bill Healy Family Center. Additionally, notes receivable in the amount of \$444,167 are due from the Madras Family Housing Limited Partnership in connection with the construction of Madras Town Homes. Since collection of these notes receivable is contingent upon future available capital of the projects and other restrictions, the notes will be deferred until collection.

9. Permanently Restricted Funds

NeighborWorks America provided a \$100,000 capital grant during the year ended June 30, 2009 and \$735,000 from prior years totaling \$835,000 of funds for making loans and for capital projects. This amount is permanently restricted although proceeds on capital projects, or interest earned, over the corpus may be transferred to unrestricted net assets for furthering the Organization's mission. NeighborImpact was notified during 2009 by NeighborWorks America that they may release \$173,500 from restriction. This amount has been reclassified. Should the Organization become defunct, all remaining grant funds, interest earnings, capital project proceeds, and loan and capital project portfolios representing the use of these funds will revert to NeighborWorks America. The Organization invested the capital grant in U.S. Treasury bills in order to comply with grantor requirements. As of June 30, 2009, the Organization held 13 loans totaling \$237,086 in connection with this program, in addition to a \$110,000 note receivable from Deschutes Family Housing Limited Partnership (see Note 4) made in connection with this grant. There were no loans as of June 30, 2009, that were considered to be delinquent.

NEIGHBORIMPACT AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Retirement Plan

The Organization maintains a Simplified Employee Pension (SEP) plan for eligible employees. During the year ended June 30, 2009, employer pension expense totaled \$137,732.

11. Contingency

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 Organization. In the opinion of the Organization's management, such disallowances are not anticipated and, if any, would not be significant.

12. Restatement

In order to enhance the comparability of the financial statement amounts, the prior year summarized comparative information has been restated to include the balances of Community Action Foundation of Central Oregon. This change increases net assets at July 1, 2008 by \$1,059,346.

13. Subsequent Events

The existence of subsequent events has been considered through November 23, 2009.

SINGLE AUDIT SECTION

**NEIGHBORIMPACT AND SUPPORTING ORGANIZATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Energy		
Passed through The Oregon Housing and Community Services:		
DOE WX	81.042	\$ 147,812
BPA Weatherization	81.042	186,297
ARRA DOE WX	81.042	<u>18,522</u>
Total U.S. Department of Energy		<u>352,631</u>
U.S. Department of Treasury		
Passed through Neighborworks America:		
Neighborhood Reinvestment Program - expendable	21.000	<u>136,109</u>
U.S. Department of Health and Human Services		
Head Start	93.600	1,185,713
Passed through Oregon Housing and Community Services:		
Housing Stabilization Program (TANF)	93.558	21,479
Low-income Energy Assistance (LIEAP)	93.568	2,492,783
Community Service Block Grant	93.569	165,443
ARRA Community Services Block Grant	93.710	1,437
Passed through Child Care Resources and Referral Network:		
Child Care Development Block Grant	93.575	<u>180,639</u>
Total U.S. Department of Health and Human Services		<u>4,047,494</u>
U.S. Department of Agriculture		
Passed through the Oregon Department of Education:		
Child and Adult Care Food Program	10.558	175,251
Passed through The Oregon Housing and Community Services:		
Passed through the Oregon Food Bank:		
Temporary Emergency Food Assistance Program Administrative Costs	10.568	14,106
Temporary Emergency Food Assistance Program Food Commodities	10.569	270,532
ARRA Temporary Emergency Food Assistance Program	10.568	<u>2,559</u>
Total U.S. Department of Agriculture		<u>462,448</u>
U.S. Department of Homeland Security		
Passed through the Deschutes United Way:		
Emergency Food and Shelter Program	97.024	28,929
ARRA Emergency Food and Shelter Program	97.114	<u>1,888</u>
Total U.S. Department of Homeland Security		<u>30,817</u>

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development		
Supportive Housing Program	14.235	282,607
Housing Counsel	14.169	10,044
Passed through NeighborWorks America:		
Home Equity Conversion Mortgage	14.169	3,006
Passed through The Oregon Housing and Community Services:		
Emergency Shelter Grant Program	14.231	95,810
Home TBA	14.239	203,121
Passed through Jefferson County:		
Community Development Block Grant	14.228	266,514
Passed through the City of Madras:		
Community Development Block Grant	14.228	44,845
Passed through the City of Bend:		
Community Development Block Grant	14.228	<u>29,879</u>
 Total U.S. Department of Housing and Urban Development		<u>935,826</u>
 Total federal expenditures		<u>\$ 5,965,325</u>

Note: The above schedule was prepared under the accrual basis of accounting.
The value of federal loan funds was \$2,326,315 as of June 30, 2009.



