

NORTHWEST PILOT
PROJECT, INC.

Audited Financial Statements
For The Year Ended June 30, 2020



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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobz, P.C.

Portland, Oregon
October 28, 2020

NORTHWEST PILOT PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2020
(With comparative totals for 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 871,800	\$ 133,739
Accounts and pledges receivable	223,183	321,662
Prepaid expenses	69,820	21,545
Property and equipment, net	82,857	105,275
Investments	1,729,858	1,730,437
 TOTAL ASSETS	 \$ 2,977,518	 \$ 2,312,658
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 37,801	\$ 28,337
Refundable advance- Paycheck Protection Program	185,152	-
Deferred revenue	60,000	-
Deferred rent payable	60,650	-
Total liabilities	343,603	28,337
Net assets:		
Without donor restrictions:		
Undesignated	604,200	338,609
Board designated endowment	1,420,192	1,417,503
Net property and equipment	82,857	105,275
Total without donor restrictions	2,107,249	1,861,387
With donor restrictions	526,666	422,934
Total net assets	2,633,915	2,284,321
 TOTAL LIABILITIES AND NET ASSETS	 \$ 2,977,518	 \$ 2,312,658

See notes to financial statements.

NORTHWEST PILOT PROJECT, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2020
(With comparative totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Contract revenue	\$ 1,371,978	\$ -	\$ 1,371,978	\$ 1,231,916
Contributions and grants	996,477	267,000	1,263,477	602,903
Special events revenue, net	145,922	-	145,922	143,000
Miscellaneous income	2,313	-	2,313	4,819
Net assets released from restrictions:				
Satisfaction of purpose restrictions	45,000	(45,000)	-	-
Satisfaction of time restrictions	115,000	(115,000)	-	-
Total support and revenue	2,676,690	107,000	2,783,690	1,982,638
Expenses:				
Program services:				
Housing and advocacy	1,925,066	-	1,925,066	1,582,451
Transportation	183,904	-	183,904	167,380
Total program services	2,108,970	-	2,108,970	1,749,831
Management and general	110,034	-	110,034	92,633
Fundraising	214,838	-	214,838	145,687
Total expenses	2,433,842	-	2,433,842	1,988,151
Change in net assets before investment income, net	242,848	107,000	349,848	(5,513)
Investment income (loss), net	3,014	(3,268)	(254)	49,162
Change in net assets	245,862	103,732	349,594	43,649
Net assets:				
Beginning of year	1,861,387	422,934	2,284,321	2,240,672
End of year	\$ 2,107,249	\$ 526,666	\$ 2,633,915	\$ 2,284,321

See notes to financial statements.

NORTHWEST PILOT PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2020
(With comparative totals for 2019)

	Program Services			Management and General	Fundraising	Total Expenses	2019 Total Expenses
	Housing and Advocacy	Trans- portation	Total Program Services				
Personnel costs	\$ 735,010	\$ 128,264	\$ 863,274	\$ 80,792	\$ 140,686	\$ 1,084,752	\$ 893,641
Emergency assistance	911,533	-	911,533	-	-	911,533	810,120
Occupancy	159,429	27,116	186,545	16,747	27,281	230,573	89,903
Professional services	39,343	6,060	45,403	3,744	6,181	55,328	54,260
Newsletter	11,564	2,041	13,605	-	8,657	22,262	24,970
Supplies	15,110	1,842	16,952	1,138	27,640	45,730	32,328
Insurance	8,796	1,500	10,296	2,093	1,505	13,894	13,001
Printing	3,105	145	3,250	168	2,376	5,794	8,219
Transportation	1,328	10,359	11,687	87	253	12,027	9,379
Telephone	7,535	1,155	8,690	714	1,163	10,567	9,263
Postage	3,969	616	4,585	381	672	5,638	6,901
Conferences and training	4,132	658	4,790	961	661	6,412	12,021
Miscellaneous	8,719	1,506	10,225	1,577	9,109	20,911	17,392
Depreciation and amortization	15,493	2,642	18,135	1,632	2,651	22,418	6,753
	1,925,066	183,904	2,108,970	110,034	228,835	2,447,839	1,988,151
Less special event expenses netted with revenue	-	-	-	-	(13,997)	(13,997)	-
Total expenses	\$ 1,925,066	\$ 183,904	\$ 2,108,970	\$ 110,034	\$ 214,838	\$ 2,433,842	\$ 1,988,151

See notes to financial statements.

