

IMPACT NW

Audited Financial Statements
and Reports Required by
Government Auditing Standards
and the Uniform Guidance

For the Year Ended June 30, 2020



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Impact NW

Report on the Financial Statements

We have audited the accompanying financial statements of Impact NW (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020, and the statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Impact NW as of June 30, 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Impact NW's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report November 21, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2020, on our consideration of Impact NW's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Impact NW's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Impact NW's internal control over financial reporting and compliance.

McDonald Jacoby, P.C.

Portland, Oregon
December 3, 2020

IMPACT NW
STATEMENT OF FINANCIAL POSITION
June 30, 2020
(With comparative totals for 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 568,147	\$ 52,857
Contracts, grants and pledges receivable, net	2,475,093	2,053,280
Prepaid expenses and other assets	183,678	171,077
Investments	661,623	715,117
Property and equipment, net	574,757	648,366
 TOTAL ASSETS	 \$ 4,463,298	 \$ 3,640,697
 LIABILITIES AND NET ASSETS		
Liabilities:		
Line of credit	\$ -	\$ 460,516
Accounts payable	89,204	216,321
Accrued payroll and related expenses	751,285	684,746
Deferred revenue	217,578	173,461
Refundable advance	720,555	-
Capital lease obligation	79,054	109,245
Notes payable	621,949	704,944
Deferred gain on sale-leaseback	466,554	532,421
Total liabilities	2,946,179	2,881,654
Net assets (deficit):		
Without donor restrictions:		
Available for general operations	956,591	156,898
Board designated	436,752	440,052
Net property and equipment	(126,246)	(165,823)
Total without donor restrictions	1,267,097	431,127
With donor restrictions	250,022	327,916
Total net assets	1,517,119	759,043
 TOTAL LIABILITIES AND NET ASSETS	 \$ 4,463,298	 \$ 3,640,697

See notes to financial statements.

IMPACT NW
STATEMENT OF ACTIVITIES
For the year ended June 30, 2020
(With comparative totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Contracts and grants	\$ 9,283,949	\$ -	\$ 9,283,949	\$ 10,144,768
Contributions	1,439,843	306,797	1,746,640	1,039,652
Program fees	470,161	-	470,161	513,153
Donated property, materials and services	31,833	-	31,833	65,506
Other revenue	59,820	-	59,820	61,471
Net assets released from restrictions:				
Satisfaction of purpose restrictions	334,596	(334,596)	-	-
Satisfaction of time restrictions	50,000	(50,000)	-	-
Total support and revenue	<u>11,670,202</u>	<u>(77,799)</u>	<u>11,592,403</u>	<u>11,824,550</u>
Expenses:				
Program services:				
Housing and safety net services	3,888,364	-	3,888,364	3,609,181
Children, youth, and family services	1,954,766	-	1,954,766	2,545,580
Early childhood family services	1,929,762	-	1,929,762	1,823,017
Senior services	911,068	-	911,068	1,503,866
Portland Metro STEM Partnership	200,540	-	200,540	179,530
Diversity/Equity/Inclusion	-	-	-	68,233
Fiscal sponsorship/nonprofit accounting	135,977	-	135,977	231,506
Total program services:	<u>9,020,477</u>	<u>-</u>	<u>9,020,477</u>	<u>9,960,913</u>
Management and general	1,616,905	-	1,616,905	1,745,784
Fundraising	275,083	-	275,083	367,328
Total expenses	<u>10,912,465</u>	<u>-</u>	<u>10,912,465</u>	<u>12,074,025</u>
Income (loss) from operations	757,737	(77,799)	679,938	(249,475)
Non-operating activities:				
Amortization of deferred gain and loss on disposal	68,101	-	68,101	62,328
Investment income (loss), net of fees	8,185	(54)	8,131	10,896
Net realized/unrealized gain (loss) on investments	1,947	(41)	1,906	7,209
Total non-operating activities	<u>78,233</u>	<u>(95)</u>	<u>78,138</u>	<u>80,433</u>
Change in net assets	835,970	(77,894)	758,076	(169,042)
Net assets:				
Beginning of year	<u>431,127</u>	<u>327,916</u>	<u>759,043</u>	<u>928,085</u>
End of year	<u>\$ 1,267,097</u>	<u>\$ 250,022</u>	<u>\$ 1,517,119</u>	<u>\$ 759,043</u>

See notes to financial statements.

IMPACT NW
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2020

	Program Services				
	Housing and Safety Net Services	Children, Youth and Family Services	Early Childhood Family Services	Senior Services	Portland Metro STEM Partnership
Salaries and related expenses	\$ 1,750,198	\$ 1,516,361	\$ 1,607,260	\$ 746,607	\$ 100,116
Client assistance	1,753,869	47,414	50,700	6,820	-
Consultants and contracted services	223,987	158,784	50,782	22,491	64,579
Program supplies	11,924	47,421	20,515	2,505	3,049
Occupancy	67,366	103,774	85,736	48,747	7,302
Travel	24,669	11,701	39,154	36,434	819
Office expense	16,187	16,271	12,777	15,551	659
Communications	23,896	27,762	34,121	14,141	5
Staff education and training	957	977	9,869	306	3,707
Insurance	13,299	12,212	12,176	13,301	352
Dues and recruitment expense	1,856	8,530	5,599	1,725	1,193
Interest expense	-	-	-	-	-
Miscellaneous	156	199	200	92	18,759
Depreciation and amortization	-	3,360	873	-	-
Bad debt expense	-	-	-	2,348	-
Total expenses	<u>\$ 3,888,364</u>	<u>\$ 1,954,766</u>	<u>\$ 1,929,762</u>	<u>\$ 911,068</u>	<u>\$ 200,540</u>

See notes to financial statements.

