

NORTHWEST PILOT
PROJECT, INC.

Audited Financial Statements

For The Year Ended June 30, 2018



MCDONALD JACOBS

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, 2018, 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, 2018, and 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.

Report on Summarized Comparative Information

We have previously audited Northwest Pilot Project, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacoby, P.C.

Portland, Oregon
October 24, 2018

NORTHWEST PILOT PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2018
(With comparative totals for 2017)

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 239,215	\$ 195,811
Accounts and pledges receivable	320,911	254,645
Prepaid expenses	27,429	37,324
Property and equipment, net	8,405	14,951
Investments	1,681,614	1,499,476
 TOTAL ASSETS	 \$ 2,277,574	 \$ 2,002,207
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 29,856	\$ 21,562
Deferred rent payable	7,046	12,552
Total liabilities	36,902	34,114
Net assets:		
Unrestricted:		
Undesignated	372,651	333,617
Board designated endowment	1,383,843	1,206,105
Total unrestricted net assets	1,756,494	1,539,722
Temporarily restricted net assets	271,282	215,475
Permanently restricted net assets	212,896	212,896
Total net assets	2,240,672	1,968,093
 TOTAL LIABILITIES AND NET ASSETS	 \$ 2,277,574	 \$ 2,002,207

See notes to financial statements.

NORTHWEST PILOT PROJECT, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2018
(With comparative totals for 2017)

	2018			Total	2017 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
Contributions and grants	\$ 351,743	\$ 310,000	\$ -	\$ 661,743	\$ 1,369,198
Special events revenue	157,454	-	-	157,454	155,000
Contract revenue	1,425,375	-	-	1,425,375	1,254,951
Miscellaneous income	1,002	-	-	1,002	924
Net assets released from restrictions:					
Satisfaction of purpose restrictions	108,560	(108,560)	-	-	-
Satisfaction of time restrictions	150,000	(150,000)	-	-	-
Total support and revenue	<u>2,194,134</u>	<u>51,440</u>	<u>-</u>	<u>2,245,574</u>	<u>2,780,073</u>
Expenses:					
Program services:					
Housing and advocacy	1,660,041	-	-	1,660,041	1,490,278
Transportation	<u>172,174</u>	<u>-</u>	<u>-</u>	<u>172,174</u>	<u>167,315</u>
Total program services	1,832,215	-	-	1,832,215	1,657,593
Management and general	100,718	-	-	100,718	99,761
Fundraising	<u>147,312</u>	<u>-</u>	<u>-</u>	<u>147,312</u>	<u>136,479</u>
Total expenses	<u>2,080,245</u>	<u>-</u>	<u>-</u>	<u>2,080,245</u>	<u>1,893,833</u>
Change in net assets before investment income, net	113,889	51,440	-	165,329	886,240
Investment income, net	<u>102,883</u>	<u>4,367</u>	<u>-</u>	<u>107,250</u>	<u>66,842</u>
Change in net assets	216,772	55,807	-	272,579	953,082
Net assets:					
Beginning 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>
End of year	<u>\$ 1,756,494</u>	<u>\$ 271,282</u>	<u>\$ 212,896</u>	<u>\$ 2,240,672</u>	<u>\$ 1,968,093</u>

See notes to financial statements.

NORTHWEST PILOT PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2018
(With comparative totals for 2017)

