JOIN

Consolidated Audited Financial Statements

For the Year Ended December 31, 2019

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, 2019, 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, 2019, 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 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 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 18, 2020

JOIN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2019
(With comparative totals for 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	$ 1,300,801	$ 968,390
Funds held for special purpose (Note 4)	4,731,468	5,096,071
Accounts receivable	1,228,736	1,168,308
Pledges receivable	353,041	127,444
Prepaid expenses	10,369	8,323
Property and equipment, net	1,826,356	1,880,540
TOTAL ASSETS	$ 9,450,771	$ 9,249,076
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 194,074	$ 163,198
Deposits held	2,200	2,200
Note payable	430,059	459,063
Total liabilities	626,333	624,461
Net assets:		
Without donor restrictions:		
Undesignated	6,110,847	6,703,626
Board designated	244,253	100,000
Net property and equipment	1,396,297	1,421,477
Total without donor restrictions	7,751,397	8,225,103
With donor restrictions	1,073,041	399,512
Total net assets	8,824,438	8,624,615
TOTAL LIABILITIES AND NET ASSETS	$ 9,450,771	$ 9,249,076

See notes to consolidated financial statements.

JOIN
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended December 31, 2019
(With comparative totals for 2018)

	2019			
	Without Donor Restrictions	With Donor Restrictions	Total	2018 Total
Operating support and revenue:				
Contributions	$ 530,294	$ 986,476	$ 1,516,770	$ 1,000,184
Government grants	8,484,847	-	8,484,847	6,999,464
Program service revenue	2,750	-	2,750	10,219
Special event revenue, net of expenses of $31,732 for 2019 and $30,648 for 2018	67,823	-	67,823	74,700
Other income	20,838	-	20,838	2,655
Net assets released from restrictions:				
Satisfaction of time and purpose restrictions	312,947	(312,947)	-	-
Total operating support and revenue	9,419,499	673,529	10,093,028	8,087,222
Expenses:				
Program	9,101,565	-	9,101,565	6,818,000
Management and general	726,429	-	726,429	700,298
Fundraising	224,858	-	224,858	189,606
Total expenses	10,052,852	-	10,052,852	7,707,904
Change in net assets from operations	(633,353)	673,529	40,176	379,318
Special purpose activity:				
Contribution without donor restrictions	-	-	-	5,087,868
Interest income - Day One Services Fund	159,647	-	159,647	12,189
Change in net assets	(473,706)	673,529	199,823	5,479,375
Net assets:				
Beginning of year	8,225,103	399,512	8,624,615	3,145,240
End of year	$ 7,751,397	$ 1,073,041	$ 8,824,438	$ 8,624,615

See notes to consolidated financial statements.

JOIN
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2019

	Program	Management and General	Fundraising	Total
Salaries and related expenses	$ 1,951,279	$ 565,483	$ 146,854	$ 2,663,616
Direct assistance to individuals	5,697,662	6,197	-	5,703,859
Contract services	1,091,948	-	250	1,092,198
Professional fees	44,053	66,280	7,716	118,049
Supplies and office expense	23,159	4,420	43,504	71,083
Telephone	29,909	6,902	1,534	38,345
Equipment and technology	18,782	3,496	6,494	28,772
Occupancy	75,244	10,104	2,245	87,593
Bank and other service fees	2,814	27,535	12,697	43,046
Insurance	20,294	4,683	1,041	26,018
Travel and mileage	70,704	1,290	756	72,750
Depreciation	50,544	11,797	2,621	64,962
Interest expense	13,302	1,790	398	15,490
Board and staff development	11,871	16,452	30,480	58,803
	9,101,565	726,429	256,590	10,084,584
Less special event direct benefit expenses netted with revenue	-	-	(31,732)	(31,732)
	$ 9,101,565	$ 726,429	$ 224,858	$ 10,052,852

See notes to consolidated financial statements.

JOIN
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 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	38,594	80,433
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
	6,818,000	700,298	220,254	7,738,552
Less special event direct benefit expenses netted with revenue	-	-	(30,648)	(30,648)
	$ 6,818,000	$ 700,298	$ 189,606	$ 7,707,904

See notes to consolidated financial statements.

