

NEIGHBORIMPACT AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2017

NEIGHBORIMPACT AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
NeighborImpact
Redmond, Oregon

We have audited the accompanying consolidated financial statements of NeighborImpact (a nonprofit organization) and its affiliates, which comprise the consolidated statement of financial position as of June 30, 2017, 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 its affiliates, as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information 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 basic 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 (CFR) 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 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 2016 financial statements, and we expressed an unmodified opinion on them in our report dated November 1, 2016. In our opinion, the summarized comparative

information provided herein as of and for the year ended June 30, 2016, 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 November 6, 2017, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



November 6, 2017

FINANCIAL STATEMENTS

NEIGHBORIMPACT AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

	Totals	
	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,993,643	\$ 3,941,154
Grants receivable	1,501,501	987,300
Notes receivable	475,791	464,896
Prepaid expenses and other current assets	12,010	84,918
Food inventory	86,744	73,632
TOTAL CURRENT ASSETS	5,069,689	5,551,900
OTHER ASSETS		
Long-term investments	28,374	25,000
Investment in LLC	72,788	2,718
Restricted notes receivable, net of allowance	630,152	404,788
Other notes receivable, net of allowance	2,739,372	2,211,707
TOTAL OTHER ASSETS	3,470,686	2,644,213
FIXED ASSETS, net of accumulated depreciation	2,053,356	2,145,750
TOTAL ASSETS	\$ 10,593,731	\$ 10,341,863
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 200,352	\$ 210,689
Accrued expenses	154,492	152,691
Current portion of long-term debt	4,419	3,886
TOTAL CURRENT LIABILITIES	359,263	367,266
LONG-TERM DEBT, net of current portion	25,422	30,246
TOTAL LIABILITIES	384,685	397,512
NET ASSETS		
Unrestricted	3,550,986	2,814,776
Temporarily restricted	6,039,805	6,522,685
Permanently restricted	618,255	606,890
TOTAL NET ASSETS	10,209,046	9,944,351
TOTAL LIABILITIES AND NET ASSETS	\$ 10,593,731	\$ 10,341,863

See notes to financial statements

NEIGHBORIMPACT AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2017	2016
SUPPORT AND REVENUE					
Federal grants	\$	\$ 5,287,667	\$ 50,000	\$ 5,337,667	\$ 5,552,915
State and local grants		6,424,795		6,424,795	5,147,051
Contributions	226,845	3,946,146		4,172,991	3,831,094
Program revenue	78,646			78,646	195,515
Rental income					9,749
Interest income	97,263			97,263	40,213
Income from Investment in LLC	70,070			70,070	2,718
Gain on sale of assets	3,207			3,207	
Other revenue	25,670			25,670	2,955
Net assets, released from restrictions	16,180,123	(16,141,488)	(38,635)		
Total Support and Revenues	16,681,824	(482,880)	11,365	16,210,309	14,782,210
EXPENSES					
Program services					
Health and welfare	14,529,612			14,529,612	13,553,265
Support services					
Management and general	1,152,771			1,152,771	1,514,626
Fundraising and Community Relations	263,231			263,231	274,365
Total Expenses	15,945,614			15,945,614	15,342,256
CHANGE IN NET ASSETS	736,210	(482,880)	11,365	264,695	(560,046)
NET ASSETS - Beginning of year	2,814,776	6,522,685	606,890	9,944,351	10,504,397
NET ASSETS - End of year	\$ 3,550,986	\$ 6,039,805	\$ 618,255	\$ 10,209,046	\$ 9,944,351

See notes to financial statements

NEIGHBORIMPACT AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2017 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

