

NORTHWEST PILOT
PROJECT, INC.

Audited Financial Statements

For The Year Ended June 30, 2017



MCDONALD JACOBS

Shareholders

MARK A. CLIFT, CPA

KARIN S. WANDTKE, CPA

SANG AHN, CPA

GERARD DEBLOIS JR., CPA

MARY STRASDIN, CPA

ANTHONY ALMER, CPA

TYEE CARR, CPA

Principals

JAKE JACOBS, CPA *Retired*

SUSAN J. MARKS, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northwest Pilot Project, Inc.

We have audited the accompanying financial statements of Northwest Pilot Project, Inc. (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Pilot Project, Inc. as of June 30, 2017, 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.

Report on Summarized Comparative Information

We have previously audited Northwest Pilot Project, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
October 25, 2017

NORTHWEST PILOT PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2017
(With comparative totals for 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 195,811	\$ 135,401
Accounts and pledges receivable	254,645	285,297
Prepaid expenses	37,324	20,014
Property and equipment, net	14,951	14,549
Investments	1,499,476	587,207
 TOTAL ASSETS	 \$ 2,002,207	 \$ 1,042,468
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 21,562	\$ 12,155
Deferred rent payable	12,552	15,302
Total liabilities	34,114	27,457
Net assets:		
Unrestricted:		
Undesignated	333,617	322,804
Board designated endowment	1,206,105	304,449
Total unrestricted net assets	1,539,722	627,253
Temporarily restricted net assets	215,475	174,862
Permanently restricted net assets	212,896	212,896
Total net assets	1,968,093	1,015,011
 TOTAL LIABILITIES AND NET ASSETS	 \$ 2,002,207	 \$ 1,042,468

See notes to financial statements.

NORTHWEST PILOT PROJECT, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2017
(With comparative totals for 2016)

	2017			Total	2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
Contributions and grants	\$ 1,234,198	\$ 135,000	\$ -	\$ 1,369,198	\$ 556,460
Special events revenue	155,000	-	-	155,000	161,994
Contract revenue	1,254,951	-	-	1,254,951	1,144,761
Miscellaneous income	924	-	-	924	1,216
Net assets released from restrictions:					
Satisfaction of purpose restrictions	55,000	(55,000)	-	-	-
Satisfaction of time restrictions	50,000	(50,000)	-	-	-
Total support and revenue	<u>2,750,073</u>	<u>30,000</u>	<u>-</u>	<u>2,780,073</u>	<u>1,864,431</u>
Expenses:					
Program services:					
Housing	1,490,278	-	-	1,490,278	1,421,935
Transportation	167,315	-	-	167,315	142,251
Total program services	1,657,593	-	-	1,657,593	1,564,186
Management and general	99,761	-	-	99,761	84,884
Fundraising	136,479	-	-	136,479	136,005
Total expenses	<u>1,893,833</u>	<u>-</u>	<u>-</u>	<u>1,893,833</u>	<u>1,785,075</u>
Change in net assets before investment income, net	856,240	30,000	-	886,240	79,356
Investment income, net	<u>56,229</u>	<u>10,613</u>	<u>-</u>	<u>66,842</u>	<u>11,147</u>
Change in net assets	912,469	40,613	-	953,082	90,503
Net assets:					
Beginning of year	<u>627,253</u>	<u>174,862</u>	<u>212,896</u>	<u>1,015,011</u>	<u>924,508</u>
End of year	<u>\$ 1,539,722</u>	<u>\$ 215,475</u>	<u>\$ 212,896</u>	<u>\$ 1,968,093</u>	<u>\$ 1,015,011</u>

See notes to financial statements.