**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 and Supporting Organization
Redmond, Oregon

We have audited the consolidated financial statements of NeighborImpact (a nonprofit organization) and its supporting organization, Community Action Foundation of Central Oregon, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered NeighborImpact and its supporting organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of NeighborImpact's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

A *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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about NeighborImpact and its supporting organization's consolidated 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 consolidated 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*.

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

Jones & Roth, P.C.

Jones & Roth, P.C.
Bend, Oregon
November 23, 2009



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

To the Board of Directors
NeighborImpact and Supporting Organization
Redmond, Oregon

Compliance

We have audited the compliance of NeighborImpact (a nonprofit organization) and Supporting organization with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. NeighborImpact and its supporting organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of NeighborImpact and its supporting organization's management. Our responsibility is to express an opinion on NeighborImpact and its supporting organization's compliance based on our audit.

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 NeighborImpact and its supporting 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. Our audit does not provide a legal determination of NeighborImpact and its supporting organization's compliance with those requirements.

In our opinion, NeighborImpact and its supporting organization complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Jones & Roth, P.C.

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Internal Control Over Compliance

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

A *deficiency in internal control* in an organization's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, 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.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

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

Jones & Roth, P.C.

Jones & Roth, P.C.
Bend, Oregon
November 23, 2009

NEIGHBORIMPACT AND SUPPORTING ORGANIZATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

Summary of Auditor's Results

The auditor's report expresses an unqualified opinion on the consolidated financial statements of NeighborImpact and supporting organization for the year ended June 30, 2009.

No material weaknesses or significant deficiencies in internal control were disclosed during the audit of the consolidated financial statements of NeighborImpact and supporting organization for the year ended June 30, 2009.

No instances of noncompliance material to the consolidated financial statements of NeighborImpact and supporting organization, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

No material weaknesses or significant deficiencies were disclosed during the audit of the internal control over major federal award programs.

The auditor's report on compliance for the major federal award programs for NeighborImpact and supporting organization expresses an unqualified opinion on all major federal programs.

There are no audit findings relative to the major federal award programs of NeighborImpact and supporting organization that should be reported in this schedule.

The programs tested as major programs include:

Head Start	93.600
Low Income Energy Assistance Program	93.568
Weatherization	81.042
Community Development Block Grant	14.228

The threshold for distinguishing between Type A and B programs was \$300,000.

NeighborImpact and supporting organization qualified as a low-risk auditee.

Findings – Consolidated Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Programs Audit

None

Prior Year Findings and Questioned Costs – Major Federal Award Programs Audit

None

SUPPLEMENTAL INFORMATION

NEIGHBORIMPACT AND SUPPORTING ORGANIZATION
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

June 30, 2009

(With Comparative Totals for the Year Ended June 30, 2008)