	Support Services		Program Services	Totals	
	Management and General	Fundraising and Community Relations	Health and Welfare	2017	2016
PERSONNEL					
Salaries and wages	\$ 597,322	\$ 158,786	\$ 4,115,959	\$ 4,872,067	\$ 4,622,069
Payroll taxes and benefits	173,571	45,804	1,542,540	1,761,915	1,746,452
Total Personnel	770,893	204,590	5,658,499	6,633,982	6,368,521
MATERIALS AND SERVICES					
Printing	6,169	10,516	35,205	51,890	37,122
Office expenses	47,921	10,796	106,727	165,444	158,923
Interest	31			31	125
Insurance	12,458	126	60,692	73,276	72,008
Professional fees	31,276		3,215	34,491	42,992
Contract services	24,940	7,581	127,833	160,354	160,006
Repairs and maintenance	16,750		122,893	139,643	105,022
Client assistance	1,500	125	7,856,516	7,858,141	7,283,371
Transportation and lodging	19,288	3,764	171,914	194,966	177,991
Rent	79,982	12,737	91,177	183,896	187,725
Janitorial	17,244	660	3,185	21,089	20,810
Utilities and telephone	35,480	3,573	92,535	131,588	129,898
Training and recruitment	7,762	2,327	77,300	87,389	84,763
Dues and fees	33,549	6,436	24,673	64,658	69,781
Loss on disposal of assets					202,836
Other	27,384			27,384	133,858
Total materials and services	361,734	58,641	8,773,865	9,194,240	8,867,231
Total expenses before depreciation	1,132,627	263,231	14,432,364	15,828,222	15,235,752
Depreciation	20,144		97,248	117,392	106,504
TOTAL EXPENSES	\$ 1,152,771	\$ 263,231	\$ 14,529,612	\$ 15,945,614	\$ 15,342,256

See notes to financial statements

NEIGHBORIMPACT AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 264,695	\$ (560,046)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	117,392	106,504
Non-cash investment income	(73,444)	(2,718)
Gain on sale of assets	(3,207)	
Loss on disposal of assets		202,836
Changes in operating assets and liabilities		
Grants receivable	(514,201)	1,004,875
Notes receivable	(763,924)	(878,016)
Prepaid expenses	72,908	(84,258)
Food inventory	(13,112)	30,964
Accounts payable	(10,337)	61,160
Accrued expenses	1,801	(12,272)
Escrow liability		(13,987)
NET CASH USED IN OPERATING ACTIVITIES	(921,429)	(144,958)
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of investments		700,000
Proceeds from sale of property and equipment	3,207	
Purchase of property and equipment	(24,998)	(179,977)
Purchase of investments		(25,000)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(21,791)	495,023
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(4,291)	(3,620)
NET CASH USED IN FINANCING ACTIVITIES	(4,291)	(3,620)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(947,511)	346,445
CASH AND CASH EQUIVALENTS - Beginning of year	3,941,154	3,594,709
CASH AND CASH EQUIVALENTS - End of year	\$ 2,993,643	\$ 3,941,154

See notes to financial statements

NEIGHBORIMPACT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

From 1985, NeighborImpact (the Organization), has been recognized by the Oregon Housing and Community Services Department (OHCS) as a community action agency serving Crook, Deschutes and Jefferson Counties and the Warm Springs reservation. 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 Warm Springs reservation 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 45 agencies in Crook, Deschutes and Jefferson Counties and at the Warm Springs reservation. 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-family 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 in Crook and Deschutes Counties. More than 500 children attend Head Start in 23 classrooms operating at 8 sites. 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.

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, provide downpayment assistance and closing cost loans and to support microenterprise and entrepreneurship to supplement income.

NEIGHBORIMPACT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Organization – Continued

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, holds certain cash assets of the Organization 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 responsible 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.

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 2016-2017 were \$572,599. 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.

NEIGHBORIMPACT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 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.

NEIGHBORIMPACT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

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

Grants Receivable

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

Functional Allocation of Expenses

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

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

Inventory

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

Compensated Absences

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

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 \$1,201,057, and related accumulated depreciation of \$549,639 as of June 30, 2017, 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.

NEIGHBORIMPACT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property and Equipment – Continued

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, 2016, 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.

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

Cash paid for interest amounted to \$31 and \$125 for the years ended June 30, 2017, and 2016, respectively. The Organization paid no income taxes.

NOTE 3 – INVESTMENTS

Investments consist of \$28,374 held by Oregon Community Foundation (Note 13) and of the Organization's share of income from Housing Impact LLC, an Oregon limited liability company in which the Organization holds a 51% ownership interest. Although the Organization holds a majority interest in this company, the minority owner 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.

