

IMPACT NW

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

For the Year Ended June 30, 2022



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Impact NW

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Impact NW (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Impact NW as of June 30, 2022, and the 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Impact NW and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Impact NW's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Impact NW's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Impact NW's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Impact NW's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 1, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary 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 schedule of expenditures of federal awards 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 March 28, 2023 on our consideration of the 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 the 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 the Impact NW's internal control over financial reporting and compliance.

McDonald Jacobson, P.C.

Portland, Oregon
March 28, 2023

IMPACT NW
STATEMENT OF FINANCIAL POSITION
June 30, 2022
(With comparative totals for 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 143,196	\$ 1,056,170
Contracts, grants and pledges receivable, net	3,489,194	2,321,413
Prepaid expenses and other assets	265,474	294,104
Investments	180,252	193,426
Property and equipment, net	444,197	512,158
 TOTAL ASSETS	 \$ 4,522,313	 \$ 4,377,271
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 125,750	\$ 66,527
Accrued payroll and related expenses	1,076,215	934,223
Deferred revenue	199,227	141,408
Capital lease obligation	29,388	57,346
Deferred gain on sale-leaseback	334,821	400,688
Total liabilities	1,765,401	1,600,192
Net assets:		
Without donor restrictions:		
Available for general operations	1,525,072	1,403,384
Board designated	456,472	465,162
Net property and equipment	414,809	454,812
Total without donor restrictions	2,396,353	2,323,358
With donor restrictions	360,559	453,721
Total net assets	2,756,912	2,777,079
 TOTAL LIABILITIES AND NET ASSETS	 \$ 4,522,313	 \$ 4,377,271

See notes to financial statements.

IMPACT NW
STATEMENT OF ACTIVITIES
For the year ended June 30, 2022
(With comparative totals for 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Government contracts and grants	\$ 8,947,485	\$ -	\$ 8,947,485	\$ 8,584,288
Other contracts and grants	3,226,900	-	3,226,900	3,454,738
Contributions	890,929	328,965	1,219,894	1,550,520
Program fees	378,067	-	378,067	327,833
Other revenue	40,349	-	40,349	28,509
Net assets released from restrictions:				
Satisfaction of purpose restrictions	370,776	(370,776)	-	-
Satisfaction of time restrictions	50,000	(50,000)	-	-
Total support and revenue	13,904,506	(91,811)	13,812,695	13,945,888
Expenses:				
Program services:				
Housing and safety net services	5,202,830	-	5,202,830	5,612,906
Children, youth, and family services	2,917,165	-	2,917,165	1,831,452
Early childhood family services	2,217,927	-	2,217,927	1,976,389
Senior services	1,177,978	-	1,177,978	1,060,023
Portland Metro STEM Partnership	159,088	-	159,088	162,601
Fiscal sponsorship/nonprofit accounting	20,341	-	20,341	60,311
Total program services:	11,695,329	-	11,695,329	10,703,682
Management and general	1,814,719	-	1,814,719	1,794,329
Fundraising	360,364	-	360,364	290,418
Total expenses	13,870,412	-	13,870,412	12,788,429
Income from operations	34,094	(91,811)	(57,717)	1,157,459
Non-operating activities:				
Amortization of deferred gain and loss on disposal	65,867	-	65,867	65,867
Investment income (loss), net of fees	(12,811)	(49)	(12,860)	(1,969)
Net realized/unrealized gain (loss) on investments	(14,155)	(1,302)	(15,457)	38,603
Total non-operating activities	38,901	(1,351)	37,550	102,501
Change in net assets	72,995	(93,162)	(20,167)	1,259,960
Net assets:				
Beginning of year	2,323,358	453,721	2,777,079	1,517,119
End of year	\$ 2,396,353	\$ 360,559	\$ 2,756,912	\$ 2,777,079

See notes to financial statements.