IMPACT NW
STATEMENT OF FUNCTIONAL EXPENSES, Continued
For the year ended June 30, 2020

	<u>Program Services, Continued</u>				
	Fiscal				
	Sponsorship/ Nonprofit Accounting	Total Program Services	Management and General	Fund- Raising	Total
Salaries and related expenses	\$ 29,168	\$ 5,749,710	\$ 1,291,686	\$ 184,915	\$ 7,226,311
Client assistance	-	1,858,803	224	-	1,859,027
Consultants and contracted services	26,977	547,600	103,742	55,182	706,524
Program supplies	12,444	97,858	6,549	1,272	105,679
Occupancy	28,565	341,490	16,368	7,019	364,877
Travel	1,110	113,887	3,111	580	117,578
Office expense	1,715	63,160	14,911	2,497	80,568
Communications	8,883	108,808	6,373	2,392	117,573
Staff education and training	-	15,816	1,856	-	17,672
Insurance	891	52,231	17,705	1,159	71,095
Dues and recruitment expense	119	19,022	10,269	13,409	42,700
Interest expense	-	-	50,708	-	50,708
Miscellaneous	26,105	45,511	10,350	6,658	62,519
Depreciation and amortization	-	4,233	83,053	-	87,286
Bad debt expense	-	2,348	-	-	2,348
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 135,977</u>	<u>\$ 9,020,477</u>	<u>\$ 1,616,905</u>	<u>\$ 275,083</u>	<u>\$ 10,912,465</u>

See notes to financial statements.

IMPACT NW
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2019

	Program Services					
	Housing and Safety Net Services	Children, Youth and Family Services	Early Childhood Family Services	Senior Services	Portland Metro STEM Partnership	Diversity/ Equity/ Inclusion
Salaries and related expenses	\$ 1,552,067	\$ 1,893,902	\$ 1,538,732	\$ 1,204,330	\$ 92,330	\$ 61,375
Client assistance	1,677,120	65,361	17,404	-	-	-
Consultants and contracted services	239,727	185,562	32,093	77,362	70,057	1,420
Program supplies	15,918	105,248	25,133	88,177	2,298	1,091
Occupancy	45,741	134,353	70,369	38,176	2,596	893
Travel	26,790	35,818	64,972	40,812	873	1,148
Office expense	17,019	49,133	19,253	11,784	2,043	112
Communications	19,254	38,908	26,380	15,445	18	233
Staff education and training	3,198	7,322	14,784	290	5,774	1,650
Insurance	10,377	14,799	10,702	15,827	277	268
Dues and recruitment expense	1,716	11,780	1,888	2,044	1,909	43
Interest expense	-	-	-	-	-	-
Miscellaneous	16	34	21	10	855	-
Depreciation and amortization	-	3,360	1,286	-	-	-
Bad debt expense (recovery)	238	-	-	9,609	500	-
Total expenses	<u>\$ 3,609,181</u>	<u>\$ 2,545,580</u>	<u>\$ 1,823,017</u>	<u>\$ 1,503,866</u>	<u>\$ 179,530</u>	<u>\$ 68,233</u>

See notes to financial statements.

IMPACT NW
STATEMENT OF FUNCTIONAL EXPENSES, Continued
For the year ended June 30, 2019

	<u>Program Services, Continued</u>				
	Fiscal				
	Sponsorship/ Nonprofit <u>Accounting</u>	Total Program <u>Services</u>	Management and General	Fund- Raising	<u>Total</u>
Salaries and related expenses	\$ 82,812	\$ 6,425,548	\$ 1,230,711	\$ 199,322	\$ 7,855,581
Client assistance	30	1,759,915	300	-	1,760,215
Consultants and contracted services	48,291	654,512	224,557	102,703	981,772
Program supplies	28,158	266,023	9,434	37,045	312,502
Occupancy	34,196	326,324	29,691	7,220	363,235
Travel	3,343	173,756	2,312	1,021	177,089
Office expense	5,572	104,916	15,208	1,379	121,503
Communications	8,162	108,400	10,107	2,405	120,912
Staff education and training	861	33,879	2,983	30	36,892
Insurance	1,488	53,738	13,501	782	68,021
Dues and recruitment expense	896	20,276	8,821	777	29,874
Interest expense	-	-	62,145	-	62,145
Miscellaneous	17,697	18,633	3,866	14,644	37,143
Depreciation and amortization	-	4,646	146,025	-	150,671
Bad debt expense (recovery)	-	10,347	(13,877)	-	(3,530)
	<u>\$ 231,506</u>	<u>\$ 9,960,913</u>	<u>\$ 1,745,784</u>	<u>\$ 367,328</u>	<u>\$ 12,074,025</u>

See notes to financial statements.