NEIGHBORIMPACT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 3 – INVESTMENTS – CONTINUED

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

	<u>2017</u>	<u>2016</u>
Balance Sheet Data:		
Total assets	\$ 1,006,922	\$ 892,997
Total liabilities	<u>(755,563)</u>	<u>(769,222)</u>
Members' capital	<u>\$ 251,359</u>	<u>\$ 123,775</u>
Statement of Operations Data:		
Revenues	\$ 167,409	\$ 21,351
Expenses	<u>(30,016)</u>	<u>(16,022)</u>
Net income	<u>\$ 137,393</u>	<u>\$ 5,329</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 Housing Impact's net income in the amount of \$70,070 and \$2,718 for the years ended June 30, 2017 and 2016, respectively. The Organization did not receive any cash distributions from the LLC in 2017 or 2016.

NEIGHBORIMPACT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 4 – NOTES RECEIVABLE

Short-term notes receivable (In CAFCO) consisted of the following:

	<u>2017</u>	<u>2016</u>
Note receivable from Lava Condo, LLC with a face value of \$300,000, due in monthly installments of \$1,250, including interest at 5%, matures July 2016. Secured by real estate. Year-end balance includes accrued interest.	\$	\$ 301,251
Note receivable from Lava Condo, LLC with a face value of \$155,000, due in monthly installments of \$646, including interest at 5%, matures July 2016. Secured by real estate. Year-end balance includes accrued interest.		155,645
Note receivable from Housing Impact LLC, a related party, with a face value of \$8,000, due in payments of \$4,000 per lot, payable once construction of a home begins on a lot. Non-interest bearing, secured by real estate.		8,000
Note receivable from HousingWorks, with a face value of \$450,000, due in full by May 2018. Interest only payments are 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.	<u>3,106</u>	
	<u>\$ 475,791</u>	<u>\$ 464,896</u>

NEIGHBORIMPACT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 4 – NOTES RECEIVABLE – CONTINUED

Restricted notes receivable consisted of the following:

	<u>2017</u>	<u>2016</u>
Neighborhood Reinvestment Corporation Loans - various interest rates, secured by real estate	\$ 719,510	\$ 461,951
Allowance for doubtful accounts	<u>(89,358)</u>	<u>(57,163)</u>
Net of allowance	<u>\$ 630,152</u>	<u>\$ 404,788</u>

Other notes receivable consisted of the following:

	<u>2017</u>	<u>2016</u>
Housing Assistance Loans, principal due subject to certain restriction, various interest rates, secured by real estate, various maturities.	\$ 2,924,152	\$ 2,320,026
HW Madras Limited Liability Company, principal due subject to certain restrictions, interest at 4.75%, secured by real estate, due November 2026.	<u>180,000</u>	<u>180,944</u>
	3,104,152	2,500,970
Allowance for doubtful accounts	<u>(364,780)</u>	<u>(289,263)</u>
Net of allowance	<u>\$ 2,739,372</u>	<u>\$ 2,211,707</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 experiences and adjusts the allowance on an annual basis to report the net realizable value.

NEIGHBORIMPACT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 4 – NOTES RECEIVABLE – CONTINUED

The allowance for doubtful accounts related to financing receivables consisted of the following as of June 30, 2017:

	Home Preservation	Septic Repair	Down Payment Assistance	Closing Cost Assistance	Micro Enterprise	Unallocated	Total
Allowance for doubtful accounts:							
Beginning balance	\$ 262,106	\$ 17,252	\$ 63,084	\$ 2,113	\$ 1,871	\$	\$ 346,426
Charge-offs	(7,607)						(7,607)
Recoveries							
Provisions		5	113,848	657	809		115,319
Ending balance	<u>\$ 254,499</u>	<u>\$ 17,257</u>	<u>\$ 176,932</u>	<u>\$ 2,770</u>	<u>\$ 2,680</u>	<u>\$</u>	<u>\$ 454,138</u>
Financing receivables:							
Ending balance	<u>\$ 2,041,927</u>	<u>\$ 138,564</u>	<u>\$ 1,419,745</u>	<u>\$ 22,232</u>	<u>\$ 21,194</u>	<u>\$ 180,000</u>	<u>\$ 3,823,662</u>