IMPACT NW
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2022
(With comparative totals for 2021)

	Program Services					
	Housing and Safety Net Services	Children, Youth and Family Services	Early Childhood Family Services	Senior Services	Portland Metro STEM Partnership	Fiscal Sponsorship/ Nonprofit Accounting
Salaries and related expenses	\$ 2,577,752	\$ 2,207,488	\$ 1,825,248	\$ 1,007,567	\$ 99,077	\$ -
Client assistance	2,371,658	269,862	95,854	26,741	-	40
Consultants and contracted services	78,979	126,140	82,737	31,517	46,507	105
Program supplies	29,725	135,803	30,196	424	3,399	14,991
Occupancy	57,432	76,884	77,406	40,090	4,378	149
Travel	18,620	12,774	12,969	34,024	205	2,577
Office expense	17,314	33,854	12,903	4,728	486	390
Communications	29,022	28,087	36,433	17,183	32	144
Staff education and training	783	4,222	23,945	284	2,153	1,640
Insurance	18,779	14,839	14,405	14,171	341	-
Dues and recruitment expense	2,636	7,046	5,656	1,171	2,510	113
Interest expense	-	-	-	-	-	-
Miscellaneous	130	166	175	78	-	192
Depreciation and amortization	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-
Total expenses	<u>\$ 5,202,830</u>	<u>\$ 2,917,165</u>	<u>\$ 2,217,927</u>	<u>\$ 1,177,978</u>	<u>\$ 159,088</u>	<u>\$ 20,341</u>

See notes to financial statements.

IMPACT NW
STATEMENT OF FUNCTIONAL EXPENSES, Continued
For the year ended June 30, 2022
(With comparative totals for 2021)

	Total Program Services	Management and General	Fund- Raising	2022 Total	2021 Total
Salaries and related expenses	\$ 7,717,132	\$ 1,309,595	\$ 275,973	\$ 9,302,700	\$ 7,735,189
Client assistance	2,764,155	50	-	2,764,205	3,321,421
Consultants and contracted services	365,985	266,176	56,289	688,450	716,414
Program supplies	214,538	10,850	675	226,063	114,827
Occupancy	256,339	23,179	5,671	285,189	337,239
Travel	81,169	538	117	81,824	59,303
Office expense	69,675	17,537	3,685	90,897	68,540
Communications	110,901	10,629	2,008	123,538	127,709
Staff education and training	33,027	657	-	33,684	27,146
Insurance	62,535	13,231	1,552	77,318	74,933
Dues and recruitment expense	19,132	13,755	3,442	36,329	28,431
Interest expense	-	2,232	-	2,232	26,961
Miscellaneous	741	56,732	-	57,473	60,184
Depreciation and amortization	-	80,318	10,952	91,270	86,249
Bad debt expense	-	9,240	-	9,240	3,883
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 11,695,329</u>	<u>\$ 1,814,719</u>	<u>\$ 360,364</u>	<u>\$ 13,870,412</u>	<u>\$12,788,429</u>

See notes to financial statements.

IMPACT NW
STATEMENT OF CASH FLOWS
For the year ended June 30, 2022
(With comparative totals for 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (20,167)	\$ 1,259,960
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	91,270	86,249
Amortization of deferred gain	(65,867)	(65,867)
Net realized/unrealized (gain) loss on investments	15,457	(38,603)
Allowance for uncollectible accounts	9,240	3,883
(Increase) decrease in:		
Contracts, grants and pledges receivable	(1,177,021)	149,797
Prepaid expenses and other assets	28,630	(110,426)
Increase (decrease) in:		
Accounts payable	59,223	(22,676)
Accrued payroll and related expenses	141,992	182,938
Deferred revenue	57,819	(76,170)
Refundable advance	-	(720,555)
Net cash flows from operating activities	(859,424)	648,530
Cash flows from investing activities:		
Purchases of property and equipment	(23,309)	(23,650)
Purchases of investments	(65,520)	(899)
Proceeds from sale of investments	63,237	507,699
Net cash flows from investing activities	(25,592)	483,150
Cash flows from financing activities:		
Principal payments on long-term debt	-	(621,949)
Principal payments on capital lease	(27,958)	(21,708)
Net cash flows from financing activities	(27,958)	(643,657)
Net change in cash and cash equivalents	(912,974)	488,023
Cash and cash equivalents - beginning of year	1,056,170	568,147
Cash and cash equivalents - end of year	\$ 143,196	\$ 1,056,170
Supplemental cash flow information:		
Cash paid for interest	\$ 2,232	\$ 26,961

See notes to financial statements.

