

JOIN

**Audited Financial
Statements**

**For the Year Ended
December 31, 2009**



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

Jake Jacobs, CPA

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Karin S. Wandtke, CPA

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*Jill Oswald
Principal*

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*James R. McDonald, CPA
of counsel*

The Board of Directors
JOIN
Portland, Oregon

We have audited the accompanying statement of financial position of JOIN (a nonprofit corporation) as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information is derived from the Organization's 2008 financial statements which were audited by us and in our report dated February 24, 2009, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JOIN as of December 31, 2009, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McDonald Jacobs, P.C.

March 1, 2010

Strength in Numbers

ACCOUNTANTS & CONSULTANTS

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JOIN
STATEMENT OF FINANCIAL POSITION
December 31, 2009
(With comparative totals for 2008)

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 316,069	\$ 509,624
Grants and accounts receivable	139,117	153,233
Pledges receivable	131,127	53,500
Prepaid expenses	13,313	34,447
Property and equipment, net	1,687,985	1,434,611
TOTAL ASSETS	\$ 2,287,611	\$ 2,185,415
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 25,696	\$ 12,555
Notes payable	650,000	1,118,024
Total liabilities	675,696	1,130,579
Net assets:		
Unrestricted:		
Undesignated	446,971	456,560
Net property and equipment	1,037,985	316,587
Total unrestricted	1,484,956	773,147
Temporarily restricted	126,959	281,689
Total net assets	1,611,915	1,054,836
TOTAL LIABILITIES AND NET ASSETS	\$ 2,287,611	\$ 2,185,415

See notes to financial statements.

JOIN
STATEMENT OF ACTIVITIES
For the year ended December 31, 2009
(With comparative totals for 2008)

	2009			2008 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Contributions	\$ 373,558	\$ 194,959	\$ 568,517	\$ 550,958
Grants	1,247,546	-	1,247,546	1,391,798
Program service revenue	10,381	-	10,381	7,151
Special event revenue, net of expenses of \$20,228 for 2009 and \$16,704 for 2008	1,486	-	1,486	9,457
Investment income	7,416	-	7,416	309
Other income	7,000	-	7,000	-
Net assets released from restrictions:				
Satisfaction of time and purpose restrictions	125,636	(125,636)	-	-
Total support and revenue	1,773,023	69,323	1,842,346	1,959,673
Expenses:				
Program	1,616,982	-	1,616,982	1,598,790
Management and general	126,987	-	126,987	94,933
Fundraising	79,845	-	79,845	89,855
Total expenses	1,823,814	-	1,823,814	1,783,578
 Income (loss) from operations	 (50,791)	 69,323	 18,532	 176,095
Capital campaign:				
Gain from sale of property	-	161,139	161,139	-
Contributions	-	343,250	343,250	339,000
In-kind contributions	-	34,158	34,158	21,150
Building expenditures	762,600	(762,600)	-	-
 Change in net assets	 711,809	 (154,730)	 557,079	 536,245
Net assets:				
Beginning of year	773,147	281,689	1,054,836	518,591
 End of year	 \$ 1,484,956	 \$ 126,959	 \$ 1,611,915	 \$ 1,054,836

See notes to financial statements.

JOIN
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2009
(With comparative totals for 2008)

	2009				2008 Total
	Program	Management and General	Fundraising	Total	
Salaries and related expenses	\$ 761,099	\$ 71,258	\$ 65,619	\$ 897,976	\$ 803,559
Direct assistance to individuals	785,896	-	-	785,896	855,857
Professional fees	-	18,321	2,408	20,729	17,388
Supplies	10,606	1,562	1,099	13,267	12,720
Telephone	29,059	489	386	29,934	20,598
Postage and shipping	1,788	650	827	3,265	3,974
Utilities	9,278	1,300	1,025	11,603	6,395
Repairs and maintenance	4,138	294	-	4,432	5,124
Printing	354	2,083	7,250	9,687	11,090
Insurance	12,689	12,010	441	25,140	17,646
Depreciation	-	9,892	-	9,892	10,168
Interest expense	-	6,541	-	6,541	11,911
Miscellaneous	2,075	2,587	790	5,452	7,148
Total expenses	<u>\$ 1,616,982</u>	<u>\$ 126,987</u>	<u>\$ 79,845</u>	<u>\$ 1,823,814</u>	<u>\$ 1,783,578</u>

See notes to financial statements.

