JOIN

Consolidated Audited Financial Statements

For the Year Ended December 31, 2013

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, 2013, 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, 2013, 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 2012 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 13, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 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, 2014

JOIN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2013
(With comparative totals for 2012)

	2013	2012
ASSETS		
Cash and cash equivalents	$ 514,835	$ 496,279
Accounts receivable	218,304	171,455
Pledges receivable	79,707	103,880
Prepaid expenses	24,775	12,966
Loan fees, net of accumulated amortization of $1,821 for 2013 and $1,246 for 2012	9,683	10,258
Property and equipment, net	1,931,671	1,891,272
TOTAL ASSETS	$ 2,778,975	$ 2,686,110
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 23,785	$ 59,141
Deposits held	4,000	4,000
Note payable	573,783	598,999
Notes payable - related parties	74,522	100,964
Total liabilities	676,090	763,104
Net assets:		
Unrestricted:		
Undesignated	672,522	455,733
Net property and equipment	1,357,888	1,292,273
Total unrestricted	2,030,410	1,748,006
Temporarily restricted	72,475	175,000
Total net assets	2,102,885	1,923,006
TOTAL LIABILITIES AND NET ASSETS	$ 2,778,975	$ 2,686,110

See notes to financial statements.

JOIN
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended December 31, 2013
(With comparative totals for 2012)

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue:				
Contributions	$ 388,176	$ 107,750	$ 495,926	$ 608,498
Grants	2,077,496	-	2,077,496	1,746,116
Program service revenue	93,438	-	93,438	7,625
Special event revenue, net of expenses of $31,636 for 2013 and $35,197 for 2012	84,185	-	84,185	41,866
Donated materials and services	-	-	-	14,502
Investment income	445	-	445	453
Other income	50,656	-	50,656	55,035
Net assets released from restrictions:				
Satisfaction of time and purpose restrictions	210,275	(210,275)	-	-
Total support and revenue	2,904,671	(102,525)	2,802,146	2,474,095
Expenses:				
Program	2,292,457	-	2,292,457	2,106,482
Management and general	198,051	-	198,051	192,899
Fundraising	131,759	-	131,759	125,754
Total expenses	2,622,267	-	2,622,267	2,425,135
Change in net assets	282,404	(102,525)	179,879	48,960
Net assets:				
Beginning of year	1,748,006	175,000	1,923,006	1,874,046
End of year	$ 2,030,410	$ 72,475	$ 2,102,885	$ 1,923,006

See notes to financial statements.

JOIN
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2013
(With comparative totals for 2012)

	2013				2012
	Program	Management and General	Fundraising	Total	Total
Salaries and related expenses	$ 871,852	$ 105,651	$ 105,158	$ 1,082,661	$ 926,898
Direct assistance to individuals	1,021,007	-	-	1,021,007	906,457
New Beginnings operations	40,465	-	-	40,465	-
Contract services	163,635	-	-	163,635	191,756
Professional fees	1,172	34,459	6,294	41,925	47,264
Grant to other organization	-	-	-	-	79,934
Supplies	2,663	317	320	3,300	3,873
Telephone	15,833	409	413	16,655	18,423
Postage and shipping	1,063	2,304	1,313	4,680	4,380
Occupancy	37,940	22,972	2,033	62,945	66,440
Repairs and maintenance	8,684	1,847	3,591	14,122	17,739
Printing	5,289	6,311	5,310	16,910	10,145
Insurance	8,140	16,530	-	24,670	22,528
Travel and mileage	53,736	-	-	53,736	49,858
Depreciation and amortization	43,739	5,201	5,256	54,196	49,859
Interest expense	17,231	2,049	2,070	21,350	22,129
Miscellaneous	8	1	1	10	7,452
Total expenses	$ 2,292,457	$ 198,051	$ 131,759	$ 2,622,267	$ 2,425,135

See notes to financial statements.

JOIN
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2013
(With comparative totals for 2012)

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 179,879	$ 48,960
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	54,196	49,859
(Increase) decrease in:		
Accounts and pledges receivable	(22,676)	67,222
Prepaid expenses and other assets	(11,809)	(3,771)
Increase (decrease) in:		
Accounts payable and accrued expenses	(35,356)	(4,541)
Net cash provided by operating activities	164,234	157,729
Cash flows from investing activities:		
Purchase of property and equipment	(94,020)	-
Net cash used in operating activities	(94,020)	-
Cash flows from financing activities:		
Principal payments on note payable	(51,658)	(50,539)
Net cash used in financing activities	(51,658)	(50,539)
Net increase in cash and cash equivalents	18,556	107,190
Cash and cash equivalents - beginning of year	496,279	389,089
Cash and cash equivalents - end of year	$ 514,835	$ 496,279
Supplemental cash flow information:		
Cash paid during the year for interest	$ 21,350	$ 22,129

See notes to 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 53% (54% in 2012) of total revenue and 46% (43% in 2012) of all receivables were from contracts with the City of Portland as of and for the year ended December 31, 2013. 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

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, 2013 is approximately $14,000 restricted for a maintenance reserve (approximately $11,000 at December 31, 2012).