IMPACT NW
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2022

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 \$17,571 and \$20,000 at June 30, 2022 and 2021, 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 \$132,000 and \$21,000 as of June 30, 2022 and 2021, 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. 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, 2022

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: Government and non-government 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 \$1,331,000 for the period through September 2023 that have not been recognized at June 30, 2022 because qualifying expenditures have not yet been incurred. The Organization has received approximately \$199,200 and \$141,400 in advances on these contracts at June 30, 2022 and 2021, 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, 2022

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. Payments for programs occurring in the following year are deferred.

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, the Organization received a PPP loan of \$1,250,312 and satisfied qualifying expense conditions of \$529,757 in 2020 and the remaining balance of \$720,555 in 2021 and recognized the amounts as government grant 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. 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.

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 \$187,593 and \$154,285 at June 30, 2022 and 2021, 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.

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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 2021

The accompanying financial information for the year ended June 30, 2021 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 March 28, 2023, the date the financial statements were available to be issued.

Future Accounting Standard

Effective for financial statements for the year ending June 30, 2023, the Organization expects to adopt a new accounting standard issued by the Financial Accounting Standards Board (FASB) that will require significant changes in accounting for operating leases under which the Organization is lessee. Upon adoption, among other effects, the Organization will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. The qualitative effects on the Organization's future financial statements of these changes and related retrospective adjustments have not yet been determined.

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 143,196	\$ 1,056,170
Contracts, grants and pledges receivable, net	3,489,194	2,321,413
Investments	<u>180,252</u>	<u>193,426</u>
	3,812,642	3,571,009
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	360,559	453,721
Board designated	456,472	465,162
Other restrictions	<u>17,571</u>	<u>20,000</u>
Financial assets available for general expenditure	<u>\$ 2,978,040</u>	<u>\$ 2,632,126</u>

The board of directors has established a board designated endowment fund, as well as an operating reserve. See Note 9 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.

Other restrictions include cash restricted for the flexible spending account.

Also see Note 7 for information on other financial resources available through a line of credit.

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

4. CONTRACTS, GRANTS AND PLEDGES RECEIVABLE

Receivables are unsecured and are summarized as follows at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Contracts receivable	\$ 3,253,691	\$ 2,079,512
Pledges and grants receivable	187,771	140,463
Other	<u>61,566</u>	<u>115,734</u>
	3,503,028	2,335,709
Allowance for uncollectible accounts	<u>(13,834)</u>	<u>(14,296)</u>
Contracts, grants and pledges receivables, net	<u><u>\$ 3,489,194</u></u>	<u><u>\$ 2,321,413</u></u>

Pledges and grants receivable represent unconditional promises to give and are receivable as follows at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Within one year	\$ 187,771	\$ 90,463
Within two years	-	50,000
Total pledges receivable	<u><u>\$ 187,771</u></u>	<u><u>\$ 140,463</u></u>

5. INVESTMENTS

Investments and are summarized as follows at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 49,515	\$ 49,317
Mutual funds - fixed income	5,833	6,558
Exchange-traded funds	12,834	14,560
Funds held at Oregon Community Foundation	<u>112,070</u>	<u>122,991</u>
Total investments	<u><u>\$ 180,252</u></u>	<u><u>\$ 193,426</u></u>

Investments are held for the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Operations	\$ 68,182	\$ 70,435
Endowment (at OCF)	<u>112,070</u>	<u>122,991</u>
	<u><u>\$ 180,252</u></u>	<u><u>\$ 193,426</u></u>

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

5. INVESTMENTS, Continued

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 \$2,275,316 and \$2,497,000 at June 30, 2022 and 2021, respectively. Distributions of \$87,436 and \$82,934 were received and recorded as contribution revenue for the years ended June 30, 2022 and 2021, respectively.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2022 and 2021:

	2022	2021
Buildings	\$ 1,059,088	\$ 1,059,088
Office equipment	371,287	371,287
Vehicles	53,763	53,763
Software	293,414	270,764
Leasehold improvements	15,883	15,224
Total property and equipment	1,793,435	1,770,126
Accumulated depreciation	(1,349,238)	(1,257,968)
Net property and equipment	<u>\$ 444,197</u>	<u>\$ 512,158</u>

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

7. LINE OF CREDIT

The Organization has a line of credit agreement with Heritage Bank. The line of credit matures May 2023 and has a maximum borrowing base of \$400,000. The line is secured by the property of the Organization. Interest on the line of credit is payable monthly on outstanding advances at a .25% points over the Wall Street Journal Prime Rate (3.75% at June 30, 2022 and 3.50% at June 30, 2021). There were no advances at June 30, 2022 and 2021.

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, 2022 and 2021.

8. SALE-LEASEBACK TRANSACTION

In August 2017, the Organization finalized the sale and leaseback of certain real property. 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, 2022 and 2021 is \$334,821 and \$400,688, respectively, and is reported as a liability on the statement of financial position. The portion of amortized gain recognized on the transaction totaled \$65,867 for each of the years ended June 30, 2022 and 2021.

9. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of the following at June 30, 2022 and 2021:

	2022	2021
Board designated endowment (Note 19)	\$ 89,189	\$ 97,879
Operating reserve	367,283	367,283
Total board designated net assets	\$ 456,472	\$ 465,162

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2022 and 2021:

	2022	2021
Net asset with expiring donor restrictions:		
Fiscal sponsorship projects	\$ 904	\$ 11,553
Endowment earnings (Note 18)	2,336	4,567
SUN/SHINE schools	83,486	12,031
Children, youth and families	27,413	98,536
Employment programs	17,667	68,605
Housing and support services	58,265	59,521
Seniors	99,943	78,363
Time restricted	50,000	100,000
Total net assets with expiring donor restrictions	340,014	433,176
Net asset with perpetual donor restrictions		
Donor-restricted endowment (Note 18)	20,545	20,545
Total net assets with donor restrictions	\$ 360,559	\$ 453,721

Unexpended endowment earnings are reported as net assets with expiring donor restrictions until appropriated for expenditure. See Note 18 for additional information.

11. REVENUE FROM CONTRACTS WITH CUSTOMERS

For revenue from contracts with customers, the timing of revenue recognition, billings, and cash collections may result in billed accounts receivable and unbilled receivables (contract assets) and customer advances and deposits (contract liabilities) on the balance sheet. Revenue from customers is recognized over the performance period (contract revenue) or at the time services are performed (all other revenue from customers).

	2022	2021
Included in other contracts and grant revenue:		
Contract revenue (over time)	\$ 801,707	\$ 473,501
Management services agreement	51,551	90,049
Program fees:		
Guardianship assistance program	278,929	285,084
Youth programming fees	81,849	39,054
Other program fees	17,289	3,695
Total revenue from contracts with customers	\$ 1,214,036	\$ 887,688

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

II. REVENUE FROM CONTRACTS WITH CUSTOMERS, Continued

Program fees are generally paid in arrears after revenue is recognized, resulting in accounts receivable (contract assets). The Organization's contract revenue agreements are generally paid in installments. The Organization recognizes contract revenue over time as services are provided. Contract are included within contracts, grants, and pledges receivable in the statement of financial position.

The beginning and ending contract balances are as follows:

	June 30,		
	2022	2021	2020
Accounts receivable (contract assets)	\$ 53,531	\$ 108,822	\$ 169,241
Deferred revenue (contract liabilities)	\$ 17,174	\$ 21,454	\$ 133,915

Revenue recognized for the years ended June 30, 2022 and 2021 that was included in the contract liability balance at the beginning of each year was \$21,454 and \$133,915, respectively.