IMPACT NW
STATEMENT OF CASH FLOWS
For the year ended June 30, 2020
(With comparative totals for 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 758,076	\$ (169,042)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Refundable advance eligible for forgiveness	(529,757)	-
Depreciation and amortization	87,286	150,671
Amortization of deferred gain	(65,867)	(65,863)
(Gain) loss on disposal	(2,234)	3,535
Net realized/unrealized gain on investments	(1,906)	(7,209)
Allowance for uncollectible accounts	2,348	23,437
(Increase) decrease in:		
Contracts, grants and pledges receivable	(424,161)	(183,020)
Prepaid expenses and other assets	(12,601)	21,416
Increase (decrease) in:		
Accounts payable	(127,117)	(22,471)
Accrued payroll and related expenses	66,539	49,962
Deferred revenue	44,117	4,001
Refundable advance	1,250,312	-
Net cash flows from operating activities	1,045,035	(194,583)
Cash flows from investing activities:		
Purchases property and equipment	(13,677)	(28,973)
Proceeds on sale of property	2,234	19,489
Purchases of investments	(67,808)	(60,667)
Proceeds from sale of investments	123,208	63,593
Net cash flows from investing activities	43,957	(6,558)
Cash flows from financing activities:		
Net borrowings (repayments) on line of credit	(460,516)	320,380
Principal payments on long-term debt	(82,995)	(79,756)
Principal payments on capital lease	(30,191)	(97,718)
Net cash flows from financing activities	(573,702)	142,906
Net change in cash and cash equivalents	515,290	(58,235)
Cash and cash equivalents - beginning of year	52,857	111,092
Cash and cash equivalents - end of year	\$ 568,147	\$ 52,857
Supplemental cash flow information:		
Cash paid for interest	\$ 50,708	\$ 62,145
Non-cash operating, investing and financing activities:		
Non-cash financing of assets held under capital lease	-	133,615

See notes to financial statements.

IMPACT NW
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

1. DESCRIPTION OF THE ORGANIZATION

Impact NW (the Organization) was founded in 1966 by a group of neighbors in Portland's Buckman neighborhood, determined to solve the most critical local needs. The nonprofit Organization has grown over the years to become among the largest and most comprehensive homelessness prevention providers in the Portland-Vancouver region.

Impact NW forges a strong, equitable region by partnering with people as they navigate their journey from uncertainty and poverty to stability and opportunity.

The Organization serves 20,000+ people a year, including low-income children, at-risk youth, young adults, families, veterans, and seniors. It provides unique services to Portland's Slavic community. To succeed, it employs a professional staff of 400, 42% of whom are people of color, and engages dozens of volunteers. Impact NW provides services that both stabilize and strengthen, including:

- Utility assistance, housing assistance, eviction prevention, permanent housing, addiction recovery, and other resources for individuals and families
- Job training, parent support and education, support for foster families, domestic violence support, school and social support and other resources for youth, families, and young adults
- Case management, guardianship and conservatorship, and activities designed to promote health and stability for older adults

Consistent with its values and community needs, the Organization is undergoing a multi-year transformation to become a Culturally-Responsive Organization. As such, the Organization's goal is to partner with communities of color to better meet the needs of people of color, who overall experience less favorable social outcomes. This Diversity, Equity, and Inclusion (DEI) work is changing both individuals and systems within the Organization and advocating for systemic change in the larger community.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor 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. .

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Net Assets, Continued

- *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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all liquid investments having maturities of three months or less at the date of purchase to be cash equivalents. Included in cash and cash equivalents is \$10,916 and \$19,038 at June 30, 2020 and 2019, respectively, restricted for the flexible spending account. Cash equivalents included with investments are considered investments.

Contracts, Grants and Pledges Receivable

Contracts, grants and pledges receivable are reported at the amount management expects to collect on balances outstanding at year-end. The Organization estimates uncollectible amounts for contracts and other accounts receivable as a proportion of the total over 90 days balance. Balances over 90 days were approximately \$212,000 and \$28,000 as of June 30, 2020 and 2019, respectively. The Organization estimates uncollectible amounts for pledges and grants using the specific identification method. Long-term pledges are discounted to present value using a market rate of interest.

Investments

Investments are carried at fair value. Investment income earned on donor restricted investments is reported as an increase in net assets without donor restrictions unless restricted by the donor in which case it is classified according to the nature of the restriction until appropriated for expenditure. Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as investments. Donor-restricted investment income earned on net assets with perpetual donor restrictions is reported as an increase in net assets with donor restrictions and released from restriction when appropriated for expenditure.

Net appreciation (depreciation) in the fair value of investments, which consists of realized gains or losses and the unrealized appreciation (depreciation) of those investments, is shown in the statement of activities. Interest income is accrued as earned.

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment

Acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment are carried at cost when purchased. Donated assets are reflected as contributions at their estimated values on the date received. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets.

