

NORTHWEST PILOT
PROJECT, INC.

Audited Financial Statements

For The Year Ended June 30, 2019



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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacoby, P.C.

Portland, Oregon
October 23, 2019

NORTHWEST PILOT PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2019
(With comparative totals for 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 133,739	\$ 239,215
Accounts and pledges receivable	321,662	320,911
Prepaid expenses	21,545	27,429
Property and equipment, net	105,275	8,405
Investments	1,730,437	1,681,614
 TOTAL ASSETS	 \$ 2,312,658	 \$ 2,277,574

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 28,337	\$ 36,902
Total liabilities	28,337	36,902
Net assets:		
Without donor restrictions:		
Undesignated	338,609	364,246
Board designated endowment	1,417,503	1,383,843
Net property and equipment	105,275	8,405
Total without donor restrictions	1,861,387	1,756,494
With donor restrictions	422,934	484,178
Total net assets	2,284,321	2,240,672
 TOTAL LIABILITIES AND NET ASSETS	 \$ 2,312,658	 \$ 2,277,574

See notes to financial statements.

NORTHWEST PILOT PROJECT, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2019
(With comparative totals for 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Contract revenue	\$ 1,231,916	\$ -	\$ 1,231,916	\$ 1,425,375
Contributions and grants	382,903	220,000	602,903	661,743
Special events revenue	143,000	-	143,000	157,454
Miscellaneous income	4,819	-	4,819	1,002
Net assets released from restrictions:		-		
Satisfaction of purpose restrictions	176,440	(176,440)	-	-
Satisfaction of time restrictions	120,000	(120,000)	-	-
Total support and revenue	2,059,078	(76,440)	1,982,638	2,245,574
Expenses:				
Program services:				
Housing and advocacy	1,582,451	-	1,582,451	1,660,041
Transportation	167,380	-	167,380	172,174
Total program services	1,749,831	-	1,749,831	1,832,215
Management and general	92,633	-	92,633	100,718
Fundraising	145,687	-	145,687	147,312
Total expenses	1,988,151	-	1,988,151	2,080,245
Change in net assets before investment income, net	70,927	(76,440)	(5,513)	165,329
Investment income, net	33,966	15,196	49,162	107,250
Change in net assets	104,893	(61,244)	43,649	272,579
Net assets:				
Beginning of year	1,756,494	484,178	2,240,672	1,968,093
End of year	\$ 1,861,387	\$ 422,934	\$ 2,284,321	\$ 2,240,672

See notes to financial statements.

NORTHWEST PILOT PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2019

	<u>Program Services</u>			Management and General	<u>Fundraising</u>	Total Expenses
	<u>Housing and Advocacy</u>	<u>Trans- portation</u>	<u>Total Program Services</u>			
Personnel costs	\$ 604,192	\$ 127,217	\$ 731,409	\$ 70,957	\$ 91,275	\$ 893,641
Emergency assistance	810,120	-	810,120	-	-	810,120
Occupancy	60,793	12,919	73,712	7,120	9,071	89,903
Professional services	42,139	5,343	47,482	2,945	3,833	54,260
Newsletter	7,803	2,601	10,404	-	14,566	24,970
Supplies	12,990	2,723	15,713	1,526	15,089	32,328
Insurance	8,241	1,751	9,992	1,779	1,230	13,001
Printing	3,860	224	4,084	252	3,883	8,219
Transportation	782	8,392	9,174	72	133	9,379
Telephone	6,383	1,327	7,710	683	870	9,263
Postage	4,666	992	5,658	547	696	6,901
Conferences and training	5,269	968	6,237	5,082	702	12,021
Miscellaneous	10,248	2,069	12,317	1,213	3,862	17,392
Depreciation and amortization	<u>4,965</u>	<u>854</u>	<u>5,819</u>	<u>457</u>	<u>477</u>	<u>6,753</u>
Total expenses	<u>\$ 1,582,451</u>	<u>\$ 167,380</u>	<u>\$ 1,749,831</u>	<u>\$ 92,633</u>	<u>\$ 145,687</u>	<u>\$ 1,988,151</u>

See notes to financial statements.

NORTHWEST PILOT PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2018

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

See notes to financial statements.

