JOIN

Consolidated Audited Financial Statements

For the Year Ended December 31, 2016

McDONALD JACOBS

McDONALD JACOBS
ACCOUNTANTS & CONSULTANTS

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

Principals
Jake Jacobs, CPA
Susan J. Marks, 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, 2016, 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, 2016, 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 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 1, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 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 15, 2017

JOIN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2016
(With comparative totals for 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	$ 564,085	$ 441,880
Accounts receivable	683,727	462,596
Pledges receivable	123,850	189,504
Prepaid expenses	23,001	24,717
Loan fees, net of accumulated amortization of $3,547 for 2016 and $2,972 for 2015	7,957	8,532
Property and equipment, net	1,782,923	1,837,447
TOTAL ASSETS	$ 3,185,543	$ 2,964,676
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 44,965	$ 41,971
Line of credit	-	99,142
Note payable	491,945	519,504
Total liabilities	536,910	660,617
Net assets:		
Unrestricted:		
Undesignated	1,167,995	754,346
Net property and equipment	1,290,978	1,317,943
Total unrestricted	2,458,973	2,072,289
Temporarily restricted	189,660	231,770
Total net assets	2,648,633	2,304,059
TOTAL LIABILITIES AND NET ASSETS	$ 3,185,543	$ 2,964,676

See notes to consolidated financial statements.

JOIN
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended December 31, 2016
(With comparative totals for 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue:				
Contributions	$ 707,472	$ 6,000	$ 713,472	$ 546,988
Grants	3,624,675	-	3,624,675	3,611,137
Program service revenue	7,550	-	7,550	12,725
Special event revenue, net of expenses of $33,373 for 2016 and $31,343 for 2015	79,716	-	79,716	101,308
Other income	19,915	-	19,915	27,265
Net assets released from restrictions:				
Satisfaction of time and purpose restrictions	48,110	(48,110)	-	-
Total support and revenue	4,487,438	(42,110)	4,445,328	4,299,423
Expenses:				
Program	3,630,654	-	3,630,654	3,581,410
Management and general	286,414	-	286,414	353,766
Fundraising	183,686	-	183,686	157,845
Total expenses	4,100,754	-	4,100,754	4,093,021
Change in net assets	386,684	(42,110)	344,574	206,402
Net assets:				
Beginning of year	2,072,289	231,770	2,304,059	2,097,657
End of year	$ 2,458,973	$ 189,660	$ 2,648,633	$ 2,304,059

See notes to consolidated financial statements.

JOIN
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2016
(With comparative totals for 2015)

	2016				2015
	Program	Management and General	Fundraising	Total	Total
Salaries and related expenses	$ 1,205,289	$ 234,994	$ 142,355	$ 1,582,638	$ 1,386,051
Direct assistance to individuals	1,955,310	-	-	1,955,310	1,971,829
New Beginnings operations	-	-	-	-	21,642
Contract services	187,468	-	-	187,468	352,703
Professional fees	25,997	5,890	4,383	36,270	27,001
Immersions	13,005	-	-	13,005	14,126
Supplies and office expense	13,343	2,581	6,215	22,139	17,635
Telephone	24,720	1,344	811	26,875	19,471
Equipment and technology	14,747	1,010	3,743	19,500	18,585
Occupancy	42,482	5,405	2,457	50,344	47,091
Vehicle repairs and maintenance	4,671	-	-	4,671	2,012
Bank and other service fees	13,144	1,323	13,918	28,385	23,038
Insurance	25,969	5,310	3,205	34,484	40,593
Travel and mileage	54,952	-	-	54,952	50,661
Depreciation and amortization	41,495	8,484	5,120	55,099	61,894
Interest expense	-	18,539	-	18,539	16,920
Board and staff development	1,799	820	942	3,561	16,208
Other operating expenses	6,263	714	537	7,514	5,561
Total expenses	$ 3,630,654	$ 286,414	$ 183,686	$ 4,100,754	$ 4,093,021

See notes to consolidated financial statements.

