

NORTHWEST PILOT
PROJECT, INC.

Audited Financial Statements

For The Year Ended June 30, 2024



McDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northwest Pilot Project, Inc.

Opinion

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, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2024, and the 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Northwest Pilot Project, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northwest Pilot Project, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Northwest Pilot Project, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northwest Pilot Project, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Northwest Pilot Project, Inc.'s 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
October 23, 2024

NORTHWEST PILOT PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2024
(With comparative totals for 2023)

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 541,542	\$ 534,216
Government grants receivable	373,659	326,432
Employee retention tax credit receivable	-	260,947
Prepaid expenses	64,261	76,246
Right-of-use assets	948,375	1,120,367
Property and equipment, net	112,009	88,935
Investments	3,478,198	2,785,023
TOTAL ASSETS	\$ 5,518,044	\$ 5,192,166
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 151,473	\$ 26,583
Accrued sabbatical benefit, net	147,004	129,144
Operating lease liabilities	1,041,915	1,215,087
Total liabilities	1,340,392	1,370,814
Net assets:		
Without donor restrictions:		
Undesignated	215,753	807,394
Board designated endowment	3,096,927	2,426,919
Net property and equipment	112,009	88,935
Total without donor restrictions	3,424,689	3,323,248
With donor restrictions	752,963	498,104
Total net assets	4,177,652	3,821,352
TOTAL LIABILITIES AND NET ASSETS	\$ 5,518,044	\$ 5,192,166

See notes to financial statements.

NORTHWEST PILOT PROJECT, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2024
(With comparative totals for 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue:				
Government grants	\$ 3,393,513	\$ -	\$ 3,393,513	\$ 3,089,949
Contributions and grants	361,946	645,648	1,007,594	947,761
Special events revenue	126,346	-	126,346	163,768
Miscellaneous income	7,991	-	7,991	3,965
Net assets released from restrictions:				
Satisfaction of purpose restrictions	313,956	(313,956)	-	-
Satisfaction of time restrictions	100,000	(100,000)	-	-
Total support and revenue	<u>4,303,752</u>	<u>231,692</u>	<u>4,535,444</u>	<u>4,205,443</u>
Expenses:				
Program services	4,226,283	-	4,226,283	3,438,938
Management and general	261,775	-	261,775	296,140
Fundraising	182,781	-	182,781	149,624
Total expenses	<u>4,670,839</u>	<u>-</u>	<u>4,670,839</u>	<u>3,884,702</u>
Change in net assets before investment income and endowment appropriation	(367,087)	231,692	(135,395)	320,741
Investment income, net	440,356	51,339	491,695	276,758
Endowment appropriation	<u>28,172</u>	<u>(28,172)</u>	<u>-</u>	<u>-</u>
Change in net assets	101,441	254,859	356,300	597,499
Net assets:				
Beginning of year	<u>3,323,248</u>	<u>498,104</u>	<u>3,821,352</u>	<u>3,223,853</u>
End of year	<u>\$ 3,424,689</u>	<u>\$ 752,963</u>	<u>\$ 4,177,652</u>	<u>\$ 3,821,352</u>

See notes to financial statements.

NORTHWEST PILOT PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2024
(With comparative totals for 2023)

	Program Services					2024	2023
	Housing	Advocacy	Total Program Services	Management and General	Fundraising	Total Expenses	Total Expenses
Personnel costs	\$ 2,078,544	\$ 183,037	\$ 2,261,581	\$ 370,124	\$ 109,299	\$ 2,741,004	\$ 1,944,312
Emergency assistance	1,333,187	-	1,333,187	-	-	1,333,187	1,369,228
Occupancy	203,545	16,800	220,345	30,669	9,326	260,340	253,552
Professional services	52,809	5,194	58,003	29,312	8,419	95,734	93,128
Newsletter	10,785	-	10,785	-	8,389	19,174	28,158
Supplies	24,003	2,303	26,306	2,728	20,194	49,228	47,278
Insurance	13,201	1,071	14,272	5,630	392	20,294	15,981
Printing	2,938	94	3,032	172	8,456	11,660	1,616
Transportation	17,780	640	18,420	504	86	19,010	16,399
Telephone	16,881	805	17,686	1,491	294	19,471	14,851
Postage	2,528	205	2,733	420	4,024	7,177	3,109
Conferences and training	14,350	4,748	19,098	2,648	469	22,215	27,848
Miscellaneous	13,853	4,726	18,579	4,047	11,950	34,576	31,067
Depreciation and amortization	28,655	2,530	31,185	5,101	1,483	37,769	38,175
	3,813,059	222,153	4,035,212	452,846	182,781	4,670,839	3,884,702
Allocation of shared costs	191,071	-	191,071	(191,071)	-	-	-
Total expenses	<u>\$ 4,004,130</u>	<u>\$ 222,153</u>	<u>\$ 4,226,283</u>	<u>\$ 261,775</u>	<u>\$ 182,781</u>	<u>\$ 4,670,839</u>	<u>\$ 3,884,702</u>