	2018						
	Program Services			Management and General	Fundraising	Total Expenses	2017 Total Expenses
	Housing and Advocacy	Trans- portation	Total Program Services				
Personnel costs	\$ 609,253	\$ 130,830	\$ 740,083	\$ 71,115	\$ 92,092	\$ 903,290	\$ 885,147
Emergency assistance	900,381	-	900,381	-	-	900,381	746,502
Occupancy	66,297	13,946	80,243	7,434	9,504	97,181	91,847
Professional services	34,439	3,445	37,884	10,836	3,190	51,910	36,733
Newsletter	6,427	2,142	8,569	-	11,996	20,565	18,154
Supplies	8,877	1,862	10,739	1,116	15,114	26,969	26,467
Insurance	7,936	1,628	9,564	2,023	1,096	12,683	13,890
Printing	1,033	87	1,120	225	2,861	4,206	11,322
Transportation	390	10,072	10,462	88	54	10,604	11,118
Telephone	5,836	1,260	7,096	624	798	8,518	8,567
Postage	3,337	702	4,039	387	2,614	7,040	6,572
Conferences and training	6,126	1,123	7,249	4,377	780	12,406	15,135
Miscellaneous	7,377	4,587	11,964	2,233	6,877	21,074	20,339
Depreciation and amortization	2,332	490	2,822	260	336	3,418	2,040
Total expenses	<u>\$ 1,660,041</u>	<u>\$ 172,174</u>	<u>\$ 1,832,215</u>	<u>\$ 100,718</u>	<u>\$ 147,312</u>	<u>\$ 2,080,245</u>	<u>\$ 1,893,833</u>

See notes to financial statements.

NORTHWEST PILOT PROJECT, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2018
(With comparative totals for 2017)

	2018	2017
Cash flows from operating activities:		
Cash received from contractors, donors and grantors	\$ 2,179,308	\$ 2,810,725
Interest and dividends received	68,974	19,874
Cash paid to suppliers and employees	<u>(2,068,068)</u>	<u>(1,906,349)</u>
Net cash from operating activities	<u>180,214</u>	<u>924,250</u>
Cash flows from investing activities:		
Purchase of equipment	-	(2,442)
Proceeds from sale of investments	105,183	153,652
Purchases of investments	<u>(241,993)</u>	<u>(1,015,050)</u>
Net cash from investing activities	<u>(136,810)</u>	<u>(863,840)</u>
Net increase in cash and cash equivalents	43,404	60,410
Cash and cash equivalents - beginning of year	<u>195,811</u>	<u>135,401</u>
Cash and cash equivalents - end of year	<u><u>\$ 239,215</u></u>	<u><u>\$ 195,811</u></u>
Reconciliation of change in net assets to net cash from operating activities:		
Change in net assets	\$ 272,579	\$ 953,082
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	3,418	2,040
Net realized/unrealized gain on investments	(45,328)	(50,871)
Loss on disposal	3,128	-
(Increase) decrease in:		
Accounts and pledges receivable	(66,266)	30,652
Prepaid expenses	9,895	(17,310)
Increase (decrease) in:		
Accounts payable and accrued expenses	8,294	9,407
Deferred rent payable	<u>(5,506)</u>	<u>(2,750)</u>
Net cash from operating activities	<u><u>\$ 180,214</u></u>	<u><u>\$ 924,250</u></u>

See notes to financial statements.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. DESCRIPTION OF ORGANIZATION

Northwest Pilot Project, Inc. (the Organization) provides services to promote independence and a life of dignity for very low and extremely low-income seniors age 55 and over with challenges to housing stability in Multnomah County, or those seniors who may be experiencing homelessness. The Organization also provides volunteers with opportunities to support its work and those it serves throughout Multnomah County. 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 & Advocacy

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 advocacy program heightens public awareness of the pressing need for affordable housing for very low and extremely low-income seniors in Multnomah County, and provides information and analysis of the impact of proposed policies on poor and vulnerable seniors.

Transportation

The Organization provides transportation 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.

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.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation, Continued

- 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.

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.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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 2017

The financial information as of June 30, 2017 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 24, 2018, the date the financial statements were available to be issued. Subsequent events, if any, are disclosed in the notes to the financial statements.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2018

3. ACCOUNTS AND PLEDGES RECEIVABLE

Accounts and pledges receivable at June 30, 2018 and 2017 are unsecured and consist of the following:

	2018	2017
Accounts and grants receivable	\$ 308,911	\$ 247,887
Pledges receivable	12,000	6,758
	\$ 320,911	\$ 254,645

Pledges receivable are receivable within one year.

No allowance for uncollectible accounts has been deemed necessary as of June 30, 2018 and 2017.