NORTHWEST PILOT PROJECT, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2020
(With comparative totals for 2019)

	2020	2019
Cash flows from operating activities:		
Cash received from contractors, donors and grantors	\$ 2,956,166	\$ 1,981,887
Refundable advance- Paycheck Protection Program	185,152	-
Interest and dividends received	61,171	124,831
Cash paid to suppliers and employees	<u>(2,414,717)</u>	<u>(1,991,593)</u>
Net cash flows from operating activities	<u>787,772</u>	<u>115,125</u>
 Cash flows from investing activities:		
Purchase of property and equipment	-	(103,623)
Proceeds from sale of investments	11,135	377,582
Purchases of investments	<u>(60,846)</u>	<u>(494,560)</u>
Net cash flows from investing activities	<u>(49,711)</u>	<u>(220,601)</u>
 Net change in cash and cash equivalents	738,061	(105,476)
 Cash and cash equivalents - beginning of year	<u>133,739</u>	<u>239,215</u>
 Cash and cash equivalents - end of year	<u>\$ 871,800</u>	<u>\$ 133,739</u>

See notes to financial statements.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

1. DESCRIPTION OF ORGANIZATION

Northwest Pilot Project, Inc. (the Organization) offers opportunities for a life of dignity and hope to very low income seniors in Multnomah County by solving housing and transportation needs. 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 Program

The most robust program is focused on housing low-income and very low-income seniors (age 55 and over) in Multnomah County, who are capable of independent living, with rental housing that is safe, permanent, and affordable to them. The organization does not own or manage the housing. Instead, they leverage over 50 years of relationships with landlords, property managers, and community development partners to secure housing for those who are most vulnerable. Services include: Housing Assessment and Case Management Services, Transportation Services and Retention Services.

Advocacy Program

The organization also advocates for increasing the supply, affordability, and accessibility of housing. They advocate with government entities including the City of Portland, Multnomah County, the State of Oregon, and the federal government. They also direct their advocacy at housing authorities, for-profit and non-profit building owners/property managers, and the media.

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, 2020

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 and Pledges Receivable

Accounts and pledges 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.

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. Investment income is reported as an increase in net assets without donor restrictions unless restricted by the donor in which case it is classified according to the nature of the restriction until appropriated for expenditure.

Revenue Recognition

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. 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, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, Continued

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. As of June 30, 2020, a contribution of \$60,000 has not been recognized in the accompanying statement of activities because the condition on which it depends has not been met. The contribution is contingent on the purchase of an electric vehicle and charger. The Organization is reporting \$60,000 as deferred revenue pending purchase of the vehicle which occurred subsequent to year-end.

Government contracts and grants are conditioned upon certain performance requirements and/or incurring allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization has been awarded cost-reimbursable grants of approximately \$307,000 for the period through June 30, 2021 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred.

The Paycheck Protection Program (PPP) loan guaranteed by the Small Business Administration (SBA) is accounted for as a conditional advance and accrues interest at 1%. The advance may be forgiven partially or in its entirety if certain conditions are met, including incurrence of allowable qualifying expenses (mostly personnel and occupancy costs) and acceptance and approval of the forgiveness application by the lender. Upon satisfaction of the conditions, the advance will be recognized as revenue.

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

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.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. The Organization has no 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 implemented Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists organizations in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 were implemented applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There was no significant impact to the Organization's revenue recognition in either year presented for this change in accounting principle.

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 2019

The financial information as of June 30, 2019 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 28, 2020, the date the financial statements were available to be issued.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

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.

Financial assets of the Organization consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 871,800	\$ 133,739
Accounts and pledges receivable	223,183	321,662
Investments	<u>1,729,858</u>	<u>1,730,437</u>
	2,824,841	2,185,838
Less amounts unavailable for general expenditure:		
Board designations	1,420,192	1,417,503
Net assets with donor restrictions	<u>526,666</u>	<u>422,934</u>
Financial assets available for general expenditure	<u>\$ 877,983</u>	<u>\$ 345,401</u>

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

4. ACCOUNTS AND PLEDGES RECEIVABLE

Accounts and pledges receivable at June 30, 2020 and 2019 are unsecured and consist of the following:

	<u>2020</u>	<u>2019</u>
Accounts and contracts receivable	\$ 217,185	\$ 247,887
Pledges receivable	<u>5,998</u>	<u>5,790</u>
Total accounts and pledges receivable	<u>\$ 223,183</u>	<u>\$ 253,677</u>

Pledges receivable are expected to be received within one year.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Office furniture, equipment, and vehicles	\$ 182,736	\$ 182,736
Leasehold improvements	11,009	11,009
Website development	<u>92,139</u>	<u>92,139</u>
	285,884	285,884
Less accumulated depreciation and amortization	<u>203,027</u>	<u>180,609</u>
Net property and equipment	<u>\$ 82,857</u>	<u>\$ 105,275</u>