See notes to financial statements.

NORTHWEST PILOT PROJECT, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2024
(With comparative totals for 2023)

	2024	2023
Cash flows from operating activities:		
Cash received from grantors and contributors	\$ 4,745,164	\$ 4,150,265
Interest and dividends received	99,905	64,440
Cash paid to suppliers and employees	(4,273,846)	(3,559,027)
Cash paid for operating leases	(223,034)	(217,632)
Net cash flows from operating activities	<u>348,189</u>	<u>438,046</u>
Cash flows from investing activities:		
Purchase of property and equipment	(60,843)	(57,023)
Proceeds from sale of property and equipment	4,000	-
Proceeds from sale of investments	314,447	31,732
Purchases of investments	(598,467)	(269,081)
Net cash flows from investing activities	<u>(340,863)</u>	<u>(294,372)</u>
Net change in cash and cash equivalents	7,326	143,674
Cash and cash equivalents - beginning of year	<u>534,216</u>	<u>390,542</u>
Cash and cash equivalents - end of year	<u><u>\$ 541,542</u></u>	<u><u>\$ 534,216</u></u>
Supplemental disclosure of cash flow information:		
Non-cash investing and financing activities:		
Obtaining right-of-use assets in exchange for lease liabilities	\$ 23,323	\$ 1,309,071

See notes to financial statements.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

The housing 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, the program leverages 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, Case Management Services, Housing Retention Services including Transportation, home visits, basic supplies, and referrals and information.

Advocacy

The Organization also advocates for increasing the supply, affordability, and accessibility of housing as well as for policies that support more senior-focused services and funding. The program advocates with government entities including the City of Portland, Multnomah County, the State of Oregon, and through national partners with the federal government. The Organization also engages in advocacy and policy education with 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, 2024

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.

Grants Receivable

Government and other grants 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.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Under FASB ASC 842, *Leases*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Leases, Continued

The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

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.

Sabbatical Leave

Beginning in 2023, the Organization implemented a sabbatical plan for long-time employees. Employees who have worked full-time for seven consecutive years are eligible for up to a 40 day sabbatical. Management accrues this benefit over time as eligible years of service are completed and applies a probability percentage to the potential liability based on years of service. Since 2023 was the initial year of implementation, an estimated liability and expense of approximately \$129,000 is reflected in the accompanying financial statements for those eligible for this benefit as of June 30, 2023. The accrued liability at June 30, 2024 is approximately \$147,000.

Revenue Recognition

Government 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 \$339,000 for the period through June 30, 2025 that have not been recognized at June 30, 2024 because qualifying expenditures have not yet been incurred.

The Employee Retention Tax Credit (ERTC), is a credit against certain payroll taxes allowed to an eligible employer for qualifying wages, was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). The Organization recognizes revenue at the time the refund claim is submitted. During the year ended June 30, 2023, the Organization recognized revenue totaling \$260,947 as government grant revenue.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, Continued

Contributions and grants, 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. 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.

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 supporting 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, insurance, telephone, postage, professional services, supplies, printing, occupancy, depreciation and amortization, which are allocated based on full time equivalents. Also see Note 11 for allocation of joint costs relating to newsletter expenses.

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.

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.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Summarized Financial Information for 2023

The financial information as of June 30, 2023 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 23, 2024, 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.