JOIN
STATEMENT OF CASH FLOWS
For the year ended December 31, 2009
(With comparative totals for 2008)

	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ 557,079	\$ 536,245
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	9,892	10,168
Contributions restricted to capital campaign	(343,250)	(339,000)
In-kind donations for building	(34,158)	(21,150)
Gain from sale of assets	(161,139)	-
(Increase) decrease in:		
Pledges and grants receivable	(63,511)	(13,017)
Prepaid expenses	21,134	(26,067)
Increase in:		
Accounts payable and accrued expenses	13,141	3,496
Net cash provided by (used in) operating activities	(812)	150,675
Cash flows from investing activities:		
Purchase of property and equipment	(557,969)	(719,046)
Proceeds from the sale of property and equipment	490,000	-
Net cash used in investing activities	(67,969)	(719,046)
Cash flows from financing activities:		
Contributions restricted to capital campaign	343,250	339,000
Proceeds from long-term debt	-	650,000
Principal payments on long-term debt	(468,024)	(4,212)
Net cash provided by (used in) financing activities	(124,774)	984,788
Net increase (decrease) in cash and cash equivalents	(193,555)	416,417
Cash and cash equivalents - beginning of year	509,624	93,207
Cash and cash equivalents - end of year	\$ 316,069	\$ 509,624
Supplemental cash flow information:		
Cash paid during the year for interest	\$ 55,006	\$ 40,911

Non-Cash Investing and Financing Activity:

During 2008, the Organization acquired a building of which \$360,000 of the total cost was financed by the seller.

See notes to financial statements.

JOIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

1. DESCRIPTION OF ORGANIZATION

JOIN was incorporated in 1992 in Oregon as a nonprofit organization that supports the efforts of homeless individuals and families to transition out of homelessness into permanent housing and supports housing stabilization by providing critical supportive services after transition from homelessness. Support received consists primarily of contributions and government grants. Approximately 67% of total revenue from operations for the year ended December 31, 2009 was from contracts with the City of Portland. Program services include providing basic services to homeless individuals and families, placement and retention services to transition people from homelessness to stable housing, and experiential learning and service opportunities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as unrestricted or restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met, either by actions of the Organizations and/or the passage of time.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Property and Equipment

Acquisitions of property and equipment over \$1,000 are capitalized. Property and equipment purchased are recorded at cost and donated assets are reflected as contributions at their estimated fair values on the date received.

Depreciation

Depreciation of buildings, equipment and furniture is calculated using the straight-line method over the estimated useful lives of the assets which range from 5 to 39 years.

Income Tax Status

JOIN is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code. 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.

JOIN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2009

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Pledges and Grants Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable.

Donated Services

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Gifts of goods and services are measured using the price of identical assets or services. Donated assets and services of \$34,158 and \$21,150 provided during the years ended December 31, 2009 and 2008, respectively included equipment and architectural services related to the acquisition and remodel of a building.

In addition, JOIN received contributed services from a large number of volunteers who assisted in the renovations of its new building. These services were provided by volunteers who contributed an estimated total of 2,600 hours for during the year ended December 31, 2009. The value of such services, which JOIN considers not practicable to estimate, has not been recognized in the accompanying financial statements.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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.

JOIN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Summarized Financial Information for 2008

The financial information as of December 31, 2008 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no impact on net assets.

Subsequent Events

The Organization has evaluated all subsequent events through March 1, 2010, the date the financial statements were available to be issued.