6. INVESTMENTS

Investments are stated at fair market value and consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash equivalents	\$ 105,706	\$ 121,402
Exchange traded funds	796,529	523,538
Mutual funds	<u>827,623</u>	<u>1,085,497</u>
Total investments	<u>\$ 1,729,858</u>	<u>\$ 1,730,437</u>
Board designated endowment	\$ 1,420,192	\$ 1,417,503
Donor restricted endowment	<u>309,666</u>	<u>312,934</u>
	<u>\$ 1,729,858</u>	<u>\$ 1,730,437</u>

7. CONTINGENCY

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.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

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. The target minimum for the fund is six months of operating expenses. 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, 2020 and 2019 consist of the following:

	2020	2019
Expiring restrictions:		
Endowment earnings (Note 10)	\$ 96,770	\$ 100,038
Time restricted - housing	25,000	50,000
Program restricted:		
Housing for low-income seniors of color	-	20,000
Expand services	-	40,000
Case manager for culturally specific services AND diversity, equity, and inclusion training	25,000	-
Seniors Coalition	167,000	-
Total expiring restrictions	313,770	210,038
Perpetual restrictions (Note 10)	212,896	212,896
Total net assets with donor restrictions	\$ 526,666	\$ 422,934

Net assets with perpetual donor restrictions at June 30, 2020 and 2019 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, 2020

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, 2020

10. ENDOWMENT, Continued

Spending Policies

Subsequent to year-end, the Organization adopted the following spending policies for endowment funds:

Board Designated Endowment - Appropriations not to exceed 10% of the average market value for the trailing three-year period

Volunteer Recognition Fund - Annual appropriations of approximately \$5,000

Restricted Endowment Fund - Appropriations not to exceed 4% of the average market value for the trailing three-year period

Composition of endowment net assets at June 30, 2020 and 2019 is as follows:

	Without Restrictions	Expiring Restrictions	Perpetual Restrictions	Total
June 30, 2020				
Donor restricted	\$ -	\$ 96,770	\$ 212,896	\$ 309,666
Board designated	1,420,192	-	-	1,420,192
	<u>\$1,420,192</u>	<u>\$ 96,770</u>	<u>\$ 212,896</u>	<u>\$1,729,858</u>
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>

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	Without Restrictions	Expiring Restrictions	Perpetual Restrictions	Total
Balance at June 30, 2018	\$1,383,843	\$ 84,842	\$ 212,896	\$1,499,476
Investment income, net of fees	62,742	16,531	-	79,273
Net realized/unrealized loss on investments	<u>(29,082)</u>	<u>(1,335)</u>	<u>-</u>	<u>(30,417)</u>
Balance at June 30, 2019	1,417,503	100,038	212,896	1,730,437
Investment income, net of fees	35,166	14,546	-	49,712
Net realized/unrealized loss on investments	<u>(32,477)</u>	<u>(17,814)</u>	<u>-</u>	<u>(50,291)</u>
Balance at June 30, 2020	<u>\$1,420,192</u>	<u>\$ 96,770</u>	<u>\$ 212,896</u>	<u>\$1,729,858</u>

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

II. 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 \$22,262 for 2020 and \$24,970 for 2019 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:

	2020	2019
Programs	\$ 13,605	\$ 10,404
Fundraising	8,657	14,566
Total	\$ 22,262	\$ 24,970

II. LEASE COMMITMENTS

The Organization leases office space under a lease agreement beginning July 1, 2019 through January of 2029, subject to annual increases. Monthly rent during 2020 was \$16,237. The Organization is also billed for common area maintenance costs and monthly parking and receives a reduction for property tax abatement. The lease is expensed over the term of the lease on a straight-line basis, resulting in deferred rent payable of \$60,650 at June 30, 2020.

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

Total rent expense for years ended June 30, 2020 and 2019 approximated \$169,900 and \$89,900, respectively.

Future minimum lease payments are as follows:

Year ending June 30, 2021	\$ 200,700
2022	413,400
2023	425,800
2024	425,800
2025	438,600
Thereafter	2,186,600
	\$ 4,090,900

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

12. 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 in excess of FDIC limits at June 30, 2020 is approximately \$678,000.

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 statement of financial position.

Approximately 67% of the Organization's 2020 revenue is from two government agencies and two private entities (52% from two government agencies during 2019).

Approximately 92% of outstanding receivable balances at June 30, 2020 are due from two government agencies (86% from two government agencies at 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.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2020

15. FAIR VALUE MEASUREMENTS, Continued

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, 2020 and 2019 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>
June 30, 2020		
Exchange traded funds	\$ 796,529	\$ 796,529
Mutual funds	827,623	827,623
 June 30, 2019		
Exchange traded funds	523,538	523,538
Mutual funds	1,085,497	1,085,497

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

16. UNCERTAINTY

The Organization has been impacted by the effects of the world-wide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Organization’s financial position is not known.