An aging analysis of past due financing receivables as of June 30, 2017, 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	\$	\$	\$	\$	\$ 2,041,927	\$ 2,041,927	\$
Septic Repair					138,564	138,564	
Down Payment Assistance		508		508	1,419,237	1,419,745	
Closing Cost Assistance					22,232	22,232	
Micro Enterprise	300			300	20,894	21,194	
Unallocated					180,000	180,000	
	<u>\$ 300</u>	<u>\$ 508</u>	<u>\$ -</u>	<u>\$ 808</u>	<u>\$ 3,822,854</u>	<u>\$ 3,823,662</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 AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 5 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment:

	<u>2017</u>	<u>2016</u>
Land	\$ 483,930	\$ 483,930
Buildings	1,861,558	1,861,558
Furniture and equipment	370,094	370,094
Roads and landscaping	45,096	45,096
Vehicles	988,842	1,050,801
	<u>3,749,520</u>	<u>3,811,479</u>
Accumulated depreciation	<u>(1,696,164)</u>	<u>(1,665,729)</u>
	<u>\$ 2,053,356</u>	<u>\$ 2,145,750</u>

NOTE 6 – LONG-TERM DEBT

Long-term debt consisted of the following:

	<u>2017</u>	<u>2016</u>
Payable to Bank of the Cascades from the Organization monthly payments of \$462, including interest at the Bank of the Cascades 3-year rate plus 2.75%, which was 4.05% as of June 30, 2017, and 6.75% as of June 30, 2016. Secured by real estate, due 2023.	<u>\$ 29,841</u>	<u>\$ 34,132</u>
Less current portion	<u>(4,419)</u>	<u>(3,886)</u>
	<u>\$ 25,422</u>	<u>\$ 30,246</u>

NEIGHBORIMPACT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 6 – LONG-TERM DEBT – CONTINUED

Maturities of long-term debt are as follows:

Year ending June 30,

2018	\$	4,419
2019		4,606
2020		4,796
2021		4,994
2022		5,200
Thereafter		<u>5,826</u>
	\$	<u>29,841</u>

NOTE 7 – CONCENTRATIONS OF CREDIT RISKS

Financial instruments that potentially subject the Organization to a concentration of credit risk consist principally of cash and cash equivalents and notes receivable. The Organization maintains the majority of its cash balances at Federal Deposit Insurance Corporation (FDIC) insured institutions. 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 \$3,823,662 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 years ended June 30, 2017, and 2016, 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 AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, and 2016, the Organization held 18 and 19 loans totaling \$452,937 and \$461,951, respectively, in connection with this program. Unloaned cash balances totaled \$165,318 and \$144,939 as of June 30, 2017, and 2016, respectively. Although there were no loans as of June 30, 2017, or 2016 that were considered to be delinquent, the allowance for doubtful accounts estimated by management does affect the balance that is restricted (Note 4).

Temporarily Restricted

The Organization receives the majority of their income in the form of grants and contributions restricted for a specific purpose. As of June 30, 2017, these funds were restricted to the Early Care and Education program, Home Ownership program, Lending program and various other programs in the amounts of \$629,897, \$648,844, \$3,869,152 and \$891,912, respectively.

NOTE 10 – OPERATING LEASE COMMITMENTS

The Organization leases office space in Redmond, Oregon from MNE Holdings, Inc. The lease required monthly lease payments of \$737 through August 2016, at which point monthly rents increased to \$1,156 through the remainder of the lease, which expired August 2017. Total lease payments of \$13,034 were made for the year ended June 30, 2017.

The Organization leases office space in Madras, Oregon from RL Allen Group, LLC. The lease required monthly payments of \$950 through December 2016, at which point monthly rents increased to \$969 through December 2017, and to \$988 through the remainder of the lease which expires in December 2018. Total lease payments of \$11,514 were made for the year ended June 30, 2017.

The Organization leases office space in Bend, Oregon from Deschutes Properties LLC. The lease required monthly payments of \$4,505 through September 2016, with annual increases each October to \$4,779 in 2017. The lease expires in September 2018. Total lease payments of \$55,277 were made for the year ended June 30, 2017.

The Organization leases office space in Bend, Oregon from the Deschutes Business Center, LLC. The lease requires monthly payments of \$1,194 for the term of the lease, which expires in May 2020. Total lease payments of \$1,194 were made for the year ended June 30, 2017.

NEIGHBORIMPACT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 10 – OPERATING LEASE COMMITMENTS – CONTINUED

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

Year ending June 30,

2018	\$	85,358
2019		35,064
2020		<u>13,934</u>
	\$	<u>134,356</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, 2017, and 2016, employer pension expense totaled \$165,433 and \$164,825, respectively.

