JOIN

Consolidated Audited Financial Statements

For the Year Ended December 31, 2018

McDONALD JACOBS

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, 2018, 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, 2018, and 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.

Report on Summarized Comparative Information

We have previously audited JOIN's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 21, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 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 20, 2019

JOIN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2018
(With comparative totals for 2017)

	2018	2017
ASSETS		
Cash and cash equivalents	$ 6,064,461	$ 835,201
Accounts receivable	1,168,308	1,053,988
Pledges receivable	127,444	134,161
Prepaid expenses	8,323	20,573
Property and equipment, net	1,880,540	1,888,193
TOTAL ASSETS	$ 9,249,076	$ 3,932,116
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 163,198	$ 303,326
Deposits held	2,200	2,200
Note payable	459,063	481,350
Total liabilities	624,461	786,876
Net assets:		
Without donor restrictions:		
Undesignated	6,703,626	1,444,048
Board designated	100,000	-
Net property and equipment	1,421,477	1,406,843
Total without donor restrictions	8,225,103	2,850,891
With donor restrictions	399,512	294,349
Total net assets	8,624,615	3,145,240
TOTAL LIABILITIES AND NET ASSETS	$ 9,249,076	$ 3,932,116

See notes to consolidated financial statements.

JOIN
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended December 31, 2018
(With comparative totals for 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue:				
Contributions	$ 5,787,611	$ 300,441	$ 6,088,052	$ 843,196
Government grants	6,999,464	-	6,999,464	5,624,201
Program service revenue	10,219	-	10,219	9,006
Special event revenue, net of expenses of $30,648 for 2018 and $39,595 for 2017	74,700	-	74,700	89,941
Other income	14,844	-	14,844	7,727
Net assets released from restrictions:				
Satisfaction of time and purpose restrictions	195,278	(195,278)	-	-
Total support and revenue	13,082,116	105,163	13,187,279	6,574,071
Expenses:				
Program	6,818,000	-	6,818,000	5,574,801
Management and general	700,298	-	700,298	324,490
Fundraising	189,606	-	189,606	178,173
Total expenses	7,707,904	-	7,707,904	6,077,464
Change in net assets	5,374,212	105,163	5,479,375	496,607
Net assets:				
Beginning of year	2,850,891	294,349	3,145,240	2,648,633
End of year	$ 8,225,103	$ 399,512	$ 8,624,615	$ 3,145,240

See notes to consolidated financial statements.

JOIN
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018

	2018			
	Program	Management and General	Fundraising	Total
Salaries and related expenses	$ 1,502,141	$ 583,566	$ 148,859	$ 2,234,566
Direct assistance to individuals	3,991,132	-	-	3,991,132
Contract services	1,031,691	-	-	1,031,691
Professional fees	41,036	5,651	1,642	48,329
Supplies and office expense	6,463	35,376	7,946	49,785
Telephone	17,940	5,708	1,560	25,208
Equipment and technology	7,173	8,202	3,943	19,318
Occupancy	60,120	12,931	3,756	76,807
Bank and other service fees	7,206	18,934	13,205	39,345
Insurance	15,088	5,611	1,630	22,329
Travel and mileage	66,960	-	-	66,960
Depreciation	42,735	15,215	4,587	62,537
Interest expense	9,568	4,133	1,034	14,735
Board and staff development	18,747	4,971	1,444	25,162
Total expenses	$ 6,818,000	$ 700,298	$ 189,606	$ 7,707,904

JOIN
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018

	2017			
	Program	Management and General	Fundraising	Total
Salaries and related expenses	$ 1,366,711	$ 282,198	$ 142,874	$ 1,791,783
Direct assistance to individuals	3,213,864	-	-	3,213,864
Contract services	637,038	-	-	637,038
Professional fees	75,584	6,511	3,271	85,366
Supplies and office expense	25,673	5,343	2,684	33,700
Telephone	15,648	3,256	1,636	20,540
Equipment and technology	18,225	3,793	1,905	23,923
Occupancy	89,908	3,789	1,903	95,600
Bank and other service fees	6,432	1,339	16,845	24,616
Insurance	15,744	3,276	1,646	20,666
Travel and mileage	58,231	-	-	58,231
Depreciation	39,488	7,643	4,128	51,259
Interest expense	-	4,792	-	4,792
Board and staff development	12,255	2,550	1,281	16,086
Total expenses	$ 5,574,801	$ 324,490	$ 178,173	$ 6,077,464

See notes to consolidated financial statements.

JOIN
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2018
(With comparative totals for 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 5,479,375	$ 496,607
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	63,112	51,834
(Increase) decrease in:		
Accounts and pledges receivable	(107,603)	(380,572)
Prepaid expenses	12,250	2,428
Increase in:		
Accounts payable and accrued expenses	(140,128)	258,361
Deposits held	-	2,200
Net cash flows from operating activities	5,307,006	430,858
Cash flows from investing activities:		
Purchase of property and equipment	(54,884)	(156,529)
Net cash flows from investing activities	(54,884)	(156,529)
Cash flows from financing activities:		
Principal payments on note payable	(22,862)	(3,213)
Net cash flows from financing activities	(22,862)	(3,213)
Net change in cash and cash equivalents	5,229,260	271,116
Cash and cash equivalents - beginning of year	835,201	564,085
Cash and cash equivalents - end of year	$ 6,064,461	$ 835,201
Supplemental cash flow information:		
Cash paid during the year for interest	$ 14,160	$ 4,217

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. 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.

