JOIN

Consolidated Audited Financial Statements

For the Year Ended December 31, 2015

McDonald Jacobs

McDONALD JACOBS
ACCOUNTANTS & CONSULTANTS

Shareholders
Mark A. Clift, CPA
Jill Oswald
Karin S. Wandtke, CPA
Sang Ahn, CPA
Gerard DeBlois Jr., CPA
Mary Strasdin, CPA
Anthony Almer, CPA

Principals
Jake Jacobs, CPA
Susan J. Marks, CPA
Tyee Carr, CPA
Victor Epstein, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
JOIN

We have audited the accompanying consolidated financial statements of JOIN (a nonprofit corporation), which comprise the consolidated statement of financial position as of December 31, 2015, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 auditor's 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 auditor considers internal control relevant to the organization'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 organization'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

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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 audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of JOIN as of December 31, 2015, and 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.

Report on Summarized Comparative Information

We have previously audited JOIN's 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 11, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

McDonald Jacobs, P.C.

Portland, Oregon
March 1, 2016

JOIN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2015
(With comparative totals for 2014)

	2015	2014
ASSETS		
Cash and cash equivalents	$ 441,880	$ 165,026
Accounts receivable	462,596	569,288
Pledges receivable	189,504	190,061
Prepaid expenses	24,717	15,149
Loan fees, net of accumulated amortization of $2,972 for 2015 and $2,397 for 2014	8,532	9,107
Property and equipment, net	1,837,447	1,915,710
TOTAL ASSETS	$ 2,964,676	$ 2,864,341
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 41,971	$ 122,835
Line of credit	99,142	48,616
Deferred revenue	-	20,000
Notes payable	519,504	575,233
Total liabilities	660,617	766,684
Net assets:		
Unrestricted:		
Undesignated	754,346	641,188
Net property and equipment	1,317,943	1,340,477
Total unrestricted	2,072,289	1,981,665
Temporarily restricted	231,770	115,992
Total net assets	2,304,059	2,097,657
TOTAL LIABILITIES AND NET ASSETS	$ 2,964,676	$ 2,864,341

See notes to consolidated financial statements.

JOIN
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended December 31, 2015
(With comparative totals for 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue:				
Contributions	$ 366,308	$ 180,680	$ 546,988	$ 486,604
Grants	3,611,137	-	3,611,137	2,691,205
Program service revenue	12,725	-	12,725	66,010
Special event revenue, net of expenses of $31,343 for 2015 and $37,448 for 2014	101,308	-	101,308	110,768
Donated materials and services	-	-	-	20,720
Other income	27,265	-	27,265	39,617
Net assets released from restrictions:				
Satisfaction of time and purpose restrictions	64,902	(64,902)	-	-
Total support and revenue	4,183,645	115,778	4,299,423	3,414,924
Expenses:				
Program	3,581,410	-	3,581,410	3,043,381
Management and general	353,766	-	353,766	250,521
Fundraising	157,845	-	157,845	126,250
Total expenses	4,093,021	-	4,093,021	3,420,152
Change in net assets	90,624	115,778	206,402	(5,228)
Net assets:				
Beginning of year	1,981,665	115,992	2,097,657	2,102,885
End of year	$ 2,072,289	$ 231,770	$ 2,304,059	$ 2,097,657

See notes to consolidated financial statements.

JOIN
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2015
(With comparative totals for 2014)

	2015				
	Program	Management and General	Fundraising	Total	2014 Total
Salaries and related expenses	$ 1,010,633	$ 254,695	$ 120,723	$ 1,386,051	$1,224,329
Direct assistance to individuals	1,971,829	-	-	1,971,829	1,273,781
New Beginnings operations	21,642	-	-	21,642	81,821
Contract services	352,703	-	-	352,703	496,104
Professional fees	-	20,501	6,500	27,001	21,948
Immersions	14,126	-	-	14,126	3,611
Supplies and office expense	6,747	5,504	5,384	17,635	18,563
Telephone	17,541	1,299	631	19,471	18,816
Equipment and technology	13,456	1,128	4,001	18,585	5,928
Occupancy	38,056	6,080	2,955	47,091	62,573
Vehicle repairs and maintenance	2,012	-	-	2,012	8,434
Bank and other service fees	2,690	9,760	10,588	23,038	16,524
Insurance	30,378	9,141	1,074	40,593	31,453
Travel and mileage	50,661	-	-	50,661	51,955
Depreciation and amortization	45,188	11,241	5,465	61,894	64,783
Interest expense	-	16,920	-	16,920	19,454
Board and staff development	3,748	11,936	524	16,208	20,075
Other operating expenses	-	5,561	-	5,561	-
Total expenses	$ 3,581,410	$ 353,766	$ 157,845	$4,093,021	$3,420,152

See notes to consolidated financial statements.