NOTE 12 – CONTINGENCIES

Grants

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

Tax Positions

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

Regarding uncertain income tax positions, the Organization will recognize in its financial statements the benefit of a tax position when it believes that tax position will more likely than not be sustained on audit based on the technical merits of the position. For an exempt organization, uncertain tax positions could result from unrelated business income activities or actions that jeopardize its status as tax-exempt, such 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, 2017, or June 30, 2016, and it has no tax positions for which it estimates a significant change over the next 12 months.

NEIGHBORIMPACT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 12 – CONTINGENCIES – CONTINUED

Tax Positions – Continued

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 2013.

NOTE 13 – FAIR VALUE MEASUREMENT

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

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

Level 2 – Inputs to the valuation methodology include

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

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

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

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

The fair value was calculated and provided by Oregon Community Foundation. The investments in the quasi-endowment fund were Level 2 assets.

NEIGHBORIMPACT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 6, 2017, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

NEIGHBORIMPACT AND AFFILIATES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION JUNE 30, 2017 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

	2017		
	NeighborImpact	Community Action Foundation of Central Oregon	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,797,095	\$ 1,196,548	\$ 2,993,643
Grants receivable	1,501,501		1,501,501
Notes receivable		475,791	475,791
Prepaid expenses and other current assets	12,010		12,010
Food Inventory	86,744		86,744
TOTAL CURRENT ASSETS	3,397,350	1,672,339	5,069,689
OTHER ASSETS			
Long-term investments	28,374		28,374
Investment in LLC	72,788		72,788
Restricted notes receivable, net of allowance	630,152		630,152
Other notes receivable, net of allowance	2,739,372		2,739,372
TOTAL OTHER ASSETS	3,470,686		3,470,686
FIXED ASSETS, net of accumulated depreciation	1,648,879	404,477	2,053,356
TOTAL ASSETS	\$ 8,516,915	\$ 2,076,816	\$ 10,593,731
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 199,352	\$ 1,000	\$ 200,352
Accrued expenses	154,492		154,492
Current portion of long-term debt	4,419		4,419
TOTAL CURRENT LIABILITIES	358,263	1,000	359,263
LONG-TERM DEBT, net of current portion	25,422		25,422
TOTAL LIABILITIES	383,685	1,000	384,685
NET ASSETS			
Unrestricted	1,475,170	2,075,816	3,550,986
Temporarily restricted	6,039,805		6,039,805
Permanently restricted	618,255		618,255
TOTAL NET ASSETS	8,133,230	2,075,816	10,209,046
TOTAL LIABILITIES AND NET ASSETS	\$ 8,516,915	\$ 2,076,816	\$ 10,593,731

2016

NeighborImpact	Community Action Foundation of Central Oregon	Total
\$ 2,744,017	\$ 1,197,137	\$ 3,941,154
987,300		987,300
	464,896	464,896
84,918		84,918
73,632		73,632
<u>3,889,867</u>	<u>1,662,033</u>	<u>5,551,900</u>
25,000		25,000
2,718		2,718
404,788		404,788
<u>2,211,707</u>		<u>2,211,707</u>
<u>2,644,213</u>		<u>2,644,213</u>
<u>1,721,638</u>	<u>424,112</u>	<u>2,145,750</u>
<u>\$ 8,255,718</u>	<u>\$ 2,086,145</u>	<u>\$ 10,341,863</u>
\$ 210,689	\$	\$ 210,689
152,691		152,691
3,886		3,886
<u>367,266</u>		<u>367,266</u>
<u>30,246</u>		<u>30,246</u>
<u>397,512</u>		<u>397,512</u>
728,631	2,086,145	2,814,776
6,522,685		6,522,685
606,890		606,890
<u>7,858,206</u>	<u>2,086,145</u>	<u>9,944,351</u>
<u>\$ 8,255,718</u>	<u>\$ 2,086,145</u>	<u>\$ 10,341,863</u>

NEIGHBORIMPACT AND AFFILIATES

CONSOLIDATING SCHEDULE OF REVENUES AND EXPENSES YEAR ENDED JUNE 30, 2017 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