Capitalized Software

Internally-developed software is stated at cost less accumulated amortization and is amortized using the straight-line method over the estimated useful life of the software. Software assets are reviewed for impairment when events or circumstances indicate that the carrying value may not be recoverable over the remaining lives of the assets. During the software application development stage, capitalized costs include external consulting costs, cost of software licenses, and internal payroll and payroll-related costs for employees who are directly associated with a software project. Upgrades and enhancements are capitalized if they result in added functionality, which enables the software to perform tasks it was previously incapable of performing. Software maintenance, training, data conversion and business process reengineering costs are expensed in the period in which they are incurred.

Revenue Recognition

Revenues from various sources are recognized as follows:

Contracts and Grants: Contracts and grants are conditioned 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 deferred revenue in the statement of financial position. The Organization has been awarded cost-reimbursable grants of approximately \$3,120,000 extending through September 2022 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred. The Organization has received approximately \$217,600 and \$173,500 in advances on these contracts at June 30, 2020 and 2019, respectively.

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.

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, Continued

Program Fees: Revenues from program services are recognized in the period in which the programs and other activities occur. Deferred revenue represents advanced payments for programs that relate to the following year.

Refundable Advance: The Paycheck Protection Program (PPP) loan guaranteed by the Small Business Administration (SBA) is accounted for as a conditional advance and accrues interest at 1%. The advance may be forgiven partially or in its entirety if certain conditions are met, including incurrence of allowable qualifying expenses (mostly personnel and occupancy costs) and acceptance and approval of the forgiveness application by the lender. Upon satisfaction of the conditions, the advance will be recognized as revenue. During the year ended June 30, 2020, Impact recognized approximately \$529,800 in revenue as a result of incurring qualifying expenditures, which is included in contribution revenue.

Donated Property, 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 without donor restrictions support unless the donor has restricted the donated asset to a specific purpose. During the years ended June 30, 2020 and 2019, the Organization received donated food, clothing and supplies with an estimated value of approximately \$22,000 and \$38,000, respectively. These items were distributed to clients of the various programs of the Organization.

Impact 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. During the years ended June 30, 2020 and 2019, the Organization received donated professional services with an estimated value of approximately \$9,600 and \$27,000, respectively. These donated professional services are included in consultants and contracted services as part of management and general expenses in the accompanying statements of functional expenses.

The Organization receives contributed services from a large number of unpaid volunteers who assist in a range of fund-raising and program activities. The Organization received contributed service hours totaling *2,788 hours and *4,602 hours during the years ended June 30, 2020 and 2019, respectively (*unaudited). The value of this contributed time has not been recognized in the accompanying financial statements since it does not meet the criteria described above.

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Unemployment Insurance

The Organization is self-insured for unemployment and makes periodic payments to a trust company in an amount equal to estimated future claims. Deposits to the trust are recorded as an asset. Prepaid expenses and other assets include a deposit in the amount of \$78,714 and \$95,886 at June 30, 2020 and 2019, respectively.

Unemployment claims paid reduce the trust asset and are expensed. Unpaid claims outstanding at year-end represent a liability of the Organization.

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. The expenses that are allocated include occupancy, depreciation and communications which are allocated on a square footage basis; vehicle usage (included in travel), which is allocated based on mileage, as well as salaries and related expenses, consultants and contracted services, office expense, insurance, and other, which are allocated on the basis of total hours worked.

Income Tax Status

Impact NW is a nonprofit corporation exempt from 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 financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC 740 *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 financial statements to comply with provisions of this Topic.

Change in Accounting Principle

The Organization 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.

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 2019

The accompanying financial information for the year ended June 30, 2019 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

Subsequent Events

The Organization has evaluated all subsequent events through December 3, 2020, the date the financial statements were available to be issued.

3. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its 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 June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 568,147	\$ 52,857
Contracts, grants and pledges receivable, net	2,475,093	2,053,280
Investments	<u>661,623</u>	<u>715,117</u>
	3,704,863	2,821,254
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	250,022	327,916
Board designated	436,752	440,052
Other restrictions	<u>560,916</u>	<u>572,038</u>
Financial assets available for general expenditure	<u>\$ 2,457,173</u>	<u>\$ 1,481,248</u>

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

3. AVAILABLE RESOURCES AND LIQUIDITY, Continued

The board of directors has established an Adults and Seniors with Disabilities fund, as well as an Operating Reserve. See Note 10 regarding board designated net assets. The board designated operating reserve is determined by the Organization to be 2 months of direct payroll and fringe benefits for its 3 largest contracts, and may be spent by approval of the Board.

Included in financial assets with donor or other restrictions are investments that serve as collateral on the outstanding balance on the line of credit. See Note 7.