3. GRANTS RECEIVABLE

Grants receivable are unsecured and are expected to be received within one year and consist of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Government grants and contracts - City of Portland	\$ 114,617	\$ 153,233
Escrow deposit	<u>24,500</u>	<u>-</u>
Total pledges and grants receivable	<u>\$ 139,117</u>	<u>\$ 153,233</u>

JOIN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2009

4. PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give as follows:

	2009	2008
United Way	\$ 68,000	\$ 53,500
Other	63,127	-
Total pledges and grants receivable	\$ 131,127	\$ 53,500
Amounts due in:		
Less than one year	\$ 118,627	
One to five years	12,500	
Total	\$ 131,127	

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

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2009 and 2008:

	2009	2008
Land and land improvements	\$ 352,480	\$ 401,955
Buildings	-	300,684
Building improvements	-	34,387
Furniture and equipment	10,764	10,764
Vehicles	19,842	15,592
Building and improvements - Construction in progress	1,319,999	732,123
	1,703,085	1,495,505
Less accumulated depreciation	15,100	60,894
Property and equipment, net	\$ 1,687,985	\$ 1,434,611

Land and building are pledged as security on the notes payable.

JOIN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2009

5. PROPERTY AND EQUIPMENT, Continued

The Organization capitalizes interest cost incurred on funds used to construct property and equipment. Capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Interest cost capitalized was \$48,645 and \$29,000 in December 31, 2009 and 2008, respectively.

6. LINE OF CREDIT

The Organization has available a \$125,000, unsecured, revolving line-of-credit with Northwest Bank that expires April 6, 2010. Interest on the line is payable at the bank's prime rate plus 1.5%, with an initial rate of 8%. No advances on the line were outstanding at December 31, 2009 or 2008.

7. NOTES PAYABLE

Notes payable consists of the following at December 31, 2009 and 2008

	2009	2008
Mortgage due to U.S. Bank in monthly installments of \$885, including interest at 5.75%; paid in full during 2009	\$ -	\$ 108,024
Note payable to an individual for the acquisition of real property, including interest at 6.94% payable annually; paid in full during 2009	-	360,000
Note payable to The Bank of Oswego for the acquisition of real property, secured by real property; interest due monthly at 7.25%; principal due May 2010	650,000	650,000
Total	650,000	1,118,024
Less current portion	650,000	654,532
Long-term portion	\$ -	\$ 463,492

The note payable to The Bank of Oswego is due within one year, but the Organization intends to refinance with long-term debt prior to maturity.

JOIN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2009

8. CONTINGENCIES

Amounts received or receivable from various contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Organization if so determined in the future. It is management's belief that no significant amounts received or receivable will be required to be returned in the future.

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2009 and 2008:

	2009	2008
Time restricted	\$ 108,000	\$ 53,500
Purpose restricted:		
New City Initiative	18,959	-
Van acquisition and maintenance	-	4,136
Building capital campaign	-	224,053
Total temporarily restricted net assets	\$ 126,959	\$ 281,689

10. RETIREMENT PLAN

Beginning in 2007, the Organization established a defined contribution salary deferral plan under Section 403(b) of the Internal Revenue Code covering employees who meet certain eligibility requirement. Under the plan, the Organization, at the discretion of the board of directors, may make additional contributions to the plan. No contribution was approved for 2009. During 2008 the board approved an employer contribution to the plan totaling \$12,555.

11. RELATED PARTY TRANSACTIONS

The spouse of a former board member performed architectural services for JOIN and was paid \$33,717 and \$21,150 for the years ended December 31, 2009 and 2008, respectively.

The Organization utilizes the services of another nonprofit organization where JOIN's Executive Director is a board member. The other organization provides move-in kits for JOIN's clients. Total fees paid by JOIN for these services totaled \$6,335 for the year ended December 31, 2009.

JOIN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2009

12. CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

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

13. LEASE TRANSACTIONS

The Organization leases space in its new building on a month-to-month basis to another nonprofit entity. Total rent paid to the Organization was \$7,000 for the year ended December 31, 2009.

14. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statement of financial position 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 nonrecurring basis at December 31, 2009 are as follows:

	<u>Fair value</u>	<u>Level 2</u>
Capitalized materials and services relating to building	\$ 34,158	\$ 34,158

Fair values for donated assets and services are based on the actual cost of services and assets received.