	Management and General	Fundraising	Early Care and Education	Emergency Services	Food Bank Services	Home Ownership Center
SUPPORT AND REVENUE						
Federal grants	\$	\$	\$ 1,936,157	\$ 2,756,787	\$ 26,092	\$ 178,474
State and local grants			3,306,928	2,319,321	67,565	128,314
Contributions	2,205	572,599	3,311	12,518	3,238,971	212,095
Program revenue	7,243	27,974	16,417	388		16,232
Rental income						
Interest income	15,249	144				
Income from investment in LLC	70,070					
Gain on sale of assets			3,207			
Other revenue	14,696		80	355		
Total support and revenues	109,463	600,717	5,266,050	5,089,369	3,332,628	535,115
EXPENSES						
Personnel services:						
Salaries and wages	597,322	149,597	2,747,068	717,236	167,684	231,787
Payroll taxes and benefits	173,571	44,374	1,130,643	205,209	64,515	67,530
Total personnel expenses	770,893	193,971	3,877,711	922,445	232,199	299,317
Materials and services:						
Printing	6,169	10,454	18,177	8,805	3,436	3,377
Office expense	47,921	8,961	25,606	54,998	2,758	7,571
Interest	31					
Insurance	12,458	126	40,069	6,435	8,062	
Professional fees	31,065		2,705	160	260	
Contract services	24,940	7,581	42,933	74,937	1,884	6,418
Repairs and maintenance	16,750		101,464	3,071	16,459	
Client assistance	1,500		307,825	3,668,395	3,172,326	5
Transportation and lodging	18,288	1,496	88,037	46,434	12,530	17,970
Rent	79,982	12,737	66,113	17,743		
Janitorial	17,244	660		3,185		
Utilities and telephone	35,480	2,579	58,840	25,568	2,727	2,516
Training and recruitment	7,762	2,077	45,002	20,836	60	6,836
Dues and other fees	33,519	5,011	17,919	1,594	455	2,140
Loss on disposal of assets						
Other						
Administration	(1,083,742)	26,248	573,540	237,604	52,519	98,190
Total materials and services	(750,633)	77,930	1,388,230	4,169,765	3,273,476	145,023
Total expenses	20,260	271,901	5,265,941	5,092,210	3,505,675	444,340
CHANGE IN NET ASSETS, before transfer and depreciation	89,203	328,816	109	(2,841)	(173,047)	90,775
Transfer (to) from other funds	9,698	(370,998)	11,935	30,633	213,134	81,149
Depreciation and amortization	(510)		(58,437)	(15,410)	(21,318)	
CHANGE IN NET ASSETS	98,391	(42,182)	(46,393)	12,382	18,769	171,924
NET ASSETS - Beginning of year	1,010,941	492,285	676,290	454,492	248,824	476,921
Adjustment to beginning balances	21,776	(326,844)	(16,824)	476,887	28,322	(119,368)
NET ASSETS - End of year	\$ 1,131,108	\$ 123,259	\$ 613,073	\$ 943,761	\$ 295,915	\$ 529,477

Lending	Neighborhood Reinvestment Fund Capital	Weatherization	Community Relations	Total NeighborImpact	Community Action Foundation of Central Oregon	Totals	
						2017	2016
\$	\$	\$	\$	\$	\$	\$	\$
110,000	50,000	390,157		5,337,667		5,337,667	5,552,915
		487,667		6,419,795	5,000	6,424,795	5,147,051
192		131,292		4,172,991		4,172,991	3,831,094
		10,200		78,646		78,646	195,515
							9,749
59,529				74,922	22,341	97,263	40,213
				70,070		70,070	2,718
				3,207		3,207	
				15,081	10,589	25,670	2,955
169,721	50,000	1,019,316		16,172,379	37,930	16,210,309	14,782,210
73,051		179,133	9,189	4,872,067		4,872,067	4,622,069
20,986		53,657	1,430	1,761,915		1,761,915	1,746,452
94,037		232,790	10,619	6,633,982		6,633,982	6,368,521
382		1,028	62	51,890		51,890	37,122
2,021		13,773	1,835	165,444		165,444	158,923
				31		31	125
700		5,426		73,276		73,276	72,008
		90		34,280	211	34,491	42,992
865		796		160,354		160,354	160,006
		1,899		139,643		139,643	105,022
79,528	32,196	596,241	125	7,858,141		7,858,141	7,283,371
809		6,134	2,268	193,966	1,000	194,966	177,991
1,098		6,223		183,896		183,896	187,725
				21,089		21,089	20,810
212		2,672	994	131,588		131,588	129,898
1,446		3,120	250	87,389		87,389	84,763
440		2,125	1,425	64,628	30	64,658	69,781
							202,836
					27,384	27,384	133,858
10,594		73,055	11,992				
98,095	32,196	712,582	18,951	9,165,615	28,625	9,194,240	8,867,231
192,132	32,196	945,372	29,570	15,799,597	28,625	15,828,222	15,235,752
(22,411)	17,804	73,944	(29,570)	372,782	9,305	382,087	(453,542)
		(5,121)	29,570				
		(2,083)		(97,758)	(19,634)	(117,392)	(106,504)
(22,411)	17,804	66,740		275,024	(10,329)	264,695	(560,046)
3,891,563	606,890			7,858,206	2,086,145	9,944,351	10,504,397
(402,668)	(6,439)	345,158					
\$ 3,466,484	\$ 618,255	\$ 411,898	\$ -	\$ 8,133,230	\$ 2,075,816	\$ 10,209,046	\$ 9,944,351