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.

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 5 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. The Organization received no donated services during the year ended December 31, 2013. During the year ended December 31, 2012, the Organization received approximately $14,500 of donated legal services, which are included in professional fees expenses.

In addition, JOIN received contributed services from a large number of volunteers. These services were provided by volunteers who contributed an estimated total of 2,350 and 3,000 hours during the years ended December 31, 2013 and 2012, 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, 2009 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 2012
The financial information as of December 31, 2012 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 20, 2014, the date the 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, 2013 and 2012:

	2013	2012
City of Portland	$ 140,302	$ 118,102
Other	78,002	53,353
Total accounts receivable	$ 218,304	$ 171,455

4. PLEDGES RECEIVABLE

Pledges receivable are expected to be received within one year and represent unconditional promises to give as follows at December 31, 2013 and 2012:

	2013	2012
United Way	$ -	$ 43,500
Other	79,707	60,380
Total pledges receivable	$ 79,707	$ 103,880

Management considers the following factors when determining the collectability of specific accounts: history with donors, and current economic and industry trends. As a result, management determined that an allowance for doubtful accounts is not necessary.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2013 and 2012:

	2013	2012
Land and land improvements	$ 387,063	$ 387,063
Building and improvements	1,699,958	1,617,438
Furniture and equipment	11,154	11,154
Vehicles	31,342	19,842
Total property and equipment	2,129,517	2,035,497
Less accumulated depreciation	197,846	144,225
Net property and equipment	$ 1,931,671	$ 1,891,272

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 2014. Interest on the line is payable at the bank's prime rate plus 1% with a minimum rate of 5%. No advances were outstanding at December 31, 2013 or 2012. The line is collateralized by accounts receivable and equipment.

7. NOTES PAYABLE

Notes payable consists of the following at December 31, 2013 and 2012:

	2013	2012
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.	$ 573,783	$ 598,999
Note payable to a board member of the Organization, unsecured, accrues interest at 3% per annum; principal and interest payments of $449 are due monthly, with the final payment due August 2016.	13,800	18,697
Note payable to a board member of the Organization, unsecured, accrues interest at 3% per annum; principal and interest payments of $1,977 are due monthly, with the final payment due August 2016.	60,722	82,267
Total notes payable	$ 648,305	$ 699,963

Maturities of notes payable are as follows:

Year ending December 31, 2014	$ 53,666
2015	55,298
2016	47,251
2017	28,904
2018	29,783
Thereafter	433,403
	$ 648,305

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, 2013 and 2012:

	2013	2012
Time restricted	$ 23,750	$ 43,500
Purpose restricted:		
ADA path	4,000	-
Community garden	9,500	6,500
Roof replacement	-	75,000
Landscaping	20,225	50,000
Supported employment	15,000	-
Total temporarily restricted net assets	$ 72,475	$ 175,000

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 requirement. 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 $20,050 for the year ended December 31, 2013 ($6,509 in 2012) and $6,000 was payable to this organization at December 31, 2013 (none at December 31, 2012).

The Organization has notes payable due to two board members 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 leases space within this building to another nonprofit organization under a five-year agreement ending November 30, 2015. Total rent received by the Organization was approximately $48,000 and $54,400 for the years ended December 31, 2013 and 2012, respectively.

Future rents due are as follows:

Year ending December 31, 2014	$ 48,000
2015	44,000
	$ 92,000

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 the year ended December 31, 2013. The initial lease term ran from January, 2013 to December 2013, and has continued under similar terms on a month-to-month basis subsequent to year-end.

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 (unlimited insurance for certain non-interest bearing accounts through December 31, 2012). The balances, at times, may exceed the federally insured limit. Cash balances in excess of insured limits totaled approximately $303,000 at December 31, 2013 and were fully insured at December 31, 2012.

14. GRANT TO OTHER ORGANIZATION

New City Initiative, which was a part of the programs of JOIN, filed to become a separate entity. As of December 31, 2011, the entity had set up a corporation in the State of Oregon and was considering filing to obtain exempt status. During 2012, the new entity obtained its tax exempt status and JOIN made a contribution of the remaining restricted net assets totaling approximately $79,900 that relate to the program to the new entity.

15. SUBSEQUENT EVENT / PENDING LITIGATION

Subsequent to year-end, the Organization was notified of a potential claim by an individual who allegedly was injured on the Organization's property. The ultimate outcome of the potential litigation cannot be determined at this time. The Organization's has referred the matter to its liability insurance provider.