JOIN
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2015
(With comparative totals for 2014)

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ 206,402	$ (5,228)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	61,894	64,783
In-kind donations of assets	-	(17,000)
Gain from sale of equipment	(5,481)	(1,373)
(Increase) decrease in:		
Accounts and pledges receivable	107,249	(461,338)
Prepaid expenses and other assets	(9,568)	9,626
Increase (decrease) in:		
Accounts payable and accrued expenses	(80,864)	99,050
Deposits held	-	(4,000)
Deferred revenue	(20,000)	20,000
Net cash provided by (used in) operating activities	259,632	(295,480)
Cash flows from investing activities:		
Purchase of property and equipment	(8,574)	(39,873)
Proceeds from the sale of property and equipment	30,999	10,000
Net cash provided by (used in) investing activities	22,425	(29,873)
Cash flows from financing activities:		
Net proceeds from line of credit	50,526	48,616
Proceeds from note payable	-	30,000
Principal payments on notes payable	(55,729)	(103,072)
Net cash used in financing activities	(5,203)	(24,456)
Net increase (decrease) in cash and cash equivalents	276,854	(349,809)
Cash and cash equivalents - beginning of year	165,026	514,835
Cash and cash equivalents - end of year	$ 441,880	$ 165,026
Supplemental cash flow information:		
Cash paid during the year for interest	$ 16,920	$ 19,454

See notes to consolidated financial statements.

1. DESCRIPTION OF ORGANIZATION

JOIN (or the Organization) was incorporated in 1992 in Oregon as a nonprofit organization that supports the efforts of homeless individuals and families to transition out of homelessness into permanent housing and supports housing stabilization by providing critical supportive services after transition from homelessness. Support received consists primarily of contributions and government grants. Approximately 52% of total revenue was from contracts with the City of Portland in 2015 (58% in 2014). An additional 18% of revenue was from one other source in 2015. Program services include providing basic services to homeless individuals and families, placement and retention services to transition people from homelessness to stable housing, and experiential learning and service opportunities. The New Beginnings Landscape project was a social enterprise designed to create opportunities for homeless and formerly homeless individuals to access job training and work experience. This project ceased operations during early 2015.

During 2010, JOIN established Halsey Center, a nonprofit subsidiary, with the primary purpose of acquiring and maintaining real property for the benefit of JOIN.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as unrestricted or restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met, either by actions of the Organizations and/or the passage of time.

Principles of Consolidation

The consolidated financial statements include the accounts of JOIN and the Halsey Center. All inter-organization transactions and balances have been eliminated.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents. Included in cash and equivalents at December 31, 2015 is approximately $26,000 restricted for a maintenance reserve (approximately $20,000 at December 31, 2014).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

Pledges Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable. Management considers history with donors, and current economic and industry trends when determining the collectability of specific accounts. As a result, management determined that an allowance for doubtful accounts is not necessary.

Property and Equipment

Acquisitions of property and equipment over $5,000 are capitalized. Property and equipment purchased are recorded at cost and donated assets are reflected as contributions at their estimated fair values on the date received.

Depreciation

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from 3 to 39 years.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

<u>Donated Services</u>
The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Gifts of goods and services are measured using the price of identical assets or services. The Organization did not recognize any donated services or materials during the year ended December 31, 2015. During the year ended December 31, 2014, the Organization received approximately $3,720 of donated video surveillance equipment and installation, which was included in building and maintenance expenses, and $17,000 in donated website design services, which was capitalized.

In addition, JOIN received contributed services from a large number of volunteers. These services were provided by volunteers who contributed an estimated total of 3,400 and 3,000 hours during the years ended December 31, 2015 and 2014, respectively. The value of such services, which do not meet the criteria for recording, has not been recognized in the accompanying consolidated financial statements.

<u>Income Tax Status</u>
JOIN and Halsey Center are nonprofit corporations exempt from federal and state income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying consolidated financial statements, as the Organizations have no activities subject to unrelated business income tax. The Organizations are not private foundations.

The Organization follows the provisions of FASB ASC *Topic Accounting for Uncertainty in Income Taxes.* Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the consolidated financial statements to comply with provisions of this Topic.

The Organizations' information returns for years ended December 31, 2011 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions.