Halsey Center is a nonprofit subsidiary with the primary purpose of 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, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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, 2018 is approximately $41,000 restricted for a maintenance reserve (approximately $34,000 at December 31, 2017).

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.

Support and Revenue With and Without Donor Restrictions

Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Fiscal Sponsorships

The Organization supports other nonprofits with whom it shares a charitable mission. Under the terms of the fiscal sponsorship agreements, the Organization is granted control to approve or deny any funding requests. The revenue and expenses of the fiscal sponsorships are included within the Organization's financial statements and any remaining unspent fiscal sponsorship funds are reflected as net assets with donor 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 2,600 and 3,200 hours during the years ended December 31, 2018 and 2017, 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. Based on certain tax law changes, the Organization may be subject to unrelated business income tax. Any provision for income taxes associated with these changes is estimated to be insignificant. No provision for income taxes is made in the accompanying consolidated financial statements, and the Organizations have no other 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.

Functional Expenses
The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy, depreciation, and interest, salaries and related costs, and other shared costs, which are allocated on the basis of estimates of time and effort.

Change in Accounting Principle
The Organization has implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* ASU 2016-14 modified net asset classification and enhances disclosures regarding liquidity and availability of resources and functional expense reporting. The ASU has been applied retrospectively to all periods presented.

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 2017
The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. 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 our audited financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Subsequent Events
The Organization has evaluated all subsequent events through March 20, 2019, the date the consolidated financial statements were available to be issued.

3. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, receivables, and a line of credit. See Note 7 for information about the Organization's line of credit.

3. AVAILABLE RESOURCES AND LIQUIDITY, Continued

Financial assets of the Organization consist of the following at December 31, 2018:

	Available for General Expenditure	Board Designated	With Donor Restrictions	Required Maintenance Reserve	Total
Cash and cash equivalents	$ 5,616,560	$ 100,000	$ 307,068	$ 40,833	$6,064,461
Accounts receivable	1,168,308	-	-	-	1,168,308
Pledges receivable	35,000	-	92,444	-	127,444
Total financial assets at December 31, 2018	$ 6,819,868	$ 100,000	$ 399,512	$ 40,833	$ 7,360,213

Board designated funds are maintained for strategic opportunities as identified by staff and approved by the board, and the release of funds may be approved by simple majority vote of the Board of Directors. As described in Notes 2 and 8, the Organization maintains restricted cash balance for a maintenance reserve as required by its loan agreement.

4. ACCOUNTS RECEIVABLE

Accounts receivable are unsecured and consist of government grants and contracts as follows at December 31, 2018 and 2017:

	2018	2017
Multnomah County	$ 908,571	$ 816,406
HOPE	79,162	-
Home Forward	60,490	157,459
Other - various	120,085	80,123
Total accounts receivable	$ 1,168,308	$1,053,988

5. PLEDGES RECEIVABLE

Pledges receivable are unsecured and expected to be collected within one year.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2018 and 2017:

	2018	2017
Land and land improvements	$ 387,063	$ 387,063
Building and improvements	1,889,348	1,850,054
Website	17,000	17,000
Vehicles	39,497	34,849
Total property and equipment	2,332,908	2,288,966
Less accumulated depreciation	452,368	400,773
Net property and equipment	$1,880,540	$ 1,888,193

Land and building are pledged as security on a note payable (Note 8).

7. LINE OF CREDIT

The Organization has available a $200,000 ($400,000 in 2017), revolving line-of-credit that expires in July 2019. Interest on the line is payable monthly on outstanding balances at the bank's prime rate (5.5% and 4.5% at December 31, 2018 and 2017, respectively) plus 1.25% with a minimum rate of 4.5%. The line is secured by accounts receivable and equipment. There were no advances outstanding at December 31, 2018 or 2017.

8. NOTE PAYABLE

The note payable is due 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 $3,653 are due monthly, with the final payment due November 2031. As a condition of the loan, the Portland Housing Bureau requires the Organization to contribute a minimum of $3,000 annually to a maintenance reserve account. From March 1, 2017 through February 28, 2018, principal and interest payments were deferred, and the maturity date of the note was extended by one year.

	2018	2017
Note payable	$ 465,870	$ 488,732
Less debt issuance costs, net of accumulated amortization of $4,697 in 2018 and $4,122 in 2017	(6,807)	(7,382)
Net note payable	$ 459,063	$ 481,350

8. NOTE PAYABLE, Continued

Maturities of notes payable are as follows:

Year ending December 31, 2019	$ 29,480
2020	30,434
2021	31,419
2022	32,435
2023	33,485
Thereafter	308,617
	$ 465,870

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2018 and 2017:

	2018	2017
Time restricted	$ 995	$ -
Purpose restricted:		
Landlord recruitment and retention	230,294	235,855
Housing stability	128,537	41,994
Welcome Home	38,186	-
ADA path	1,500	1,500
Moving vans	-	15,000
Total net assets with donor restrictions	$ 399,512	$ 294,349

10. 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.

11. 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.

12. RELATED PARTY TRANSACTIONS

Certain board members are business owners in the community. At times, the Organization 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.

13. CONCENTRATIONS OF CREDIT RISK

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 $5,811,000 at December 31, 2018, and $737,000 at December 31, 2017. Subsequent to year end, the Organization transferred approximately $3,600,000 to fully insured certificates of deposit.

During 2018, 38% of total revenue was received from one donor. Approximately 41% of total revenue was from contracts with Multnomah County in 2018. During 2017, 64% of total revenue was from contracts with Multnomah County and 11% was from contracts with the City of Portland.