Financial assets available for general expenditure consist of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 541,542	\$ 534,216
Government grants receivable	373,659	326,432
Employee retention tax credit receivable	-	260,947
Investments	<u>3,478,198</u>	<u>2,785,023</u>
	4,393,399	3,906,618
Less amounts unavailable for general expenditure:		
Board designations	3,096,927	2,426,919
Net assets with donor restrictions	<u>752,963</u>	<u>498,104</u>
Financial assets available for general expenditure	<u>\$ 543,509</u>	<u>\$ 981,595</u>

Board designated amounts are available for use by majority vote by the Board of Directors. See Note 8.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

4. OPERATING LEASES

The Organization evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms.

The Organization's operating leases consist of leases for office space and equipment with remaining lease terms of approximately 5 years.

The office lease agreement includes provisions for variable rent payments and common area maintenance charges, which are adjusted periodically for inflation. These amounts are not included in operating lease costs. The Organization also has short-term leases for parking and storage.

The statement of financial position reflects the following right-of-use assets and liabilities at June 30, 2024 and 2023:

	2024	2023
Right-of-use-assets	<u>\$ 948,375</u>	<u>\$ 1,120,367</u>
Operating lease liabilities	<u>\$ 1,041,915</u>	<u>\$ 1,215,087</u>

The following summarizes the weighted average remaining lease term and discount rate as of June 30, 2024 and 2023:

	2024	2023
Weighted average remaining lease term	4.58 years	5.56 years
Weighted average discount rate	2.91%	2.88%

The maturities of operating lease liabilities as of June 30, 2024 are as follows:

Year ending June 30, 2025	\$ 230,855
2026	237,623
2027	244,607
2028	251,795
2029	<u>150,784</u>
	1,115,664
Less discount/interest	<u>(73,749)</u>
Present value of lease liabilities	<u>\$ 1,041,915</u>

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

4. OPERATING LEASES, Continued

The following summarizes the line items in the statement of functional expenses which include the components of lease expense for the years ended June 30, 2024 and 2023:

	2024	2023
Operating lease cost - occupancy	\$ 218,120	218,120
Operating lease cost - miscellaneous	5,331	4,728
Short-term lease cost - occupancy	29,520	29,285
	<u>\$ 252,971</u>	<u>\$ 252,133</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2024 and 2023:

	2024	2023
Office furniture, equipment, and vehicles	\$ 316,069	\$ 289,503
Leasehold improvements	13,336	13,336
Website development	92,139	92,139
	421,544	394,978
Less accumulated depreciation and amortization	309,535	306,043
Net property and equipment	<u>\$ 112,009</u>	<u>\$ 88,935</u>

6. INVESTMENTS

Investments are stated at fair value and consist of the following at June 30, 2024 and 2023:

	2024	2023
Cash equivalents	\$ 261,344	\$ 292,677
Exchange-traded and mutual funds:		
Equity	2,625,166	1,885,202
Bond	591,688	607,144
Total investments	<u>\$ 3,478,198</u>	<u>\$ 2,785,023</u>
Board designated endowment	\$ 3,096,927	\$ 2,426,919
Donor restricted endowment	381,271	358,104
Total investments	<u>\$ 3,478,198</u>	<u>\$ 2,785,023</u>

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

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.

The Organization's ERC filings remain open for potential examination by the Internal Revenue Service through the statute of limitations, which has varying expiration dates extending through 2027. Any disallowed claims resulting from such examinations could be subject to repayment to the federal government.

8. BOARD DESIGNATED NET ASSETS

The "Board Designated Endowment" was established by the Board of Directors in the early 2000's to protect the Organization in the event of unexpected major expenses or shortages of income. The target minimum to be held in reserve for operating expenses in the event of a funding shortfall is six months. Income earned on the balance of this fund is added to the account. 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, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Expiring restrictions:		
Endowment earnings (Note 10)	\$ 178,375	\$ 155,208
Program restricted:		
Eviction prevention	320,466	-
Peer support specialist	49,521	120,000
Emergency fund	-	20,000
Other	<u>1,705</u>	<u>-</u>
Total expiring restrictions	550,067	295,208
Perpetual restrictions- Endowment (Note 10)	<u>202,896</u>	<u>202,896</u>
Total net assets with donor restrictions	<u>\$ 752,963</u>	<u>\$ 498,104</u>

Net assets with perpetual donor restrictions at June 30, 2024 and 2023 consist of donor- restricted endowment funds described below. Also see Note 10, Endowment.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

9. NET ASSETS WITH DONOR RESTRICTIONS, Continued

Volunteer Recognition Fund consists of a donor-restricted endowment of \$15,000, 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 an endowment. 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 an endowment, 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.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

10. ENDOWMENT, Continued

Interpretation of Relevant Law

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.

