JOIN

Consolidated Audited Financial Statements

For the Year Ended
December 31, 2014

McDONALD JACOBS
ACCOUNTANTS & CONSULTANTS

McDonald Jacobs
Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Mark A. Clift, CPA
Shareholder

Karin S. Wandtke, CPA
Shareholder

Sang Ahn, CPA
Shareholder

Gerard DeBlois Jr., CPA
Shareholder

Mary Strasdin, CPA
Shareholder

Jill Oswald
Shareholder

Anthony Almer, CPA
Principal

Tyee Carr, CPA
Principal

Jake Jacobs, CPA
of counsel

Susan J. Marks, CPA
of counsel

Dennis C. Johnson, CPA
of counsel

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, 2014, 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 accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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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, 2014, 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 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 20, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 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 11, 2015

JOIN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2014
(With comparative totals for 2013)

	2014	2013
ASSETS		
Cash and cash equivalents	$ 165,026	$ 514,835
Accounts receivable	569,288	218,304
Pledges receivable	190,061	79,707
Prepaid expenses	15,149	24,775
Loan fees, net of accumulated amortization of $2,397 for 2014 and $1,821 for 2013	9,107	9,683
Property and equipment, net	1,915,710	1,931,671
TOTAL ASSETS	$ 2,864,341	$ 2,778,975
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 122,835	$ 23,785
Deposits held	-	4,000
Line of credit	48,616	-
Deferred revenue	20,000	-
Notes payable	575,233	573,783
Notes payable - related parties	-	74,522
Total liabilities	766,684	676,090
Net assets:		
Unrestricted:		
Undesignated	641,188	672,522
Net property and equipment	1,340,477	1,357,888
Total unrestricted	1,981,665	2,030,410
Temporarily restricted	115,992	72,475
Total net assets	2,097,657	2,102,885
TOTAL LIABILITIES AND NET ASSETS	$ 2,864,341	$ 2,778,975

See notes to consolidated financial statements.

JOIN
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended December 31, 2014
(With comparative totals for 2013)

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue:				
Contributions	$ 387,904	$ 98,700	$ 486,604	$ 495,926
Grants	2,691,205	-	2,691,205	2,077,496
Program service revenue	66,010	-	66,010	93,438
Special event revenue, net of expenses of $37,448 for 2014 and $31,636 for 2013	110,768	-	110,768	84,185
Donated materials and services	20,720	-	20,720	-
Other income	39,617	-	39,617	51,101
Net assets released from restrictions:				
Satisfaction of time and purpose restrictions	55,183	(55,183)	-	-
Total support and revenue	3,371,407	43,517	3,414,924	2,802,146
Expenses:				
Program	3,043,381	-	3,043,381	2,292,457
Management and general	250,521	-	250,521	198,051
Fundraising	126,250	-	126,250	131,759
Total expenses	3,420,152	-	3,420,152	2,622,267
Change in net assets	(48,745)	43,517	(5,228)	179,879
Net assets:				
Beginning of year	2,030,410	72,475	2,102,885	1,923,006
End of year	$ 1,981,665	$ 115,992	$ 2,097,657	$ 2,102,885

See notes to consolidated financial statements.

JOIN
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2014
(With comparative totals for 2013)

	2014				2013
	Program	Management and General	Fundraising	Total	Total
Salaries and related expenses	$ 987,600	$ 134,495	$ 102,234	$ 1,224,329	$ 1,078,033
Direct assistance to individuals	1,273,781	-	-	1,273,781	1,021,007
New Beginnings operations	81,821	-	-	81,821	40,465
Contract services	496,104	-	-	496,104	163,635
Professional fees	-	32,519	5,953	38,472	41,925
Immersions	3,611	-	-	3,611	-
Supplies	2,815	4,733	698	8,246	3,300
Telephone	17,857	543	416	18,816	16,655
Postage and shipping	21	2,825	250	3,096	4,680
Occupancy	31,739	19,407	1,449	52,595	62,945
Repairs and maintenance	8,548	7,968	1,896	18,412	14,122
Printing	2,133	5,520	5,496	13,149	16,910
Insurance	8,140	23,313	-	31,453	24,670
Travel and mileage	51,955	-	-	51,955	53,736
Depreciation and amortization	52,421	7,001	5,361	64,783	54,196
Interest expense	15,742	2,102	1,610	19,454	21,350
Board and staff development	9,093	10,095	887	20,075	4,638
Total expenses	$ 3,043,381	$ 250,521	$ 126,250	$ 3,420,152	$ 2,622,267

See notes to consolidated financial statements.

JOIN
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2014
(With comparative totals for 2013)

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ (5,228)	$ 179,879
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	64,783	54,196
In-kind donations of assets	(17,000)	-
Gain from sale of equipment	(1,373)	-
(Increase) decrease in:		
Accounts and pledges receivable	(461,338)	(22,676)
Prepaid expenses and other assets	9,626	(11,809)
Increase (decrease) in:		
Accounts payable and accrued expenses	99,050	(35,356)
Deposits held	(4,000)	-
Deferred revenue	20,000	-
Net cash provided by (used in) operating activities	(295,480)	164,234
Cash flows from investing activities:		
Purchase of property and equipment	(39,873)	(94,020)
Proceeds from the sale of property and equipment	10,000	-
Net cash used in investing activities	(29,873)	(94,020)
Cash flows from financing activities:		
Net proceeds from line of credit	48,616	-
Proceeds from note payable	30,000	-
Principal payments on notes payable	(103,072)	(51,658)
Net cash used in financing activities	(24,456)	(51,658)
Net increase (decrease) in cash and cash equivalents	(349,809)	18,556
Cash and cash equivalents - beginning of year	514,835	496,279
Cash and cash equivalents - end of year	$ 165,026	$ 514,835
Supplemental cash flow information:		
Cash paid during the year for interest	$ 19,454	$ 21,350

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 58% (53% in 2013) of total revenue and 57% (46% in 2013) of all receivables were from contracts with the City of Portland as of and for the year ended December 31, 2014. 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. In 2013, the Organization established the New Beginnings Landscape project, a social enterprise designed to create opportunities for homeless and formerly homeless individuals to access job training and current work experience.