4. CONTRACTS, GRANTS AND PLEDGES RECEIVABLE

Receivables are unsecured and are summarized as follows at June 30, 2020 and 2019:

	2020	2019
Contracts receivable	\$ 2,277,516	\$ 1,832,948
Pledges and grants receivable	67,234	122,061
Other	165,035	137,302
	2,509,785	2,092,311
Allowance for uncollectible accounts	(34,692)	(36,286)
Discount on long-term pledges	-	(2,745)
Contracts, grants and pledges receivables, net	<u>\$ 2,475,093</u>	<u>\$ 2,053,280</u>

Pledges and grants receivable represent unconditional promises to give and are receivable as follows at June 30, 2020 and 2019:

	2020	2019
Within one year	\$ 67,234	\$ 94,061
Two to five years	-	28,000
	67,234	122,061
Allowance for uncollectible pledges	-	(26,563)
Discount on long-term pledges	-	(2,745)
Total pledges receivable, net	<u>\$ 67,234</u>	<u>\$ 92,753</u>

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

5. INVESTMENTS

Investments and are summarized as follows at June 30, 2020 and 2019:

	2020	2019
Certificates of deposit	\$ 500,000	\$ 500,000
Money market funds	51,520	48,896
Mutual funds - fixed income	6,567	5,947
Exchange-traded funds	10,487	62,804
Funds held at Oregon Community Foundation	93,049	97,470
Total investments	\$ 661,623	\$ 715,117

Certificate of deposit at June 30, 2020 earns interest at 0.30% and has a maturity date of June 2021. The Organization's certificate of deposit and approximately \$50,000 of the total money market and exchange-traded funds totaling \$550,000 and \$553,000 are restricted as collateral on the Organization's line of credit at June 30, 2020 and 2019.

Funds held at Oregon Community Foundation (OCF) are pooled with other assets managed by OCF and are invested in debt, equity, and other securities, which are reflected at fair value. Under the terms of the agreement, variance power has been granted to OCF; however, the Organization is the beneficiary of the fund and the transfer is reciprocal in nature. Accordingly, OCF recognizes the fund as a liability on its statement of financial position. OCF shall distribute not less than annually, a percentage of the fair value of the fund as determined by the board of directors of OCF. However, in no event will the percentage be less than a reasonable rate of return. OCF may make additional distributions from the fund to the Organization upon a majority vote of all of the directors of the Organization, if, in the sole judgment of the board of OCF, the requested distribution is consistent with the objectives and purposes of the Organization. The beneficial interest is included in endowment net assets (Note 18).

The Organization is also the beneficiary of a donor-named fund (the Fund), which is excluded from the investments above and not included on the statement of financial position. The Fund is held in trust by Oregon Community Foundation and is administered by trustees appointed by the donors. The Organization's portion of the Fund is approximately \$1,906,000 and \$2,202,500 at June 30, 2020 and 2019, respectively. Contributions of \$82,624 and \$81,248 were received for the years ended June 30, 2020 and 2019, respectively.

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020 and 2019:

	2020	2019
Buildings	\$ 1,059,088	\$ 1,059,088
Office equipment	371,287	357,611
Vehicles	53,763	69,364
Software	247,114	247,114
Leasehold improvements	15,224	15,224
Total property and equipment	1,746,476	1,748,401
Accumulated depreciation	(1,171,719)	(1,100,035)
Net property and equipment	\$ 574,757	\$ 648,366

7. LINE OF CREDIT

The Organization has a line of credit agreement with Heritage Bank. The line of credit has a maximum borrowing base of \$1,200,000 but is limited to the total investment collateral maintained as described in Note 5 (approximately \$550,000 collateralized as of June 30, 2020 and \$553,000 as of June 30, 2019). Interest on the line of credit is payable monthly on outstanding advances at a variable rate, adjusted quarterly (4.75% at June 30, 2020 and 5.5% at June 30, 2019). Advances at June 30, 2019 are \$460,516.

Under terms of the agreement, the Organization is subject to certain financial covenants. The Organization was in compliance with these covenants as of June 30, 2020.

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

8. NOTES PAYABLE

Notes payable consist of the following at June 30, 2020 and 2019:

	2020	2019
Note payable to YWCA of Greater Portland, interest-only minimum monthly payments at 5% until maturity in March 2021; secured by real property. Beginning July 2018, the Organization began making voluntary monthly payments of \$8,250.	\$ 621,949	\$ 687,594
Note payable to Ascentium Capital; payable in monthly installments of \$1,650, including interest at 4.0%; matured June 2020; secured by software licenses.	-	17,350
Total notes payable	\$ 621,949	\$ 704,944

Future maturities of long-term debt are as follows:

Year ending June 30, 2021	\$ 621,949
	\$ 621,949

9. SALE-LEASEBACK TRANSACTION

In August 2017, the Organization finalized the sale and leaseback of certain real property. The terms of the sale were with an unrelated third party and the subsequent leaseback agreement details are outlined in Note 12. The real property was sold for approximately \$1,620,000 and the Organization received cash proceeds of approximately \$540,000 after closing costs and the repayment of certain notes payable collateralized by the property.

The building sale transaction resulted in a gain to the Organization of approximately \$660,000. However, the terms of the sale and associated gain on the sale, were determined to meet the criteria of a sale leaseback transaction under the provisions of ASC Topic 842, *Leases*. Under this provision, the gain on the transaction has been deferred and will be amortized on a straight-line basis over the 10-year term of the related lease. The amount of gain deferred at June 30, 2020 and 2019 is \$466,554 and \$532,421, respectively. The portion of amortized gain recognized on the transaction totaled \$60,456 and \$65,863 for the years ended June 30, 2020 and 2019, respectively.