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 through June 2021; monthly rent of \$3,937; July 2021 through June 2023; monthly rent of \$4,603
- Administrative office; term July 2016 through April 2022 (terminated early in 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, 2023	\$ 212,100
2024	157,000
2025	159,000
2026	163,800
2027	168,700
Thereafter	14,100
	\$ 874,700

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

12. LEASE COMMITMENTS, Continued

Rent expense was approximately \$207,700 and \$264,300 for the years ended June 30, 2022 and 2021, respectively.

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 as of June 30, 2022 and 2021. Accumulated amortization of the equipment is \$133,615 and \$113,760 at June 30, 2022 and 2021, 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, 2023	\$ 30,190
Amount representing interest	<u>(802)</u>
Present value of capital lease payments	<u>\$ 29,388</u>

13. 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 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.

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, 2022 and 2021, the Organization contributed approximately \$63,300 and \$62,100, respectively, to the Plan.

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

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. Cash balances in excess of insured limits totaled approximately \$27,600 and \$1,164,400 at June 30, 2022 and 2021, respectively.

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 57% of the total receivables at June 30, 2022 are from two government entities (approximately 39% is due from two government entities at June 30, 2021). Revenue was concentrated for each of the years ended June 30, 2022 and June 30, 2021 with approximately 27% of revenues coming from one government entity.

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.

17. MANAGEMENT AGREEMENT

Impact NW contracted 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 was for a fixed amount and was payable quarterly. Revenue under this agreement is included in other contracts and grants in the accompanying statement of activities. Effective June 2021, Impact NW stopped leasing space to the YWCA. Total services provided under the contract for the years ended June 30, 2022 and June 30, 2021 were as follows:

	2022	2021
Occupancy	\$ -	\$ 28,821
Senior Services subcontract program costs	43,620	38,500
Other services	7,931	22,728
Total services provided	<u>\$ 51,551</u>	<u>\$ 90,049</u>

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

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.

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

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

18. ENDOWMENT, Continued

Endowment net asset composition by type of fund as of June 30, 2022 and 2021 is as follows:

	Without Donor Restrictions	With Expiring Donor Restrictions	With Perpetual Donor Restrictions	Total
June 30, 2022				
Donor restricted	\$ -	\$ 2,336	\$ 20,545	\$ 22,881
Board designated	89,189	-	-	89,189
	<u>\$ 89,189</u>	<u>\$ 2,336</u>	<u>\$ 20,545</u>	<u>\$ 112,070</u>
June 30, 2021				
Donor restricted	\$ -	\$ 4,567	\$ 20,545	\$ 25,112
Board designated	97,879	-	-	97,879
	<u>\$ 97,879</u>	<u>\$ 4,567</u>	<u>\$ 20,545</u>	<u>\$ 122,991</u>

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

	Without Donor Restrictions	With Expiring Donor Restrictions	With Perpetual Donor Restrictions	Total
June 30, 2020	\$ 69,469	\$ 3,035	\$ 20,545	\$ 93,049
Investment loss, net of fees	(420)	(32)	-	(452)
Net realized/unrealized gain on investments	32,974	1,564	-	34,538
Appropriated for expenditure	(4,144)	-	-	(4,144)
June 30, 2021	97,879	4,567	20,545	122,991
Investment loss, net of fees	(189)	(49)	-	(238)
Net realized/unrealized loss on investments	(5,073)	(1,302)	-	(6,375)
Appropriated for expenditure	(3,428)	(880)	-	(4,308)
June 30, 2022	<u>\$ 89,189</u>	<u>\$ 2,336</u>	<u>\$ 20,545</u>	<u>\$ 112,070</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.

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

18. ENDOWMENT, Continued

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.

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.

