

JOIN

**Consolidated
Audited Financial
Statements**

**For the Year Ended
December 31, 2010**



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

Jake Jacobs, CPA

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*James R. McDonald, CPA
of counsel*

The Board of Directors
JOIN
Portland, Oregon

We have audited the accompanying consolidated statement of financial position of JOIN (a nonprofit corporation) as of December 31, 2010, and the related consolidated 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 has been derived from the Organization's 2009 financial statements, and in our report dated March 1, 2010, 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, 2010, 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 9, 2011

Strength in Numbers

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JOIN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2010
(With comparative totals for 2009)

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 263,639	\$ 316,069
Grants and accounts receivable	166,420	139,117
Pledges receivable	228,788	131,127
Prepaid expenses	24,410	13,313
Property and equipment, net	<u>1,956,281</u>	<u>1,687,985</u>
 TOTAL ASSETS	 <u>\$ 2,639,538</u>	 <u>\$ 2,287,611</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 57,133	\$ 25,696
Deposits held	4,000	-
Line of credit	212,956	-
Notes payable	<u>646,035</u>	<u>650,000</u>
 Total liabilities	 <u>920,124</u>	 <u>675,696</u>
Net assets:		
Unrestricted:		
Undesignated	441,229	446,971
Net property and equipment	<u>1,097,290</u>	<u>1,037,985</u>
Total unrestricted	1,538,519	1,484,956
Temporarily restricted	<u>180,895</u>	<u>126,959</u>
Total net assets	<u>1,719,414</u>	<u>1,611,915</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,639,538</u>	 <u>\$ 2,287,611</u>

See notes to financial statements.

JOIN
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended December 31, 2010
(With comparative totals for 2009)

	2010			2009 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Contributions	\$ 364,463	\$ 287,730	\$ 652,193	\$ 568,517
Grants	1,576,772	-	1,576,772	1,247,546
Program service revenue	6,420	-	6,420	10,381
Special event revenue, net of expenses of \$25,986 for 2010 and \$20,228 for 2009	19,272	-	19,272	1,486
Donated materials and services	7,650	-	7,650	-
Investment income	1,314	-	1,314	7,416
Other income	16,500	-	16,500	7,000
Net assets released from restrictions:				
Satisfaction of time and purpose restrictions	233,794	(233,794)	-	-
Total support and revenue	2,226,185	53,936	2,280,121	1,842,346
Expenses:				
Program	1,925,304	-	1,925,304	1,616,982
Management and general	137,065	-	137,065	126,987
Fundraising	126,420	-	126,420	79,845
Total expenses	2,188,789	-	2,188,789	1,823,814
 Income (loss) from operations	 37,396	 53,936	 91,332	 18,532
Capital campaign:				
Gain from sale of property	-	1,887	1,887	161,139
Contributions	-	48,000	48,000	343,250
Donated services	23,000	-	23,000	34,158
Building expenditures	49,887	(49,887)	-	-
Settlement costs and professional fees	(56,720)	-	(56,720)	-
 Change in net assets	 53,563	 53,936	 107,499	 557,079
Net assets:				
Beginning of year	1,484,956	126,959	1,611,915	1,054,836
 End of year	 \$ 1,538,519	 \$ 180,895	 \$ 1,719,414	 \$ 1,611,915

See notes to financial statements.

JOIN
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2010
(With comparative totals for 2009)

	2010				2009 Total
	Program	Management and General	Fundraising	Total	
Salaries and related expenses	\$ 786,694	\$ 83,551	\$ 98,018	\$ 968,263	\$ 897,976
Direct assistance to individuals	818,235	-	-	818,235	733,516
Contract services	109,005	-	-	109,005	-
Professional fees	-	25,185	4,316	29,501	20,729
Supplies	14,740	1,404	1,404	17,548	13,267
Telephone	19,676	424	424	20,524	29,934
Postage and shipping	1,518	633	721	2,872	3,265
Utilities	15,028	1,431	1,431	17,890	11,603
Repairs and maintenance	11,072	2,025	2,025	15,122	4,432
Printing	4,490	2,470	10,200	17,160	9,687
Insurance	12,579	10,529	688	23,796	25,140
Travel and mileage	54,360	-	-	54,360	52,380
Depreciation	33,868	3,225	3,225	40,318	9,892
Interest expense	36,935	3,518	3,518	43,971	6,541
Miscellaneous	7,104	2,670	450	10,224	5,452
Total expenses	<u>\$ 1,925,304</u>	<u>\$ 137,065</u>	<u>\$ 126,420</u>	<u>\$ 2,188,789</u>	<u>\$ 1,823,814</u>

See notes to financial statements.