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

10. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of the following at June 30, 2020 and 2019:

	2020	2019
Adults and seniors with disabilities endowment (Note 18)	\$ 69,469	\$ 72,769
Operating reserve	367,283	367,283
Total board designated net assets	\$ 436,752	\$ 440,052

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2020 and 2019:

	2020	2019
With expiring restrictions	\$ 229,477	\$ 307,371
With perpetual restrictions	20,545	20,545
	\$ 250,022	\$ 327,916

Net Assets with Expiring Donor Restrictions

Net assets with expiring donor restrictions consist of the following at June 30, 2020 and 2019:

	2020	2019
Purpose restrictions:		
Fiscal sponsorship projects	\$ 6,020	\$ 17,375
Endowment earnings (Note 18)	3,035	4,156
SUN/SHINE schools	6,353	23,259
Children, youth and families	120,715	94,208
Diversity, equity and inclusion	-	26,466
Employment programs	39,341	75,233
Housing and support services	16,861	16,674
Seniors	37,152	-
Time restricted	-	50,000
Total net assets with expiring donor restrictions	\$ 229,477	\$ 307,371

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

11. NET ASSETS WITH DONOR RESTRICTIONS, Continued

Net Assets with Perpetual Donor Restrictions

Net assets with perpetual donor restrictions consist of the Portland Impact Endowment Fund of \$20,545 at June 30, 2020 and 2019. The income from the endowment assets can be used to support various activities, as indicated by the donors and is included in net assets with expiring restrictions until appropriated by the board. See Note 18.

12. LEASE COMMITMENTS

Operating Leases

The Organization leases administrative and operating facilities under various lease agreements summarized below:

- Operational facility; term August 2017 through July 2027; initial monthly rent of \$10,800 with annual escalations
- Operational facility; month to month; monthly rent of \$3,964
- Administrative office; term July 2016 through June 2021; initial monthly rent of \$4,894 with annual escalations

The Organization's approximate minimum non-cancellable lease commitments under these agreements are as follows:

For the year ending June 30, 2020	\$ 206,400
2021	207,400
2022	145,500
2023	149,900
2024	154,400
Thereafter	505,600
	\$ 1,369,200

Rent expense was approximately \$259,900 and \$269,900 for the years ended June 30, 2020 and 2019, respectively.

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

12. LEASE COMMITMENTS, Continued

Capital Leases

The Organization leases office equipment under long-term lease arrangements, which have been classified as capital leases, expiring through 2023. The total cost of the equipment under capital lease arrangements is \$133,615 and \$133,615 as of June 30, 2020 and 2019, respectively. Accumulated amortization of the equipment is \$43,610 and \$21,341 at June 30, 2020 and 2019, respectively. Amortization of assets held under capital leases is included with depreciation and amortization expense.

Minimum future lease payments under capital lease agreements are as follows:

For the year ending June 30, 2021	\$ 30,190
2022	30,190
2023	30,190
Amount representing interest	<u>(11,516)</u>
Present value of capital lease payments	<u><u>\$ 79,054</u></u>

13. CONTINGENCIES NAD UNCERTAINTIES

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 an Impact NW liability 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.

The Organization has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Organization's financial position is not known.

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

14. RETIREMENT PLAN

The Impact NW 401(K) Profit Sharing Plan and Trust (the Plan) allows employees to contribute to the Plan after six of months of service. An employee's contributions may be made on either a pre-tax basis (the traditional 401(k) option) or on a post-tax basis (the Roth option). Employer contributions to the retirement plan are made at the discretion of the board of directors. Management has committed to providing an employer match at a rate of 50%, up to 4% of compensation, subject to the Plan's vesting provisions. For the years ended June 30, 2020 and 2019, the Organization contributed approximately \$64,500 and \$55,500, respectively, to the Plan.

15. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in financial institutions located in Portland, Oregon. The balances in each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Approximately 63% of the total receivables at June 30, 2020 are from three government entities (approximately 62% was due from three government entities at June 30, 2019). Revenue was concentrated for the year ended June 30, 2020 with approximately 30% of revenues coming from one government entity (38% from two government entities for the year ended June 30, 2019.)

16. RELATED PARTY TRANSACTIONS

Certain board members are in senior management positions with entities that provide grants and engage in business activities with the Organization. These transactions occur in the normal course of business and are disclosed as part of the Organization's conflict of interest policy.

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

17. MANAGEMENT AGREEMENT

Impact NW contracts with the YWCA of Greater Portland to provide administrative services, grant writing and management, event coordination, occupancy, and other services to the YWCA. The agreement is for a fixed amount and is payable quarterly. Revenue under this agreement is included in program services fees in the accompanying statement of activities. Total services provided under the contract for the years ended June 30, 2020 and 2019 were as follows:

	2020	2019
Management services	\$ -	\$ 28,473
Occupancy	54,921	48,828
Senior Services subcontract program costs	38,500	35,000
Other services	21,517	18,710
Total services provided	<u>\$ 114,938</u>	<u>\$ 131,011</u>

18. ENDOWMENT

Impact NW's endowment consists of donor-restricted and board-designated funds which are held at Oregon Community Foundation. As required by U.S. generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the board of directors to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions or board designations.