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

19. FAIR VALUE MEASUREMENTS, CONTINUED

Fair values of assets measured on recurring basis at June 30, 2022 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 3</u>
June 30, 2022			
Mutual funds-fixed income	\$ 5,833	\$ 5,833	\$ -
Exchange-traded funds	12,834	12,834	-
Funds held at Oregon Community Foundation	112,070	-	112,070
	<u>130,737</u>	<u>\$ 18,667</u>	<u>\$ 112,070</u>
Cash and cash equivalents (not subject to fair value)	49,515		
	<u>\$ 180,252</u>		

Fair values of assets measured on recurring basis at June 30, 2021 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 3</u>
June 30, 2021			
Mutual funds-fixed income	\$ 6,558	\$ 6,558	\$ -
Exchange-traded funds	14,560	14,560	-
Funds held at Oregon Community Foundation	122,991	-	122,991
	144,109	<u>\$ 21,118</u>	<u>\$ 122,991</u>
Cash and cash equivalents (not subject to fair value)	49,317		
	<u>\$ 193,426</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.

IMPACT NW
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

19. FAIR VALUE MEASUREMENTS, CONTINUED

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

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	\$ 122,991	\$ 93,049
Interest and dividends	765	540
Net investment gain (loss)	(6,375)	34,538
Distributions and investment management fees	<u>(5,311)</u>	<u>(5,136)</u>
Balance at end of year	<u>\$ 112,070</u>	<u>\$ 122,991</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, 2022, 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 March 28, 2023.

Report on 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 the 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 or significant deficiencies may exist that were not identified.

Report on 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 the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McDonald Jacobson, P.C.

Portland, Oregon
March 28, 2023

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

Opinion on Each Major Federal Program

We have audited Impact NW's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, Impact NW 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of Impact NW and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Impact NW's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Impact NW's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Impact NW's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Impact NW's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Impact NW's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Impact NW's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Impact NW's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item #2022-01 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Impact NW's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Impact NW's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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
March 28, 2023

IMPACT NW
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2022

Federal Grantor/Pass-through Grantor Program title	Contract Number	Assistance Listing Number	Federal Expenditures
U.S. Department of Agriculture			
<i>Pass through program from:</i>			
State of Oregon			
Matching Grants for the Supplemental Nutrition Assistance Progra	158315	10.561	\$ 14,139
Total U.S. Department of Agriculture			<u>14,139</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	180,733
Human Solutions			
Continuum of Care Program	MOU HUD FF	14.267	<u>274,550</u>
Total U.S. Department of Housing and Urban Development			<u>455,283</u>
U.S. Department of Justice			
<i>Pass through program from:</i>			
State of Oregon			
Crime Victim Assistance	VOCA	16.575	38,105
Crime Victim Assistance	VOCA NC	16.575	<u>133,096</u>
Total U.S. Department of Justice			<u>171,201</u>
U.S. Department of Labor			
<i>Pass through program from:</i>			
SupaFresh			
WIA Youth Activities	21-60665	17.259	194,391
H-1B Job Training Grants	17-066	17.268	<u>104,227</u>
Total U.S. Department of Labor			<u>298,618</u>
U.S. Department of Transportation			
<i>Pass through program from:</i>			
Ride Connection			
Enhanced Mobility of Seniors and Individuals with Disabilities	18921	20.513	<u>8,550</u>
Total U.S. Department of Transportation			<u>8,550</u>
U.S. Department of Treasury			
<i>Pass through program from:</i>			
Multnomah County, Sun Systems			
Coronavirus Relief Fund	DCHS-SVCSGEN-13126-2021	21.019	111,771
Coronavirus State and Local Fiscal Recovery Funds	DCHS-SVCSGEN-13126-2021	21.027	<u>834,939</u>
Total U.S. Department of Treasury			<u>946,710</u>

Continued

See notes to schedule of expenditures of federal awards.

IMPACT NW
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
For the year ended June 30, 2022