JOIN
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2010
(With comparative totals for 2009)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 107,499	\$ 557,079
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	40,318	9,892
Contributions restricted to capital campaign	(48,000)	(343,250)
In-kind donations for building	(7,650)	(34,158)
Gain from sale of assets	(1,887)	(161,139)
(Increase) decrease in:		
Pledges and grants receivable	(124,964)	(63,511)
Prepaid expenses	(11,097)	21,134
Increase in:		
Accounts payable and accrued expenses	31,437	13,141
Deposits held	4,000	-
Net cash used in operating activities	<u>(10,344)</u>	<u>(812)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(299,077)	(557,969)
Proceeds from the sale of property and equipment	-	490,000
Net cash used in investing activities	<u>(299,077)</u>	<u>(67,969)</u>
Cash flows from financing activities:		
Proceeds from line of credit	212,956	-
Contributions restricted to capital campaign	48,000	343,250
Proceeds from note payable	650,000	-
Principal payments on note payable	<u>(653,965)</u>	<u>(468,024)</u>
Net cash provided by (used in) financing activities	<u>256,991</u>	<u>(124,774)</u>
Net decrease in cash and cash equivalents	(52,430)	(193,555)
Cash and cash equivalents - beginning of year	<u>316,069</u>	<u>509,624</u>
Cash and cash equivalents - end of year	<u>\$ 263,639</u>	<u>\$ 316,069</u>
Supplemental cash flow information:		
Cash paid during the year for interest	<u>\$ 48,029</u>	<u>\$ 55,006</u>

See notes to financial statements.

JOIN
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2010

1. DESCRIPTION OF ORGANIZATION

JOIN (or the Organization) was incorporated in 1992 in Oregon as a nonprofit organization that supports the efforts of homeless individuals and families to transition out of homelessness into permanent housing and supports housing stabilization by providing critical supportive services after transition from homelessness. Support received consists primarily of contributions and government grants. Approximately 56% (67% in 2009) of total revenue from operations and 40% (42% in 2009) of receivables were from contracts with the City of Portland as of and for the year ended December 31, 2010. 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.

During 2010, JOIN established Halsey Center, a nonprofit subsidiary, with the primary purpose of acquiring and maintaining real property for the benefit of JOIN.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Principles of Consolidation

The consolidated financial statements include the accounts of JOIN and the Halsey Center. All inter-organization transactions and balances have been eliminated.

Cash and Cash Equivalents

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

Property and Equipment

Acquisitions of property and equipment over \$5,000 are capitalized. Property and equipment purchased are recorded at cost and donated assets are reflected as contributions at their estimated fair values on the date received.

JOIN
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2010

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

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 and Halsey Center are nonprofit corporations exempt from federal and state income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying consolidated financial statements, as the Organizations have no activities subject to unrelated business income tax. The Organizations are not a private foundation.

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 \$7,650 and \$34,158 provided during the years ended December 31, 2010 and 2009, respectively, included equipment and services related to the remodel of a building. During 2010, \$23,000 of in-kind legal services were incurred related to settlements in connection with the new building (Note 14).

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, 2010. The value of such services, which JOIN considers not practicable to estimate, has not been recognized in the accompanying financial statements.

JOIN
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2010

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

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.

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 2009

The financial information as of December 31, 2009 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 the change in net assets.

Subsequent Events

The Organization has evaluated all subsequent events through March 9, 2011, the date the financial statements were available to be issued.