Interpretation of Relevant Law

The board of directors of the Organization has interpreted Oregon's Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Act.

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

18. ENDOWMENT, Continued

Interpretation of Relevant Law, Continued

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) Organization and the donor-restricted endowment fund purposes
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and investment appreciation
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Endowment net asset composition by type of fund as of June 30, 2020 and 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Expiring Donor Restrictions</u>	<u>With Perpetual Donor Restrictions</u>	<u>Total</u>
June 30, 2020				
Donor restricted	\$ -	\$ 3,035	\$ 20,545	\$ 23,580
Board designated	69,469	-	-	69,469
	<u>\$ 69,469</u>	<u>\$ 3,035</u>	<u>\$ 20,545</u>	<u>\$ 93,049</u>
June 30, 2019				
Donor restricted	\$ -	\$ 4,156	\$ 20,545	\$ 24,701
Board designated	72,769	-	-	72,769
	<u>\$ 72,769</u>	<u>\$ 4,156</u>	<u>\$ 20,545</u>	<u>\$ 97,470</u>

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

18. ENDOWMENT, Continued

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Expiring Donor Restrictions	With Perpetual Donor Restrictions	Total
June 30, 2018	\$ 71,443	\$ 3,707	\$ 20,545	\$ 95,695
Investment income, net of fees	(84)	(29)	-	(113)
Net realized/unrealized gain on investments	4,402	1,494	-	5,896
Appropriated for expenditure	(2,992)	(1,016)	-	(4,008)
June 30, 2019	72,769	4,156	20,545	97,470
Investment income, net of fees	(158)	(54)	-	(212)
Net realized/unrealized loss on investments	(120)	(41)	-	(161)
Appropriated for expenditure	(3,022)	(1,026)	-	(4,048)
June 30, 2020	<u>\$ 69,469</u>	<u>\$ 3,035</u>	<u>\$ 20,545</u>	<u>\$ 93,049</u>

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization's endowment funds are invested with the Oregon Community Foundation (OCF). The board of directors of OCF determines investment and spending policies of funds held by OCF, which would include the Organization's funds with OCF summarized in Note 5. Currently, the Organization receives bi-annual distributions from its funds held at OCF. The distribution rate, as determined by the board of directors of OCF is currently 4.5% of the average fair market value of the Agency's funds, based on a 13-quarter trailing average.

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

18. ENDOWMENT, Continued

Strategies Employed for Achieving Objectives

OCF follows a total return strategy in which investment decisions are made with the intent of maximizing the long-term total return of the investment portfolio, combining market-value changes (realized and unrealized) and current yield (interest and dividends). Funds held with OCF are invested in a mixture of equities, fixed-income instruments, alternative investment classes such as hedge funds, distressed debt and private investments, and cash. The Organization believes that investment and spending policy is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

19. FAIR VALUE MEASUREMENTS

Fair Value Measurements

Assets and liabilities, including investments, are recorded at fair value in the statement of financial position and are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets measured on recurring basis at June 30, 2020 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 3</u>
June 30, 2020			
Mutual funds-fixed income	\$ 6,567	\$ 6,567	\$ -
Exchange-traded funds	10,487	10,487	-
Funds held at Oregon Community Foundation	93,049	-	93,049
	<u>\$ 110,103</u>	<u>\$ 17,054</u>	<u>\$ 93,049</u>

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

19. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on recurring basis at June 30, 2019 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 3</u>
June 30, 2019			
Mutual funds-fixed income	\$ 5,947	\$ 5,947	\$ -
Exchange-traded funds	62,804	62,804	-
Funds held at Oregon Community Foundation	97,470	-	97,470
	<u>\$ 166,221</u>	<u>\$ 68,751</u>	<u>\$ 97,470</u>

The fair value of mutual funds and exchange-traded funds is determined by reference to quoted market prices or other relevant market data as provided by the bank or broker.

Investments held at OCF in pooled funds are valued at the net asset value per unit as provided by OCF trustees. Net asset value is based on fair value of the underlying assets of the funds using quoted market prices when available determined using a market approach.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) include:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	\$ 97,470	\$ 95,696
Interest and dividends	661	707
Net investment gain (loss)	(161)	5,896
Distributions and investment management fees	<u>(4,921)</u>	<u>(4,829)</u>
Balance at end of year	<u>\$ 93,049</u>	<u>\$ 97,470</u>

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
AND THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*

To the Board of Directors
Impact NW

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Impact NW (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 3, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Impact NW's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Impact NW's internal control. Accordingly, we do not express an opinion on the effectiveness of Impact NW's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Impact NW's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Impact NW's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Impact NW's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McDonald Jacobz, P.C.

Portland, Oregon
December 3, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Impact NW

Report on Compliance for Each Major Federal Program

We have audited Impact NW's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Impact NW's major federal programs for the year ended June 30, 2020. Impact NW's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Impact NW's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Impact NW's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Impact NW's compliance.

Opinion on Each Major Federal Program

In our opinion, Impact NW's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Impact NW is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Impact NW's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Impact NW's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McDonald Jacobz, P.C.