NORTHWEST PILOT PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2017
(With comparative totals for 2016)

	2017					2016 Total Expenses
	Program Services					
	Housing	Trans- portation	Total Program Services	Management and General	Fundraising	Total Expenses
Personnel costs	\$ 597,799	\$ 127,441	\$ 725,240	\$ 69,662	\$ 90,245	\$ 885,147
Emergency assistance	746,502	-	746,502	-	-	746,502
Occupancy	62,906	12,856	75,762	7,383	8,702	91,847
Professional services	18,841	3,090	21,931	12,696	2,106	36,733
Newsletter	10,424	3,475	13,899	-	4,255	18,154
Supplies	9,299	1,843	11,142	1,120	14,205	26,467
Insurance	8,756	1,789	10,545	2,134	1,211	13,890
Printing	3,424	498	3,922	505	6,895	11,322
Transportation	406	10,550	10,956	91	71	11,118
Telephone	6,005	1,155	7,160	625	782	8,567
Postage	3,166	647	3,813	385	2,374	6,572
Conferences and training	9,928	1,771	11,699	2,237	1,199	15,135
Miscellaneous	11,418	1,913	13,331	2,768	4,240	20,339
Depreciation and amortization	1,404	287	1,691	155	194	2,040
Total expenses	<u>\$ 1,490,278</u>	<u>\$ 167,315</u>	<u>\$ 1,657,593</u>	<u>\$ 99,761</u>	<u>\$ 136,479</u>	<u>\$ 1,893,833</u>
						<u>\$ 1,785,075</u>

See notes to financial statements.

NORTHWEST PILOT PROJECT, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2017
(With comparative totals for 2016)

	2017	2016
Cash flows from operating activities:		
Cash received from contractors, donors and grantors	\$ 2,810,725	\$ 1,748,178
Interest and dividends received	19,874	22,069
Cash paid to suppliers and employees	<u>(1,906,349)</u>	<u>(1,772,449)</u>
Net cash provided by (used in) operating activities	<u>924,250</u>	<u>(2,202)</u>
 Cash flows from investing activities:		
Purchase of equipment	(2,442)	-
Proceeds from sale of investments	153,652	308,233
Purchases of investments	<u>(1,015,050)</u>	<u>(327,220)</u>
Net cash used in investing activities	<u>(863,840)</u>	<u>(18,987)</u>
 Net increase (decrease) in cash and cash equivalents	60,410	(21,189)
 Cash and cash equivalents - beginning of year	<u>135,401</u>	<u>156,590</u>
 Cash and cash equivalents - end of year	<u>\$ 195,811</u>	<u>\$ 135,401</u>
 Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ 953,082	\$ 90,503
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,040	1,605
Realized/unrealized (gain) loss on investments	(50,871)	8,096
(Increase) decrease in:		
Accounts and pledges receivable	30,652	(116,253)
Prepaid expenses	(17,310)	13,300
Increase (decrease) in:		
Accounts payable and accrued expenses	9,407	830
Deferred rent payable	<u>(2,750)</u>	<u>(283)</u>
Net cash provided by (used in) operating activities	<u>\$ 924,250</u>	<u>\$ (2,202)</u>

See notes to financial statements.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

I. DESCRIPTION OF ORGANIZATION

Northwest Pilot Project, Inc. (the Organization) provides services to promote independence and a life of dignity for the elderly, disabled, poor, and homeless people in Multnomah County. The Organization also provides volunteers with opportunities for mutually beneficial, significant relationships with those in need in the downtown Portland neighborhood. The majority of the Organization's support and revenue is received from various governmental agencies, grants, and contributions.

Northwest Pilot Project, Inc.'s programs include:

Housing

The goal of the housing program is to permanently end the homelessness of people 55 years of age and older in Multnomah County. Services include emergency and transitional housing, permanent housing placement, eviction prevention, and relocation assistance due to decreases in available and affordable housing.

The goal of the housing advocacy program is to heighten public awareness of the pressing need for affordable housing for the very low-income people of Portland.

Transportation

The Organization provides services to help seniors remain independent in their own homes. Services include transportation to medical appointments, grocery shopping, and help accessing medical and legal services.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets based on the existence or absence of donor restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.
- Permanently restricted net assets represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with initial maturities of three months or less at the date of purchase to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial. Receivables are written off directly to the account balance when, in management's estimation, it is probable that the receivable will not be collected.

Pledges Receivable

Contributions, including unconditional promises to give (pledges), are recognized as revenue in the period notification of the commitment is received. Conditional promises to give are not recognized until 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.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets.

Investments

Investments are carried at fair value. Fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

Deferred Rent

For lease agreements that contain rent holidays and/or rent escalation clauses, the Organization records a deferred rent liability and amortizes the lease on a straight-line basis over the term of the lease as an addition or reduction to rent expense.

Restricted and Unrestricted Revenue and Support

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other 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.