JOIN
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2010

3. GRANTS RECEIVABLE

Grants receivable are unsecured and are expected to be received within one year and consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Government grants and contracts - City of Portland	\$ 166,420	\$ 114,617
Escrow deposit	<u> -</u>	<u>24,500</u>
Total grants receivable	<u>\$ 166,420</u>	<u>\$ 139,117</u>

4. PLEDGES RECEIVABLE

Pledges receivable are expected to be received within one year and represent unconditional promises to give as follows at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
United Way	\$ 68,000	\$ 68,000
The Paul Allen Foundation	100,000	-
Other	<u>60,788</u>	<u>63,127</u>
Total pledges receivable	<u>\$ 228,788</u>	<u>\$ 131,127</u>

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.

JOIN
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2010

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2010 and 2009:

	2010	2009
Land and land improvements	\$ 352,480	\$ 352,480
Buildings and improvements	1,617,438	-
Furniture and equipment	11,154	10,764
Vehicles	19,842	19,842
Building and improvements - Construction in progress	-	1,319,999
	2,000,914	1,703,085
Less accumulated depreciation	44,633	15,100
Property and equipment, net	\$ 1,956,281	\$ 1,687,985

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

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 totaled \$4,058 and \$48,645 for the years ended December 31, 2010 and 2009, respectively.

Under the building permit issued by the City of Portland, JOIN is required to repair defects in the parking lot in 2011. An estimate of this commitment has not been recorded in the financial statements. The Organization currently estimates the cost to be approximately \$28,000.

6. LINE OF CREDIT

The Organization has available a \$274,000, revolving line-of-credit that expires October 19, 2011. Interest on the line is payable at the bank's prime rate plus 1.5%, with an initial rate of 7.25%. Advances outstanding on the line totaled \$212,956 at December 31, 2010. The line is collateralized by real property.

JOIN
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2010

7. NOTES PAYABLE

Notes payable consists of the following at December 31, 2010 and 2009:

	2010	2009
Note payable to Portland Housing Bureau, secured by real property, accrues interest at 3% per annum, increasing to as much as 4.5% once the financing becomes permanent; principal and interest payments of \$3,605 are due monthly, with the final payment due November 1, 2030.	\$ 646,035	\$ -
Note payable to a private bank, secured by real property, accrues interest at 7.25% per annum. The note was paid off during 2010 with proceeds from the note above.	-	650,000
Total notes payable	\$ 646,035	\$ 650,000

Maturities of long-term debt are as follows:

Years ending December 31, 2011	\$ 22,865
2012	21,831
2013	22,834
2014	23,883
2015	24,980
Thereafter	529,642
	\$ 646,035

As a condition of its loan, the Portland Housing Bureau requires the Organization to contribute \$3,000 annually to a maintenance reserve account. No amounts were required to be contributed in 2010 as the loan was not in place until November 1, 2010.

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.

JOIN
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2010

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2010 and 2009:

	2010	2009
Time restricted	\$ 180,500	\$ 108,000
Purpose restricted:		
New City Initiative	395	18,959
Total temporarily restricted net assets	\$ 180,895	\$ 126,959

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 contributions were approved for 2010 and 2009.

11. RELATED PARTY TRANSACTIONS

The Organization utilizes the services of another nonprofit organization where JOIN's Executive Director is a board member. The other organization provides move-in kits for JOIN's clients. Fees paid by JOIN for these services totaled \$7,420 for the year ended December 31, 2010 (\$6,335 in 2009).

12. LEASE TRANSACTIONS

The Organization sub-leases space in its new building on a month-to-month basis to nonprofit entity, and under a five-year contract with another nonprofit entity. Total rent received by the Organization was \$16,500 for the year ended December 31, 2010.

Future rents due are as follows:

Years ending December 31, 2011	\$ 48,000
2012	48,000
2013	48,000
2014	48,000
2015	44,000
	\$ 236,000

JOIN
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2010

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

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

14. SETTLEMENT COSTS

The Organization incurred one-time charges related to settlements for work performed by sub-contractors to complete the new building for which the general contractor did not pay as required. These costs totaled \$33,270 and are presented separate from operating expenses in the statement of activities.