	2009		
	NeighborImpact	Community Action Foundation of Central Oregon	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 677,337	\$ 211,777	\$ 889,114
Short-term investments	1,419,473	-	1,419,473
Grants receivable	1,155,074	-	1,155,074
Prepaid expenses and other current assets	3,838	-	3,838
Food inventory	47,334	-	47,334
Total current assets	<u>3,303,056</u>	<u>211,777</u>	<u>3,514,833</u>
Other assets			
Investments	-	632,482	632,482
Restricted notes receivable	237,086	-	237,086
Other notes receivable, net of deferred portion	1,260,342	-	1,260,342
Total other assets	<u>1,497,428</u>	<u>632,482</u>	<u>2,129,910</u>
Property and equipment, net of depreciation	<u>896,611</u>	<u>289,486</u>	<u>1,186,097</u>
Total assets	<u>\$ 5,697,095</u>	<u>\$ 1,133,745</u>	<u>\$ 6,830,840</u>
Liabilities and Net Assets			
Current liabilities			
Accounts payable	\$ 226,675	\$ 74,837	\$ 301,512
Accrued expenses	236,742	-	236,742
Deferred grant revenue	177,080	-	177,080
Escrow liability	32,207	-	32,207
Current portion of long-term debt	2,109	-	2,109
Total current liabilities	<u>674,813</u>	<u>74,837</u>	<u>749,650</u>
Long-term debt, net of current portion	<u>52,857</u>	<u>-</u>	<u>52,857</u>
Total liabilities	<u>727,670</u>	<u>74,837</u>	<u>802,507</u>
Net assets			
Unrestricted	2,061,316	947,119	3,008,435
Temporarily restricted	2,246,609	111,789	2,358,398
Permanently restricted	661,500	-	661,500
Total net assets	<u>4,969,425</u>	<u>1,058,908</u>	<u>6,028,333</u>
Total liabilities and net assets	<u>\$ 5,697,095</u>	<u>\$ 1,133,745</u>	<u>\$ 6,830,840</u>

2008

<u>NeighborImpact</u>	<u>Community Action Foundation of Central Oregon</u>	<u>Total</u>
\$ 1,278,269	\$ 208,604	\$ 1,486,873
885,153	-	885,153
591,570	-	591,570
3,563	-	3,563
39,140	-	39,140
<u>2,797,695</u>	<u>208,604</u>	<u>3,006,299</u>
-	633,794	633,794
219,187	-	219,187
<u>1,279,978</u>	<u>-</u>	<u>1,279,978</u>
<u>1,499,165</u>	<u>633,794</u>	<u>2,132,959</u>
<u>863,011</u>	<u>295,185</u>	<u>1,158,196</u>
<u>\$ 5,159,871</u>	<u>\$ 1,137,583</u>	<u>\$ 6,297,454</u>
\$ 85,424	\$ 78,237	\$ 163,661
170,999	-	170,999
114,521	-	114,521
20,971	-	20,971
1,941	-	1,941
<u>393,856</u>	<u>78,237</u>	<u>472,093</u>
<u>54,814</u>	<u>-</u>	<u>54,814</u>
<u>448,670</u>	<u>78,237</u>	<u>526,907</u>
1,630,906	947,557	2,578,463
2,345,295	111,789	2,457,084
735,000	-	735,000
<u>4,711,201</u>	<u>1,059,346</u>	<u>5,770,547</u>
<u>\$ 5,159,871</u>	<u>\$ 1,137,583</u>	<u>\$ 6,297,454</u>

NEIGHBORIMPACT AND SUPPORTING ORGANIZATION
CONSOLIDATING SCHEDULE OF REVENUES AND EXPENSES
For the Year Ended June 30, 2009
(With Comparative Totals for the Year Ended June 30, 2008)

	<u>Management and General</u>	<u>Community Relations</u>	<u>Fundraising</u>	<u>Early Care and Education</u>
Support and revenue				
Federal grants	\$ -	\$ 1,424	\$ -	\$ 1,613,344
Other grants and contracts	-	-	219,981	2,753,998
Contributions	-	99,081	226,369	102,911
Program revenue	-	-	-	-
Other revenue	27,049	-	-	5,954
Interest income	8,693	-	-	-
Total support and revenue	<u>35,742</u>	<u>100,505</u>	<u>446,350</u>	<u>4,476,207</u>
Expenses				
Personal services:				
Salaries and wages	472,005	31,793	31,793	2,175,171
Payroll taxes and benefits	149,377	10,712	10,712	1,000,922
Total personal services	<u>621,382</u>	<u>42,505</u>	<u>42,505</u>	<u>3,176,093</u>
Materials and services:				
Printing	1,637	5,351	5,351	7,952
Office expense	43,639	2,704	2,704	51,883
Interest	-	-	-	4,806
Insurance	22,804	-	-	22,023
Professional fees	15,480	-	-	3,750
Contract services	6,436	102,759	-	2,905
Maintenance	6,531	-	-	33,502
Client assistance	-	-	-	561,007
Transportation and lodging	2,843	-	695	76,795
Rent	1,959	-	660	27,121
Janitorial	12,200	-	-	-
Utilities and telephone	25,426	-	318	37,954
Training and recruitment	3,757	-	286	30,257
Dues and other fees	7,663	284	287	9,097
Other	-	-	-	-
Administration	(742,241)	9,001	6,790	397,208
Total materials and services	<u>(591,866)</u>	<u>120,099</u>	<u>17,091</u>	<u>1,266,260</u>
Total expenses	<u>29,516</u>	<u>162,604</u>	<u>59,596</u>	<u>4,442,353</u>
Change in net assets, before transfers and depreciation	6,226	(62,099)	386,754	33,854
Transfers (to) from other funds	238,213	62,099	(405,369)	27,450
Depreciation	(6,621)	-	-	(53,455)
Change in net assets	237,818	-	(18,615)	7,849
Net assets, beginning of year	710,023	-	205,864	547,183
Net assets, end of year	<u>\$ 947,841</u>	<u>\$ -</u>	<u>\$ 187,249</u>	<u>\$ 555,032</u>