Contract revenue is recognized as revenue in the period the services are provided.

Income Taxes

Northwest Pilot Project, Inc. is a nonprofit corporation exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Its activities are not subject to unrelated business income tax; therefore, no provision for income taxes is made in the accompanying financial statements.

The Organization follows the provisions of FASB ASC *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.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2017

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 2016

The financial information as of June 30, 2016 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Subsequent Events

The Organization has evaluated all subsequent events through October 25, 2017, the date the financial statements were available to be issued. Subsequent events, if any, are disclosed in the notes to the financial statements.

3. ACCOUNTS AND PLEDGES RECEIVABLE

Accounts and pledges receivable at June 30, 2017 and 2016 are unsecured and consist of the following:

	<u>2017</u>	<u>2016</u>
Accounts and grants receivable	\$ 247,887	\$ 277,686
Pledges receivable	6,758	7,611
	<u>\$ 254,645</u>	<u>\$ 285,297</u>

Accounts and pledges receivable are receivable within one year.

No allowance for uncollectible accounts has been deemed necessary as of June 30, 2017 and 2016.

Under the terms of various government contracts, the Organization is entitled to approximately \$297,000 in contract service revenue through March 2018 once services are performed.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2017

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Office furniture, equipment, and vehicles	\$ 182,996	\$ 180,553
Leasehold improvements	<u>8,126</u>	<u>8,126</u>
	191,122	188,679
Less accumulated depreciation and amortization	<u>176,171</u>	<u>174,130</u>
Net property and equipment	<u>\$ 14,951</u>	<u>\$ 14,549</u>

5. INVESTMENTS

Investments at June 30, 2017 and 2016 are stated at fair market value and consist of the following:

	<u>2017</u>	<u>2016</u>
Cash equivalents	\$ 12,423	\$ 6,326
Equity mutual funds	900,408	263,965
Fixed income	<u>586,645</u>	<u>316,916</u>
Total investments	<u>\$ 1,499,476</u>	<u>\$ 587,207</u>
Board-designated endowment	\$ 1,206,105	\$ 304,449
Donor-restricted endowment	<u>293,371</u>	<u>282,758</u>
	<u>\$ 1,499,476</u>	<u>\$ 587,207</u>

Net investment income consists of the following components:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 19,874	\$ 22,069
Realized gain on sale of investments	4,357	6,330
Unrealized gain (loss) on investment valuation	<u>46,514</u>	<u>(14,426)</u>
Total investment income	70,745	13,973
Less investment fees	<u>3,903</u>	<u>2,826</u>
Net investment income	<u>\$ 66,842</u>	<u>\$ 11,147</u>

NORTHWEST PILOT PROJECT, INC.
 NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2017

6. CONTINGENCIES

Amounts received 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 will be required to be returned in the future.

7. BOARD DESIGNATED NET ASSETS

The "Board Designated Endowment" was established by the Board of Directors to protect the Organization in the event of unexpected major expenses or shortages of income. Income earned on the balance is added to the endowment. Action by the Board is required to use these funds. See Note 10, Endowment.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2017 and 2016 consist of the following:

	2017	2016
Endowment earnings (Note 10)	\$ 80,475	\$ 69,862
Time restricted - housing	100,000	50,000
Program restricted:		
Housing for low-income seniors of color	35,000	-
Housing pilot collaboration	-	55,000
Total temporarily restricted net assets	\$ 215,475	\$ 174,862

9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2017 and 2016 consist of donor-restricted endowment funds described below. Also see Note 10, Endowment.

Volunteer Recognition Fund consists of a donor-restricted endowment of \$25,000, with income earned to be used to recognize volunteers who work with the Organization.

Restricted Endowment Fund consists of a donor-restricted endowment of \$187,896, with income earned restricted to program services.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2017

10. ENDOWMENT

Northwest Pilot Project, Inc.'s endowment consists of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles, generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of Northwest Pilot Project, Inc. has interpreted Oregon's enacted 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 in 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) The purposes of the Organization and the donor-restricted endowment fund
- (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

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2017

10. ENDOWMENT, Continued

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to fund cash flow needs.