NORTHWEST PILOT PROJECT, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2019
(With comparative totals for 2018)

	2019	2018
Cash flows from operating activities:		
Cash received from contractors, donors and grantors	\$ 1,981,887	\$ 2,179,308
Interest and dividends received	124,831	68,974
Cash paid to suppliers and employees	<u>(1,991,593)</u>	<u>(2,068,068)</u>
Net cash flows from operating activities	<u>115,125</u>	<u>180,214</u>
Cash flows from investing activities:		
Purchase of property and equipment	(103,623)	-
Proceeds from sale of investments	377,582	105,183
Purchases of investments	<u>(494,560)</u>	<u>(241,993)</u>
Net cash flows from investing activities	<u>(220,601)</u>	<u>(136,810)</u>
 Net change in cash and cash equivalents	 (105,476)	 43,404
 Cash and cash equivalents - beginning of year	 <u>239,215</u>	 <u>195,811</u>
 Cash and cash equivalents - end of year	 <u><u>\$ 133,739</u></u>	 <u><u>\$ 239,215</u></u>
 Reconciliation of change in net assets to net cash from operating activities:		
Change in net assets	\$ 43,649	\$ 272,579
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	6,753	3,418
Net realized/unrealized (gain) loss on investments	68,155	(45,328)
Loss on disposal of property and equipment	-	3,128
(Increase) decrease in:		
Accounts and pledges receivable	(751)	(66,266)
Prepaid expenses	5,884	9,895
Increase (decrease) in:		
Accounts payable and accrued expenses	(8,565)	8,294
Deferred rent payable	-	(5,506)
Net cash flows from operating activities	<u><u>\$ 115,125</u></u>	<u><u>\$ 180,214</u></u>

See notes to financial statements.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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 and Advocacy

The Housing Program provides assistance in obtaining and maintaining permanent affordable rental housing for very low-income seniors who live in Multnomah County and are capable of independent living. Services include thorough one-on-one housing assessments, permanent housing placement, eviction prevention, housing case management, relocation assistance due to decreases in available and affordable housing and retention services including transportation.

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

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Net Assets, Continued

- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments without donor restrictions 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 outstanding balance 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.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include personnel, newsletter, insurance, telephone, postage, professional services, supplies, printing, occupancy, depreciation and amortization, which are allocated based on full time equivalents. Also see Note II for allocation of joint costs.

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. Based on tax law changes, the Organization may be subject to unrelated business income tax on certain taxable benefits. Any provision for income taxes associated with these changes is estimated to be immaterial. The Organization has no other activities subject to unrelated business income tax. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC *Topic 740 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.

Change in Accounting Principle

The Organization has implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU modified net asset classification and enhances disclosures regarding liquidity and availability of resources and functional expense reporting. The principle has been applied retrospectively to all periods presented, except for the available resources and liquidity disclosure (see Note 3).

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

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 2018

The financial information as of June 30, 2018 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Reclassifications

Certain amounts in the prior year financial statements were reclassified to conform with the current year presentation.

Subsequent Events

The Organization has evaluated all subsequent events through October 23, 2019, the date the financial statements were available to be issued.

3. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

3. AVAILABLE RESOURCES AND LIQUIDITY, continued

Financial assets of the Organization consist of the following at June 30, 2019:

	Total Financial Assets	Less With Donor Restrictions	Less Board Designated	Available for General Expenditure
Cash and cash equivalents	\$ 133,739	\$ 80,000	\$ -	\$ 53,739
Accounts and pledges receivable	321,662	30,000	-	291,662
Investments	1,730,437	312,934	1,417,503	-
Total financial assets	<u>\$ 2,185,838</u>	<u>\$ 422,934</u>	<u>\$ 1,417,503</u>	<u>\$ 345,401</u>

Board designated amounts would be available for use by majority vote by the Board of Directors.

4. ACCOUNTS AND PLEDGES RECEIVABLE

Accounts and pledges receivable at June 30, 2019 and 2018 are unsecured and consist of the following:

	2019	2018
Accounts and grants receivable	\$ 315,872	\$ 247,887
Pledges receivable	5,790	12,000
Total accounts and pledges receivable	<u>\$ 321,662</u>	<u>\$ 259,887</u>

Pledges receivable are receivable within one year.