JOIN

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

(With comparative totals for 2015)

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ 344,574	$ 206,402
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	55,099	61,894
Gain from sale of equipment	-	(5,481)
(Increase) decrease in:		
Accounts and pledges receivable	(155,477)	107,249
Prepaid expenses and other assets	1,716	(9,568)
Increase (decrease) in:		
Accounts payable and accrued expenses	2,994	(80,864)
Deferred revenue	-	(20,000)
Net cash provided by operating activities	248,906	259,632
Cash flows from investing activities:		
Purchase of property and equipment	-	(8,574)
Proceeds from the sale of property and equipment	-	30,999
Net cash provided by (used in) investing activities	-	22,425
Cash flows from financing activities:		
Net proceeds from (payments on) line of credit	(99,142)	50,526
Principal payments on note payable	(27,559)	(55,729)
Net cash used in financing activities	(126,701)	(5,203)
Net increase in cash and cash equivalents	122,205	276,854
Cash and cash equivalents - beginning of year	441,880	165,026
Cash and cash equivalents - end of year	$ 564,085	$ 441,880
Supplemental cash flow information:		
Cash paid during the year for interest	$ 18,539	$ 16,920

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 30% of total revenue was from contracts with Multnomah County in 2016 and approximately 26% of total revenue was from contracts with the City of Portland in 2016 (52% in 2015). An additional 14% of revenue was from one other source in 2016 (18% 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.

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, 2016 is approximately $32,000 restricted for a maintenance reserve (approximately $26,000 at December 31, 2015).

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.

In addition, JOIN received contributed services from a large number of volunteers. These services were provided by volunteers who contributed an estimated total of 3,385 and 3,400 hours during the years ended December 31, 2016 and 2015, respectively. The value of such services, which do not meet the criteria for recording, has not been recognized in the accompanying consolidated 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 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, 2012 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 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 2015
The financial information as of December 31, 2015 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Subsequent Events
The Organization has evaluated all subsequent events through March 15, 2017, 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, 2016 and 2015:

	2016	2015
Multnomah County	$ 476,773	$ -
City of Portland	-	194,251
Home Forward	103,755	152,525
Other	103,199	115,820
Total accounts receivable	$ 683,727	$ 462,596

4. PLEDGES RECEIVABLE

Pledges receivable are unsecured and consist of the following at December 31, 2016 and 2015:

	2016	2015
Due in one year	$ 123,850	$ 168,304
Due in two to five years	-	21,200
Total pledges receivable	$ 123,850	$ 189,504

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2016 and 2015:

	2016	2015
Land and land improvements	$ 387,063	$ 387,063
Building and improvements	1,708,532	1,708,532
Website	17,000	17,000
Vehicles	19,842	19,842
Total property and equipment	2,132,437	2,132,437
Less accumulated depreciation	349,514	294,990
Net property and equipment	$ 1,782,923	$ 1,837,447

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

The Organization anticipates spending approximately $30,000 to $35,000 in 2017 for mold remediation resulting from a pipe that burst in the wall of its building.

6. LINE OF CREDIT

The Organization has available a $200,000, revolving line-of-credit that expires July 2017. Interest on the line is payable monthly on outstanding balances at the bank's prime rate plus 1% with a minimum rate of 5%. The line is secured by accounts receivable and equipment. There were no advances outstanding at December 31, 2016. Advances outstanding at December 31, 2015 total $99,142.

7. NOTE PAYABLE

Note payable of $491,945 and $519,504 at December 31, 2016 and 2015, respectively, consists of a note payable to Portland Housing Bureau, secured by real property, with 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. As a condition of the loan, the Portland Housing Bureau requires the Organization to contribute $3,000 annually to a maintenance reserve account.

Maturities of notes payable are as follows:

Year ending December 31, 2017	$ 28,904
2018	29,783
2019	30,689
2020	31,623
2021	32,584
Thereafter	338,362
	$ 491,945

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, 2016 and 2015:

	2016	2015
Time restricted	$ 21,200	$ 53,900
Purpose restricted:		
Landlord recruitment and retention	160,960	176,370
ADA path	1,500	1,500
Housing stability	6,000	-
Total temporarily restricted net assets	$ 189,660	$ 231,770

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

Certain board members are business owners in the community. At times, the Festival enters into transactions with companies where board members are key employees or owners. These transactions occur in the normal course of business, were insignificant to the financial statements and disclosed as part of the Organization's conflict of interest policy.

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 that expired in August 2016. One tenant left and the other tenant renewed the lease through December 2017. Rent received by the Organization in 2016 totaled $15,549 ($18,447 in 2015).

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 $266,800 at December 31, 2016, and $241,400 at December 31, 2015.