See notes to financial statements

SINGLE AUDIT COMPLIANCE

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
NeighborImpact

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of NeighborImpact (the Organization) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated November 6, 2017.

Internal Control over Financial Reporting

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

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

**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**

deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



November 6, 2017

**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, 2017. 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, 2017.

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 and therefore, material weaknesses or significant deficiencies may exist that were not 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.

November 6, 2017

NEIGHBORIMPACT AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2017

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:
 - 93,568 – Low-income Energy Assistance Program (LIHEAP)
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
BEND, OREGON**

**STATUS OF PRIOR YEAR (2016) FINDINGS
YEAR ENDED JUNE 30, 2017**

No prior year findings

NEIGHBORIMPACT AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2017

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	81.042	DE-EE0006179	\$ 126,161	\$
Weatherization Assistance	81.XXX	70589	45,122	
BPA Weatherization			171,283	
Department of Treasury				
Passed through Oregon Housing and Community Services				
National Foreclosure Mitigation Counseling	21.113	2016-8334-0072-CLJ	947	
Passed through Department of Housing and Urban Development				
Passed through NeighborWorks America	21.113	2016-8334-0245-OU	89,026	
NWA			89,973	
Department of Education				
Passed through Oregon Department of Education				
Race to the Top - Early Learning Challenge	84.412A	9827	87,380	
			87,380	
Department of Health and Human Services				
Head Start	93.600	10CH10090-02-03	1,336,506	
Passed through Oregon Housing and Community Services				
Housing Stabilization Program (TANF)	93.558	100917	96,929	
Low-Income Energy Assistance (LIHEAP)	93.568	G-17B10RLIEA	1,735,217	
Community Services Block Grant	93.569	G-15B10RCOSR	271,598	
Passed through Oregon Department of Education				
Child Care Development Block Grant	93.575	9827	253,120	
			3,693,370	
Department of Agriculture				
Passed through Oregon Food Bank				
Temporary Emergency Food Assistance Program Admin Costs	10.568	T16R12	26,091	
Temporary Emergency Food Assistance Program Food Commodities (non-cash)	10.569	T16R12	373,703	
Subtotal Food Distribution Cluster			399,794	
Passed through Oregon Department of Education				
Child and Adult Care Food Program	10.558	177OROR3N2020	243,496	
			643,290	
Department of Housing and Urban Development				
Supportive Housing Program	14.267	OR0051L0E031508	552,271	
Passed through NeighborWorks America				
Housing Counseling	14.169	2017-8334-0631-OUT	28,974	
Passed through Oregon Housing and Community Services				
Emergency Shelter Grant Program	14.231	E16-DC-41-0001	117,879	88,639
Home TBA	14.239	M-16-SG-41-0100	217,422	
Passed through the City of Bend				
Community Development Block Grant - Bend HOC	14.218	B-16-MC-41-0010	15,000	
			931,546	88,639
			\$ 5,616,842	\$ 88,639

NEIGHBORIMPACT AND AFFILIATES

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2017

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, 2017. 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.