Emergency Services	Food Bank Services	Home Ownership Center	Neighborhood Reinvestment Fund Capital	Community Action Foundation of Central Oregon	Total	
					2009	2008
\$ 3,053,992	\$ 295,228	\$ 1,056,044	\$ 100,000	\$ -	\$ 6,120,032	\$ 4,876,808
718,014	80,039	339,230	-	-	4,111,262	3,248,587
6,103	1,930,843	-	-	-	2,365,307	2,249,903
28,750	81,929	89,218	-	-	199,897	338,865
-	81,137	23,060	-	7,959	145,159	95,333
241	-	26,775	-	5,872	41,581	67,289
<u>3,807,100</u>	<u>2,469,176</u>	<u>1,534,327</u>	<u>100,000</u>	<u>13,831</u>	<u>12,983,238</u>	<u>10,876,785</u>
468,172	108,351	317,779	-	-	3,605,064	3,114,270
149,199	41,955	110,984	-	-	1,473,861	1,265,739
<u>617,371</u>	<u>150,306</u>	<u>428,763</u>	<u>-</u>	<u>-</u>	<u>5,078,925</u>	<u>4,380,009</u>
1,046	5,343	2,587	-	-	29,267	25,542
54,651	4,169	33,075	-	2,869	195,694	239,039
-	-	-	-	8,204	13,010	13,425
2,009	1,844	4,647	-	-	53,327	48,599
8,455	-	1,679	-	-	29,364	22,070
11,285	9,727	12,682	-	-	145,794	27,927
5,590	8,911	1,049	-	-	55,583	66,902
2,905,664	2,265,635	948,579	-	-	6,680,885	5,374,382
19,877	1,482	29,383	-	-	131,075	128,645
11,895	1,250	-	-	-	42,885	30,529
-	-	-	-	-	12,200	11,927
19,545	1,186	5,177	-	-	89,606	87,361
3,797	709	21,777	-	-	60,583	45,374
177	-	2,198	-	-	19,706	17,014
-	-	-	-	-	-	512
<u>191,683</u>	<u>29,496</u>	<u>108,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,235,674</u>	<u>2,329,752</u>	<u>1,170,896</u>	<u>-</u>	<u>11,074</u>	<u>7,558,980</u>	<u>6,139,248</u>
<u>3,853,045</u>	<u>2,480,058</u>	<u>1,599,659</u>	<u>-</u>	<u>11,074</u>	<u>12,637,905</u>	<u>10,519,257</u>
(45,945)	(10,882)	(65,332)	100,000	2,757	345,333	357,528
88,512	100,811	61,784	(173,500)	-	-	-
-	(5,885)	(12,392)	-	(9,195)	(87,548)	(107,078)
42,567	84,044	(15,940)	(73,500)	(6,437)	257,786	250,450
<u>243,892</u>	<u>65,111</u>	<u>2,198,129</u>	<u>735,000</u>	<u>1,065,345</u>	<u>5,770,547</u>	<u>5,520,097</u>
<u>\$ 286,459</u>	<u>\$ 149,155</u>	<u>\$ 2,182,189</u>	<u>\$ 661,500</u>	<u>\$ 1,058,908</u>	<u>\$ 6,028,333</u>	<u>\$ 5,770,547</u>