JOIN
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2019
(With comparative totals for 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 199,823	$ 5,479,375
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	65,538	63,112
Loss from disposal of equipment	5,329	-
(Increase) decrease in:		
Accounts and pledges receivable	(286,025)	(107,603)
Prepaid expenses	(2,046)	12,250
Increase (decrease) in:		
Accounts payable and accrued expenses	30,876	(140,128)
Net cash flows from operating activities	13,495	5,307,006
Cash flows from investing activities:		
Purchase of property and equipment	(16,107)	(54,884)
Net additions to certificates of deposits	(3,790,925)	-
Net cash flows from investing activities	(3,807,032)	(54,884)
Cash flows from financing activities:		
Principal payments on note payable	(29,580)	(22,862)
Net cash flows from financing activities	(29,580)	(22,862)
Net change in cash and cash equivalents	(3,823,117)	5,229,260
Cash and cash equivalents - beginning of year	6,064,461	835,201
Cash and cash equivalents - end of year	$ 2,241,344	$ 6,064,461
Cash and cash equivalents	$ 1,300,801	$ 968,390
Day One Services Fund - cash and cash equivalents (Note 4)	940,543	5,096,071
	$ 2,241,344	$ 6,064,461
Supplemental cash flow information:		
Cash paid during the year for interest	$ 14,914	$ 14,160

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, 2019 is approximately $50,000 restricted for a maintenance reserve (approximately $41,000 at December 31, 2018)
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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.

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.

Fiscal Sponsorships

At times, 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.

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, and 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 740Accounting 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.

Revenue Recognition

Contributions: 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. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, Continued

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.

Special Events: The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. The portion of sponsorship revenue that relates to commensurate value the sponsor received in return is recognized when the related events are held and performance obligations are met.

Government Grants: A portion of the Organization's revenue is derived from cost-reimbursable contracts and grants, which are conditional upon certain performance requirements and/ or incurring allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization has been awarded cost-reimbursable grants of $3,190,000 for the period through June 30, 2020 that have not been recognized at December 31, 2019 because qualifying expenditures have not yet been incurred. The Organization has not received any advances on these grants as of December 31, 2019.

Donated Assets, Materials and Services: Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donation to a specific purpose. 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.

In addition, JOIN received contributed services from a large number of volunteers. These services were provided by volunteers who contributed an estimated total of 1,030 and 2,600 hours during the years ended December 31, 2019 and 2018, respectively. The value of such services, which do not meet the criteria for recording, has not been recognized in the accompanying consolidated financial statements.

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 salaries and related costs, supplies and office expense, telephone, equipment and technology, occupancy, depreciation, and interest, which are allocated on the basis of estimates of time and effort.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Change in Accounting Principles

The Organization has implemented Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. There was no significant impact to the Organization's revenue recognition in either year presented for this change in accounting principle.

The Organization also implemented Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists organizations in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 were implemented applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There was no significant impact to the Organization's revenue recognition in either year presented for this change in accounting principle.

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.

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.

Summarized Financial Information for 2018

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 (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Subsequent Events

The Organization has evaluated all subsequent events through March 18, 2020, 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.

Financial assets of the Organization consist of the following at December 31, 2019 and 2018:

	2019	2018
Financial assets:		
Cash and cash equivalents	$ 1,300,801	$ 968,390
Funds held for special purpose (Note 4)	4,731,468	5,096,071
Accounts receivable	1,228,736	1,168,308
Pledges receivable	353,041	127,444
Total financial assets	7,614,046	7,360,213
Less amounts not available to be used within a year:		
Day One Services Fund	(4,731,468)	(5,096,071)
Net assets with donor restrictions	(1,073,041)	(399,512)
Net assets with board designations	(244,253)	(100,000)
Required maintenance reserve	(50,024)	(40,833)
Financial assets available for general expenditure	$ 1,515,260	$ 1,723,797

See Note 8 for information about the Organization's line of credit. See Note 4 for information about the Day One Services Fund, which the Organization considers unavailable for general expenditure.