Federal Grantor/Pass-through Grantor Program title	Contract Number	Assistance Listing Number	Federal Expenditures
U.S. Department of Veterans Affairs			
<i>Pass through program from:</i>			
Transition Projects, Inc.			
Supportive Services for Veteran Families	SSVF ZZ 2021	64.033	\$ 434,766
Supportive Services for Veteran Families	SSVF ZZ 2022	64.033	630,840
Total U.S. Department of Veterans Affairs			<u>1,065,606</u>
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	DCHS-SVCSGEN-632-2018-CONV	93.043	27,055
Prevention and Health Promotion Services			
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	DCHS-SVCSGEN-632-2018-CONV	93.044	12,810
National Family Caregiver Support, Title III, Part E			
Temporary Assistance for Needy Families	DCHS-SVCSGEN-13126-2021	93.558	26,922
Community Services Block Grant	DCHS-SVCSGEN-13126-2021	93.569	95,048
State of Oregon			
Maternal, Infant, and Early Childhood Home Visiting Program	167439	93.870	327,001
Multnomah County			
Block Grants for Prevention and Treatment of Substance Abuse	HD-SVCSGEN-13098-2021	93.959	233,206
Total U.S. Department of Health and Human Services			<u>728,297</u>
Total expenditures of federal awards			<u>\$ 3,688,404</u>
			<i>Concluded</i>

See notes to schedule of expenditures of federal awards.

IMPACT NW
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2022

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, 2022. 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	\$ 3,688,404
Total non-federal expenditures	<u>10,182,008</u>
Total expenses per financial statements	<u><u>\$ 13,870,412</u></u>

See notes to schedule of expenditures of federal awards.

IMPACT NW
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2022

None reported.

See notes to schedule of expenditures of federal awards.

IMPACT NW
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the year ended June 30, 2022

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?	None reported
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None reported

Federal Awards:

Internal control over major federal programs: Material weakness(es) identified?	None reported
Significant deficiency(ies) identified?	Yes, #2022-001
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)?	Yes, #2022-001

Identification of Major Programs:

Assistance Listing Number(s)	21.027
Name of Federal Program or Cluster	Coronavirus State and Local Fiscal Recovery Funds
Dollar threshold used to distinguish between Type A and Type B programs.	\$750,000
Auditee qualified as low-risk auditee?	Yes

See notes to schedule of expenditures of federal awards.

IMPACT NW
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
For the year ended June 30, 2022

Section 2 - Financial Statement Findings

None reported.

Section 3 - Federal Award Findings and Questioned Costs

Finding # 2022-001

Type: Federal award, Significant Deficiency over Schedule of Expenditures of Federal Awards (SEFA)

CFDA Number:

U.S. Department of Treasury
21.027 Coronavirus State and Local Fiscal Recovery Funds

Requirement:

The Organization should have a process in place to review the schedule of federal expenditures. The schedule of federal expenditures did not identify all federal expenditures in accordance with 2 CFR 200.302.

Condition/Context:

The Organization's schedule of federal expenditures did not identify all federal awards and significant adjustments were required.

Effect:

Total expenditures by federal funding source may not be properly reported and Uniform Guidance reporting may be inaccurate.

Questioned Costs:

None.

Recommendation:

The Organization should improve its controls over the preparation and review of the schedule of federal expenditures to ensure completeness and accuracy.

Management's Response:

Due to internal transitions, the accounting team was not able to be as thorough in the preparation and review of the schedule. Adjustments were isolated to three contracts. We will renew our efforts with our funders to make sure there is a clear understanding of the origin of funding in our agreements.

CORRECTIVE ACTION PLAN
Year Ended June 30, 2022



Impact NW respectfully submits the following corrective action plan for the year ended June 30, 2022.

Contact Person of Impact NW:

Eddie Almeida, Finance Director
10055 East Burnside Street, Portland, Oregon 97216

Name and Address of Independent Public Accounting Firm:

McDonald Jacobs, P.C.
520 SW Yamhill, Suite 500, Portland, Oregon 97204

Audit Period:

July 1, 2021 through June 30, 2022.

The finding from the June 30, 2022 schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

Finding # 2022-001

Type: Federal award, Significant Deficiency over Schedule of Expenditures of Federal Awards (SEFA)

Finding

The Organization did not identify all federal awards and significant audit adjustments were required to the SEFA prepared by management.

Recommendation:

The Organization should implement additional procedures and review controls to accurately capture all activity under federal awards in preparing the SEFA.

Corrective Action:

The Organization plans to improve its controls over the preparation and review of the SEFA and will work with funders to make sure there is a clear understanding of the origin of funding in the agreements.

Anticipated Completion Date:

June 2023