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. As of June 30, 2019, contingent grants of \$40,000 met conditions and were recognized as revenue and \$20,000 remains contingent on meeting performance benchmarks. Accordingly, the remaining conditional pledge amount is 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 \$190,000 in contract service revenue through March 2020 once services are performed.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Office furniture, equipment, and vehicles	\$ 182,736	\$ 177,057
Leasehold improvements	11,009	9,750
Website development	<u>92,139</u>	<u>-</u>
	285,884	186,807
Less accumulated depreciation and amortization	<u>180,609</u>	<u>178,402</u>
Net property and equipment	<u><u>\$ 105,275</u></u>	<u><u>\$ 8,405</u></u>

6. INVESTMENTS

Investments at June 30, 2019 and 2018 are stated at fair market value and consist of the following:

	<u>2019</u>	<u>2018</u>
Cash equivalents	\$ 121,402	\$ 95,188
Equity mutual funds	986,906	951,842
Fixed income funds	<u>622,129</u>	<u>634,584</u>
Total investments	<u><u>\$ 1,730,437</u></u>	<u><u>\$ 1,681,614</u></u>
Board designated endowment	\$ 1,417,503	\$ 1,383,843
Donor restricted endowment	<u>312,934</u>	<u>297,771</u>
	<u><u>\$ 1,730,437</u></u>	<u><u>\$ 1,681,614</u></u>

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

7. 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.

8. 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.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2019 and 2018 consist of the following:

	2019	2018
Expiring restrictions:		
Endowment earnings (Note 10)	\$ 100,038	\$ 84,842
Time restricted - housing	50,000	50,000
Program restricted:		
Housing for low-income seniors of color	20,000	30,000
Housing pilot collaboration	-	106,440
Expand services	40,000	-
Total expiring restrictions	210,038	271,282
Perpetual restrictions (Note 10)	212,896	212,896
Total net assets with donor restrictions	\$ 422,934	\$ 484,178

Net assets with perpetual donor restrictions at June 30, 2019 and 2018 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, 2019

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 net assets with perpetual restrictions, (a) the original value of gifts donated to the perpetual endowment (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as net assets with perpetual restrictions, is classified as net assets with expiring restrictions 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, 2019

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, 2019 and 2018 is as follows:

	Without Restrictions	With Expiring Restrictions	With Perpetual Restrictions	Total
June 30, 2019				
Donor restricted	\$ -	\$ 100,038	\$ 212,896	\$ 312,934
Board designated	1,417,503	-	-	1,417,503
	<u>\$ 1,417,503</u>	<u>\$ 100,038</u>	<u>\$ 212,896</u>	<u>\$ 1,730,437</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>

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	Without Restrictions	Expiring Restrictions	Perpetual Restrictions	Total
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	56,527	(11,199)	-	45,328
Balance at June 30, 2018	1,383,843	84,842	212,896	1,681,581
Investment income, net of fees	62,742	16,531	-	79,273
Net realized/unrealized loss on investments	(29,082)	(1,335)	-	(30,417)
Balance at June 30, 2019	<u>\$ 1,417,503</u>	<u>\$ 100,038</u>	<u>\$ 212,896</u>	<u>\$ 1,730,437</u>

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

11. JOINT COST ALLOCATION

The Organization achieved some of its programmatic and fundraising goals through published newsletters. The costs of this activity included joint costs of \$24,970 for 2019 and \$20,565 for 2018 that are not directly attributable to either the program or the fundraising component of the activity. The joint costs were allocated based on content of pages as follows:

	2019	2018
Programs	\$ 10,404	\$ 8,569
Fundraising	14,566	11,996
Total	\$ 24,970	\$ 20,565

12. LEASE COMMITMENTS

The Organization leased office space under a lease agreement through June of 2019, subject to annual increases. Monthly rent during 2019 was \$7,474. Beginning July 2019, the Organization entered into a new lease agreement for expanded space through January 31, 2029. Monthly rent starts at \$16,237 with escalating amounts through the end of the lease. 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, 2019 and 2018 approximated \$89,900 and \$85,800, respectively.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

12. LEASE COMMITMENTS, continued

Future minimum lease payments are as follows:

Year ending June 30, 2020	\$ 162,800
2021	200,700
2022	413,400
2023	425,800
Thereafter	<u>2,625,200</u>
	<u>\$ 3,827,900</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, 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.

Approximately 52% of the Organization's 2019 revenue is from two government agencies (49% from two government agencies during 2018).

Approximately 86% of outstanding receivable balances at June 30, 2019 are due from two government agencies (92% from two government agencies at June 30, 2018).

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, 2019

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, 2019 and 2018 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>
June 30, 2019		
Equity mutual funds	\$ 986,906	\$ 986,906
Fixed income funds	622,129	622,129
June 30, 2018		
Equity mutual funds	951,842	951,842
Fixed income funds	634,584	634,584

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