<u>Expense Allocation</u>
The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Summarized Financial Information for 2014
The financial information as of December 31, 2014 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Reclassifications
Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events
The Organization has evaluated all subsequent events through March 1, 2016, the date the consolidated financial statements were available to be issued.

3. ACCOUNTS RECEIVABLE

Accounts receivable are unsecured and consist of government grants and contracts as follows at December 31, 2015 and 2014:

	2015	2014
City of Portland	$ 194,251	$ 430,988
Home Forward	152,525	-
Other	115,820	138,300
Total accounts receivable	$ 462,596	$ 569,288

4. PLEDGES RECEIVABLE

Pledges receivable are unsecured and consist of the following at December 31, 2015 and 2014:

	2015	2014
Due in one year	$ 168,304	$ 136,161
Due in two to five years	21,200	53,900
Total pledges receivable	$ 189,504	$ 190,061

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2015 and 2014:

	2015	2014
Land and land improvements	$ 387,063	$ 387,063
Building and improvements	1,708,532	1,699,958
Furniture and equipment	-	11,154
Website	17,000	17,000
Vehicles	19,842	59,715
Total property and equipment	2,132,437	2,174,890
Less accumulated depreciation	294,990	259,180
Net property and equipment	$ 1,837,447	$ 1,915,710

Land and building are pledged as security on notes payable (Note 7).

6. LINE OF CREDIT

The Organization has available a $200,000, revolving line-of-credit that expires July 2016. Interest on the line is payable monthly on outstanding balances at the bank's prime rate plus 1% with a minimum rate of 5%. Advances outstanding at December 31, 2015 total $99,142 ($48,616 at December 31, 2014). The line is secured by accounts receivable and equipment.

7. NOTES PAYABLE

Notes payable consists of the following at December 31, 2015 and 2014:

	2015	2014
Note payable to Portland Housing Bureau, secured by real property, accrues interest at 3% per annum, increasing to as much as 4.5%; principal and interest payments of $3,605 are due monthly, with the final payment due November 2030.	$ 519,504	$ 547,754
Note payable to Northwest Bank, secured by a vehicle, accrues interest at 5.01% per annum; principal and interest payments of $567 are due monthly. The note was paid in full during 2015.	-	27,479
Total notes payable	$ 519,504	$ 575,233

Maturities of notes payable are as follows:

Year ending December 31, 2016	$ 28,051
2017	28,904
2018	29,783
2019	30,689
2020	31,623
Thereafter	370,454
	$ 519,504

As a condition of its loan, the Portland Housing Bureau requires the Organization to contribute $3,000 annually to a maintenance reserve account.

8. CONTINGENCIES

Amounts received or receivable from various contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Organization if so determined in the future. It is management's belief that no significant amounts received or receivable will be required to be returned in the future.

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2015 and 2014:

	2015	2014
Time restricted	$ 53,900	$ 98,700
Purpose restricted:		
Landlord recruitment and retention	176,370	-
ADA path	1,500	1,500
Housing stability	-	15,792
Total temporarily restricted net assets	$ 231,770	$ 115,992

10. RETIREMENT PLAN

The Organization has a defined contribution salary deferral plan under Section 403(b) of the Internal Revenue Code covering employees who meet certain eligibility requirements. The Organization does not make contributions to the plan.

11. RELATED PARTY TRANSACTIONS

The Organization utilized the services of another nonprofit organization where JOIN's former Executive Director is a board member. The other organization provided move-in kits for JOIN's clients. Fees paid by JOIN for these services totaled $11,000 in 2014 and $2,000 was payable to this organization at December 31, 2014. The other organization is no longer a related party in 2015.

12. LEASES

The Organization conducts the majority of its programming and administrative functions from a building which it owns. The Organization leases space within this building to two other nonprofit organizations under separate leases expiring in August 2016 with future lease payments totaling $2,000 per month. A different organization occupied this space during 2014 on a month-to-month basis lease for $4,000 per month which ended in September 2014. Rent received by the Organization in 2015 totaled $18,447 ($48,219 in 2014).

Beginning in 2013, the Organization leased office and warehouse space in another location for the purpose of conducting its New Beginnings Landscape project. Total rent expense under this lease was $1,800 for the year ended December 31, 2015 and $13,200 for the year ended December 31, 2014. The initial lease term ran from January 2013 to December 2013 and continued on a month-to-month basis. In early 2015, the program was discontinued and the lease was cancelled.

13. CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization maintains its cash balances in two financial institutions. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The balances, at times, may exceed the federally insured limit. Cash balances in excess of insured limits were approximately $241,400 at December 31, 2015, with balances fully insured at December 31, 2014.