Portland, Oregon
December 3, 2020

IMPACT NW
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2020

Federal Grantor/Pass-through Grantor Program title	Contract Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture			
<i>Pass through program from:</i>			
State of Oregon			
Matching Grants for the Supplemental Nutrition Assistance Program	153815	10.561	\$ <u>26,475</u>
Total U.S. Department of Agriculture			<u>26,475</u>
U.S. Department of Housing and Urban Development			
<i>Pass through program from:</i>			
City of Portland			
Community Development Block Grants/Entitlement Grants	3200818	14.218	168,534
State of Washington HUD Regional Office			
Continuum of Care Program	WA0276LOT081805	14.267	107,209
Continuum of Care Program	WA0276LOT081603	14.267	54,170
Human Solutions			
Continuum of Care Program	MOU HUD FF	14.267	<u>193,329</u>
Total U.S. Department of Housing and Urban Development			<u>523,242</u>
U.S. Department of the Interior			
<i>Pass through program from:</i>			
Bureau of Land Management			
Fish, Wildlife and Plant Conservation Resource Management	L16AC00366	15.231	<u>75</u>
Total U.S. Department of the Interior			<u>75</u>
U.S. Department of Justice			
<i>Pass through program from:</i>			
YWCA of Greater Portland			
Crime Victim Assistance	200YWCA000	16.575	6,584
State of Oregon			
Crime Victim Assistance	VOCA	16.575	90,562
Crime Victim Assistance	VOCA NC	16.575	<u>70,098</u>
Total U.S. Department of Justice			<u>167,244</u>

Continued

See notes to schedule of expenditure of federal awards.

IMPACT NW
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2020

Federal Grantor/Pass-through Grantor Program title	Contract Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Labor			
<i>Pass through program from:</i>			
Work Systems			
WIA Adult Program	18-60665	17.258	35,775
State of Oregon			
H-1 B Job Training Grant Program	17-066	17.268	126,136
Total U.S. Department of Labor			<u>161,911</u>
U.S. Department of Transportation			
<i>Pass through program from:</i>			
Ride Connection			
Transit Services Program Cluster Enhanced Mobility of Seniors and Individuals with Disabilities	18561	20.513	<u>209,653</u>
Total U.S. Department of Transportation			<u>209,653</u>
U.S. Department of Veterans Affairs			
<i>Pass through program from:</i>			
Transition Projects, Inc.			
Supportive Services for Veteran Families	MOU 2019	64.033	688,605
Supportive Services for Veteran Families	MOU 2020	64.033	<u>267,468</u>
Total U.S. Department of Veterans Affairs			<u>956,073</u>

Continued

IMPACT NW
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2020

Federal Grantor/Pass-through Grantor Program title	Contract Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services			
<i>Pass through program from:</i>			
Multnomah County			
Prevention and Health Promotion Services			
Special Programs for the Aging, Title III, Part D, Disease	440003780	93.043	8,111
Prevention and Health Promotion Services			
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	440003780	93.044	29,741
National Family Caregiver Support, Title III, Part E			
Temporary Assistance For Needy Families	440003780 C1875 c	93.052 93.558	5,407 16,476
Temporary Assistance For Needy Families Community Services Block Grant	DCHS-SVCSGEN-1137-2017 400002549	93.558 93.569	117,564 122,433
State of Oregon			
Maternal, Infant, and Early Childhood Home Visiting Program	158390	93.870	291,183
Multnomah County			
Low-Income Home Energy Assistance	4400002549	93.568	53,350
State of Oregon			
Social Services Block Grant	46851	93.667	64,415
Chafee Foster Care Independence	146018	93.674	6,600
Multnomah County			
Block Grants for Prevention and Treatment of Substance Abuse	4400001938	93.959	<u>444,425</u>
Total U.S. Department of Health and Human Services			<u>1,159,705</u>
Total expenditures of federal awards			<u>\$ 3,204,378</u>
			<i>Concluded</i>

See notes to schedule of expenditure of federal awards.

IMPACT NW
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2020

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes all federal grant activity of Impact NW under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Impact NW, it is not intended to and does not present the financial position, changes in net assets or cash flows of Impact NW.

2. EXPENDITURES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Impact NW has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Federal expenditures	\$ 3,204,378
Total non-federal expenditures	<u>7,708,087</u>
Total operating expenses per financial statements	<u><u>\$ 10,912,465</u></u>

IMPACT NW
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2020

NONE: There were no prior year recommendations

IMPACT NW
 SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
 For the year ended June 30, 2020

Section 1 - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? No

Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major federal programs:
 Material weakness(es) identified? No

Significant deficiency(ies) identified? No

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of Major Programs:

CFDA Number
 Name of Federal Program or Cluster 64.033-Supportive Services for Veteran Families

Dollar threshold used to distinguish between Type A and Type B programs. \$750,000

Auditee qualified as low-risk auditee? Yes

IMPACT NW
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
For the year ended June 30, 2020

Section 2 - Financial Statement Findings

There were no financial statement findings.

Section 3 - Federal Award Findings and Questioned Costs

There were no federal award findings.