Spending Policies

The Organization adopted the following spending policies for endowment funds:

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

Volunteer Recognition Fund - Annual appropriations up to \$5,000 while maintaining corpus of \$15,000.

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

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

10. ENDOWMENT, Continued

Composition of endowment net assets at June 30, 2024 and 2023 is as follows:

	Without Restrictions	Expiring Restrictions	Perpetual Restrictions	Total
June 30, 2024				
Donor restricted	\$ -	\$ 178,375	\$ 202,896	\$ 381,271
Board designated	3,096,927	-	-	3,096,927
	<u>\$ 3,096,927</u>	<u>\$ 178,375</u>	<u>\$ 202,896</u>	<u>\$ 3,478,198</u>
June 30, 2023				
Donor restricted	\$ -	\$ 155,208	\$ 202,896	\$ 358,104
Board designated	2,426,919	-	-	2,426,919
	<u>\$ 2,426,919</u>	<u>\$ 155,208</u>	<u>\$ 202,896</u>	<u>\$ 2,785,023</u>

Changes in endowment net assets for the years ended June 30, 2024 and 2023 are as follows:

	Without Restrictions	Expiring Restrictions	Perpetual Restrictions	Total
Balance at June 30, 2022	\$ 1,979,214	\$ 137,649	\$ 202,896	2,319,759
Contributions	205,000	-	-	205,000
Investment income, net of fees	58,160	10,235	-	68,395
Net realized/unrealized gain	178,085	29,784	-	207,869
Transfer (appropriation)	6,460	(22,460)	-	(16,000)
Balance at June 30, 2023	2,426,919	155,208	202,896	2,785,023
Contributions	500,000	-	-	500,000
Investment income, net of fees	68,661	12,417	-	81,078
Net realized/unrealized gain	370,233	38,922	-	409,155
Transfer (appropriation)	(268,886)	(28,172)	-	(297,058)
Balance at June 30, 2024	<u>\$ 3,096,927</u>	<u>\$ 178,375</u>	<u>\$ 202,896</u>	<u>\$ 3,478,198</u>

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

11. JOINT COST ALLOCATION

The Organization achieves some of its programmatic and fundraising goals through published newsletters. The costs of this activity included joint costs of \$19,174 for 2024 and \$28,158 for 2023 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:

	2024	2023
Programs	\$ 10,785	\$ 14,079
Fundraising	8,389	14,079
Total	<u>\$ 19,174</u>	<u>\$ 28,158</u>

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 may at times make discretionary contributions. The Organization contributed approximately \$17,200 to the plan during the year ended June 30, 2024. There were no contributions made during the year ended June 30, 2023.

13. 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. Balances in excess of insured limits were approximately \$352,000 and \$372,000 as of June 30, 2024 and 2023, respectively.

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.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

13. CONCENTRATIONS OF CREDIT RISK, Continued

Approximately 55% of the Organization's 2024 total revenue is from one government agency (58% from two government agencies during 2023). Approximately 72% of outstanding receivable balances at June 30, 2024 is due from one government agency (74% from two government agencies at June 30, 2023).

14. 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.

NORTHWEST PILOT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

14. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis at June 30, 2024 and 2023 are as follows:

	Fair Value	Level 1
June 30, 2024		
Money market funds	\$ 261,344	\$ 261,344
Exchange-traded and mutual funds:		
Equity	2,625,166	2,625,166
Bond	<u>591,688</u>	<u>591,688</u>
Total investments	<u><u>\$ 3,478,198</u></u>	<u><u>\$ 3,478,198</u></u>
June 30, 2023		
Money market funds	\$ 292,677	\$ 292,677
Exchange-traded and mutual funds:		
Equity	1,885,202	1,885,202
Bond	<u>607,144</u>	<u>607,144</u>
Total investments	<u><u>\$ 2,785,023</u></u>	<u><u>\$ 2,785,023</u></u>

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