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 9, the Organization maintains a restricted cash balance for a maintenance reserve as required by its loan agreement.

4. DAY ONE SERVICES FUND

The Organization received a one-time contribution without donor restrictions during 2018 which is being utilized for new opportunities to exit people from the homeless services system and support them on a career path that will help individuals lift themselves out of housing instability and poverty. The Fund seeks to work with 80 families over 4 four years as a demonstration of what focused and purposeful investment can do to create pathways off the street and out of poverty.

The Day One Service Funds consists of the following at December 31, 2019 and 2018:

	2019	2018
Cash and cash equivalents	$ 940,543	$ 5,096,071
Certificates of deposit	3,790,925	-
Total Day One Services Fund	$ 4,731,468	$ 5,096,071

Certificates of deposit have interest rates ranging from 2.45% through 2.83%, and mature between January 2020 and February 2022.

5. ACCOUNTS RECEIVABLE

Accounts receivable are unsecured and consist of government grants and contracts as follows at December 31, 2019 and 2018:

	2019	2018
Multnomah County	$ 1,021,593	$ 908,571
HOPE	53,678	79,162
Home Forward	82,184	60,490
Other - various	71,281	120,085
Total accounts receivable	$1,228,736	$ 1,168,308

6. PLEDGES RECEIVABLE

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

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2019 and 2018:

	2019	2018
Land and land improvements	$ 387,063	$ 387,063
Building and improvements	1,894,178	1,889,348
Furniture and equipment	5,668	-
Website	17,000	17,000
Vehicles	39,497	39,497
Total property and equipment	2,343,406	2,332,908
Less accumulated depreciation	517,050	452,368
Net property and equipment	$ 1,826,356	$1,880,540

Land and building are pledged as security on a note payable (Note 9).

8. LINE OF CREDIT

The Organization has available a $200,000 revolving line-of-credit that expires in July 2020. Interest on the line is payable monthly on outstanding balances at the bank's prime rate (4.75% and 5.5% at December 31, 2019 and 2018, 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, 2019 or 2018.

9. 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 Organization deposits a minimum of $3,000 annually to a maintenance reserve account.

	2019	2018
Note payable	$ 436,290	$ 465,870
Less debt issuance costs, net of accumulated amortization of $5,273 in 2019 and $4,697 in 2018	(6,231)	(6,807)
Net note payable	$ 430,059	$ 459,063

9. NOTE PAYABLE, Continued

Maturities of the note payable are as follows:

Year ending December 31, 2020	$ 30,434
2021	31,419
2022	32,435
2023	33,485
2024	34,568
Thereafter	273,949
	$ 436,290

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2019 and 2018:

	2019	2018
Time restricted	$ -	$ 995
Purpose restricted:		
Landlord recruitment and retention	200,000	230,294
Housing stability	178,265	128,537
Welcome Home	562,501	38,186
ADA path	1,500	1,500
Capacity building	130,775	-
Total net assets with donor restrictions	$ 1,073,041	$ 399,512

11. 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.

12. LEASE COMMITMENTS

During 2019, the Organization entered into a master lease agreement for 11 residential units for which the Organization operates as a landlord and property manager for individuals and families transitioning out of homelessness. The master lease commenced December 2019 and expires November 2022, with the option to renew for three additional three-year terms. Monthly rent is $4,675, subject to annual increases.

The Organization also provides rent guarantees for certain properties, where it is obligated to pay rent regardless if there is a tenant in the unit. These properties have monthly rent between $1,450 and $2,205 and expire between December 2019 and April 2020, at which point they continue on a month-to-month basis.

Rent expense for the above leases totaled approximately $111,700 for the year ended December 31, 2019.

Future minimum non-cancellable lease commitments are as follows:

Year ending December 31, 2020	$ 66,800
2021	57,900
2022	54,600
	$ 179,300

13. 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.

14. 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.

15. 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 $2.3 million at December 31, 2019, and $5.8 million at December 31, 2018.

Approximately 66% of total revenue was from contracts with Multnomah County in 2019 (41% during December 31, 2018). During 2018, 38% of total revenue was received from one donor.