Spending Policy

The Organization is in the process of developing a formal spending policy for endowment funds. Composition of endowment net assets at June 30, 2017 and 2016 is as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
June 30, 2017				
Donor-restricted	\$ -	\$ 80,475	\$ 212,896	\$ 293,371
Board-designated	1,206,105	-	-	1,206,105
	<u>\$ 1,206,105</u>	<u>\$ 80,475</u>	<u>\$ 212,896</u>	<u>\$ 1,499,476</u>
June 30, 2016				
Donor-restricted	\$ -	\$ 69,862	\$ 212,896	\$ 282,758
Board-designated	304,449	-	-	304,449
	<u>\$ 304,449</u>	<u>\$ 69,862</u>	<u>\$ 212,896</u>	<u>\$ 587,207</u>

Changes in endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets:				
Balance at June 30, 2015	\$ 308,766	\$ 54,654	\$ 212,896	\$ 576,316
Investment income, net of fees	10,375	8,612	-	18,987
Net realized/unrealized gain (loss) on investments	<u>(14,692)</u>	<u>6,596</u>	<u>-</u>	<u>(8,096)</u>
Balance at June 30, 2016	304,449	69,862	212,896	587,207
Contributions	845,500	-	-	845,500
Investment income, net of fees	6,456	9,442	-	15,898
Net realized/unrealized gain on investments	<u>49,700</u>	<u>1,171</u>	<u>-</u>	<u>50,871</u>
Balance at June 30, 2017	<u>\$ 1,206,105</u>	<u>\$ 80,475</u>	<u>\$ 212,896</u>	<u>\$ 1,499,476</u>

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2017

11. ALLOCATION OF EXPENSES

The costs of program activities, management services, and fundraising have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Organization achieved some of its programmatic and fundraising goals through published newsletters. The costs of this activity included joint costs of \$18,154 for 2017 and \$22,990 for 2016 that are not directly attributable to either the program or the fundraising component of the activity. The joint costs were allocated as follows:

	<u>2017</u>	<u>2016</u>
Programs	\$ 13,899	\$ 16,764
Fundraising	4,255	6,226
Total	<u>\$ 18,154</u>	<u>\$ 22,990</u>

12. LEASE COMMITMENTS

The Organization leases office space under a lease agreement through May of 2019. Monthly base rent is subject to an annual increase of 3% in June of each year. Monthly rent during 2017 was \$7,045. In accordance with U.S. generally accepted accounting principles, the Organization amortizes the lease on the straight-line basis over the term, resulting in level rent expense year to year. The difference between the annual expense recognized on the straight-line basis and the amounts actually paid by the Organization is reflected as deferred rent payable of \$12,552 and \$15,302 at June 30, 2017 and 2016, respectively. The Organization is also billed for common area maintenance costs and monthly parking and receives a reduction for property tax abatement.

The Organization also leases a copier for \$281 per month, with annual increases, through June 2020.

Total rent expense for years ended June 30, 2017 and 2016 approximated \$85,400 for each year.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2017

12. LEASE COMMITMENTS, Continued

Future minimum lease payments are as follows:

Year ending June 30, 2018	\$ 90,900
2019	85,600
2020	<u>3,400</u>
	<u>\$ 179,900</u>

13. RETIREMENT PLAN

The Organization has a deferred compensation plan (the plan) qualified under Section 403(b) of the Internal Revenue Code which is available to all employees of the Organization. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Employees' elective contributions may be made as either traditional pre-tax elective contributions, post-tax Roth contributions or some combination thereof. The Organization does not make contributions to the plan.

14. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in two financial institutions located in Portland. The balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Cash balances at June 30, 2017 and 2016 were fully insured.

Approximately 50% of the Organization's 2017 revenue is from two sources; one government agency and one donor (44% from one government agency and one nonprofit organization for 2016).

Approximately 93% of outstanding receivable balances at June 30, 2017 are due from four government agencies (94% from four government agencies at June 30, 2016).

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 statements of financial position.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2017

15. 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. The inputs are categorized by different levels 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 a recurring basis at June 30, 2017 and 2016 are as follows:

	Fair Value	Level 1
June 30, 2017		
Equity mutual funds	\$ 900,408	\$ 900,408
Fixed income funds	586,645	586,645
June 30, 2016		
Equity mutual funds	263,965	263,965
Fixed income funds	316,916	316,916

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.