In 2018, the Organization was awarded a multi-year grant whereby subsequent payments for fiscal year-ends 2019 through 2020 totaling \$60,000 are contingent on meeting performance benchmarks. Accordingly, the conditional pledge amounts are not reflected in the financial statements. The Organization will recognize the pledge as revenue when conditions have been met.

Under the terms of various government contracts, the Organization is entitled to approximately \$762,000 in contract service revenue through June 2019 once services are performed.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2018 and 2017:

	2018	2017
Office furniture, equipment, and vehicles	177,057	\$ 182,996
Leasehold improvements	9,750	8,126
	186,807	191,122
Less accumulated depreciation and amortization	178,402	176,171
Net property and equipment	\$ 8,405	\$ 14,951

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2018

5. INVESTMENTS

Investments at June 30, 2018 and 2017 are stated at fair market value and consist of the following:

	2018	2017
Cash equivalents	\$ 95,188	\$ 12,423
Equity mutual funds	951,842	900,408
Fixed income funds	634,584	586,645
Total investments	\$ 1,681,614	\$ 1,499,476
Board-designated endowment	\$ 1,383,843	\$ 1,206,105
Donor-restricted endowment	297,771	293,371
	\$ 1,681,614	\$ 1,499,476

Net investment income consists of the following components:

	2018	2017
Interest and dividends	\$ 68,974	\$ 19,874
Net realized gain on sale of investments	7,891	4,357
Net unrealized gain on investment valuation	37,437	46,514
Total investment income	114,302	70,745
Less investment fees	7,052	3,903
Investment income, net	\$ 107,250	\$ 66,842

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.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2018

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2018 and 2017 consist of the following:

	2018	2017
Endowment earnings (Note 10)	\$ 84,842	\$ 80,475
Time restricted - housing	50,000	100,000
Program restricted:		
Housing for low-income seniors of color	30,000	35,000
Housing pilot collaboration	106,440	-
Total temporarily restricted net assets	\$ 271,282	\$ 215,475

9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2018 and 2017 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.

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.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2018

10. ENDOWMENT, Continued

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

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.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2018

10. ENDOWMENT, Continued

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, 2018 and 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2018				
Donor-restricted	\$ -	\$ 84,842	\$ 212,896	\$ 297,738
Board-designated	1,383,843	-	-	1,383,843
	<u>\$1,383,843</u>	<u>\$ 84,842</u>	<u>\$ 212,896</u>	<u>\$ 1,681,581</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>

Changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</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	1,206,105	80,475	212,896	1,499,476
Contributions	75,000	-	-	75,000
Investment income, net of fees	46,211	15,566	-	61,777
Net realized/unrealized gain (loss) on investments	<u>56,527</u>	<u>(11,199)</u>	<u>-</u>	<u>45,328</u>
Balance at June 30, 2018	<u>\$1,383,843</u>	<u>\$ 84,842</u>	<u>\$ 212,896</u>	<u>\$ 1,681,581</u>

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2018

II. 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 \$20,565 for 2018 and \$18,154 for 2017 that are not directly attributable to either the program or the fundraising component of the activity. The joint costs were allocated as follows:

	2018	2017
Programs	\$ 8,569	\$ 13,899
Fundraising	11,996	4,255
Total	\$ 20,565	\$ 18,154

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 2018 was \$7,256. 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 \$7,046 and \$12,552 at June 30, 2018 and 2017, 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, 2018 and 2017 approximated \$85,800 and \$85,400, respectively.

Future minimum lease payments are as follows:

Year ending June 30, 2019	\$ 85,600
2020	3,400
	\$ 89,000

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2018

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, Oregon. 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, 2018 and 2017 were fully insured.

Approximately 49% of the Organization's 2018 revenue is from two government agencies (50% from one government agency and one donor for 2017).

Approximately 92% of outstanding receivable balances at June 30, 2018 are due from two government agencies (93% from four government agencies at June 30, 2017).

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, 2018

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, 2018 and 2017 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>
June 30, 2018		
Equity mutual funds	\$ 951,842	\$ 951,842
Fixed income funds	634,584	634,584
June 30, 2017		
Equity mutual funds	900,408	900,408
Fixed income funds	586,645	586,645

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