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

<u>Basis of Presentation</u>
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.

<u>Principles of Consolidation</u>
The consolidated financial statements include the accounts of JOIN and the Halsey Center. All inter-organization transactions and balances have been eliminated.

<u>Cash and Cash Equivalents</u>
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, 2014 is approximately $20,000 restricted for a maintenance reserve (approximately $14,000 at December 31, 2013).

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

Donated Services

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. During the year ended December 31, 2014, the Organization received approximately $3,720 of donated video surveillance equipment and installation, which is included in building and maintenance expenses, and $17,000 in donated website design services, which has been capitalized. The Organization did not receive any donated services or materials during the year ended December 31, 2013.

In addition, JOIN received contributed services from a large number of volunteers. These services were provided by volunteers who contributed an estimated total of 3,000 and 2,350 hours during the years ended December 31, 2014 and 2013, respectively. The value of such services, which do not meet the criteria for recording, has not been recognized in the accompanying financial statements.

Income Tax Status

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 Organizations' information returns for years ended December 31, 2010 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions.

Expense Allocation

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Summarized Financial Information for 2013
The financial information as of December 31, 2013 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 11, 2015, 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, 2014 and 2013:

	2014	2013
City of Portland	$ 430,988	$ 140,302
Other	138,300	78,002
Total accounts receivable	$ 569,288	$ 218,304

4. PLEDGES RECEIVABLE

Pledges receivable are unsecured and consist of the following at December 31, 2014 and 2013:

	2014	2013
Due in one year	$ 136,161	$ 79,707
Due in two to five years	53,900	-
Total pledges receivable	$ 190,061	$ 79,707

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2014 and 2013:

	2014	2013
Land and land improvements	$ 387,063	$ 387,063
Building and improvements	1,699,958	1,699,958
Furniture and equipment	11,154	11,154
Website	17,000	-
Vehicles	59,715	31,342
Total property and equipment	2,174,890	2,129,517
Less accumulated depreciation	259,180	197,846
Net property and equipment	$ 1,915,710	$ 1,931,671

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 2015. Interest on the line is payable at the bank's prime rate plus 1% with a minimum rate of 5%. The balance outstanding at December 31, 2014 was $48,616 and no balance was outstanding at December 31, 2013. The line is collateralized by accounts receivable and equipment.

7. NOTES PAYABLE

Notes payable consists of the following at December 31, 2014 and 2013:

	2014	2013
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.	$ 547,754	$ 573,783
Note payable to Northwest Bank, unsecured, accrues interest at 5.01% per annum; principal and interest payments of $567 are due monthly, with the final payment due August 2019.	27,479	-
Note payable to a board member of the Organization, unsecured, accrues interest at 3% per annum.	-	13,800
Note payable to a board member of the Organization, unsecured, accrues interest at 3% per annum.	-	60,722
Total notes payable	$ 575,233	$ 648,305

Maturities of notes payable are as follows:

Year ending December 31, 2015	$ 32,724
2016	33,835
2017	34,991
2018	36,187
2019	35,143
Thereafter	402,353
	$ 575,233

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, 2014 and 2013:

	2014	2013
Time restricted	$ 98,700	$ -
Purpose restricted:		
ADA path	1,500	4,000
Community garden	-	9,500
Housing stability	15,792	23,750
Landscaping	-	20,225
Supported employment	-	15,000
Total temporarily restricted net assets	$ 115,992	$ 72,475

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. Under the plan, the Organization may not make additional contributions to the plan.

11. RELATED PARTY TRANSACTIONS

The Organization utilizes the services of another nonprofit organization where JOIN's Executive Director is a board member. The other organization provides move-in kits for JOIN's clients. Fees paid by JOIN for these services totaled $11,000 for the year ended December 31, 2014 ($20,050 in 2013) and $2,000 was payable to this organization at December 31, 2014 ($6,000 at December 31, 2013).

The Organization had notes payable to two board members at December 31, 2013 as described in Note 7.

12. LEASES

The Organization conducts the majority of its programming and administrative functions from a building in Northeast Portland, Oregon, which it owns. The Organization leased space within this building to another nonprofit organization under a lease expiring November 30, 2015. During 2014, the lease was terminated and another organization occupied a portion of the space on a month-to-month basis. Subsequent to December 31, 2014, the sub-tenant entered into a lease agreement to rent the space at $1,500 per month through December 31, 2015. Total rent received by the Organization was totaled $37,699 and $50,650 for the years ended December 31, 2014 and 2013, respectively.

Beginning in 2013, the Organization leased office and warehouse space in a second Portland location for the purpose of conducting its New Beginnings Landscape project. Total rent expense under this lease was $13,200 for each of the years ended December 31, 2014 and December 31, 2013. 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 no further lease payments will be paid.

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. There were no uninsured balances at December 31, 2014. Cash balances in excess of insured limits totaled approximately $303,000 at December 31, 2013.