

NORTHWEST FAMILY SERVICES

Audited Financial Statements

For the Year Ended December 31, 2017



McDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northwest Family Services

Report on the Financial Statements

We have audited the accompanying financial statements of Northwest Family Services (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Family Services as of December 31, 2017, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Northwest Family Services' 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 12, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
May 3, 2018

NORTHWEST FAMILY SERVICES
STATEMENT OF FINANCIAL POSITION
December 31, 2017
(With comparative totals for 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 122,089	\$ 7,555
Contracts receivable	326,869	336,960
Other assets	19,928	20,835
Property and equipment, net	1,275,332	1,226,207
 TOTAL ASSETS	 \$ 1,744,218	 \$ 1,591,557
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 43,046	\$ 70,786
Accrued personnel expenses	71,104	118,855
Contracts payable	6,016	-
Refundable advances	2,052	39,296
Note payable	408,634	417,575
Total liabilities	530,852	646,512
Net assets:		
Unrestricted:		
Undesignated	85,926	67,173
Net property and equipment	866,698	808,632
Total unrestricted	952,624	875,805
Temporarily restricted	260,742	69,240
Total net assets	1,213,366	945,045
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,744,218	 \$ 1,591,557

See notes to financial statements.

NORTHWEST FAMILY SERVICES
STATEMENT OF ACTIVITIES
For the year ended December 31, 2017
(With comparative totals for 2016)

	2017			2016 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Grants and contracts	\$ 2,809,127	\$ 101,269	\$ 2,910,396	\$ 2,565,205
Contributions	59,397	215,415	274,812	120,477
Special event revenue, net of direct expenses of \$11,913 in 2017 and \$12,716 in 2016	54,330	-	54,330	50,237
Program fees	229,571	-	229,571	120,932
Donated materials and services	112,451	-	112,451	16,662
Other income	27,113	-	27,113	55,145
Net assets released from restrictions:				
Satisfaction of purpose restrictions	125,182	(125,182)	-	-
Total support and revenue	3,417,171	191,502	3,608,673	2,928,658
Expenses:				
Program services	3,065,457	-	3,065,457	3,102,737
Management and general	231,896	-	231,896	134,241
Fundraising	42,999	-	42,999	44,049
Total expenses	3,340,352	-	3,340,352	3,281,027
 Change in net assets	 76,819	 191,502	 268,321	 (352,369)
Net assets:				
Beginning of year	875,805	69,240	945,045	1,297,414
 End of year	\$ 952,624	\$ 260,742	\$ 1,213,366	\$ 945,045

See notes to financial statements.

NORTHWEST FAMILY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2017
(With comparative totals for 2016)

	2017						2016 Total
	Program Services			Supporting Services			
	Health Navigation	School-based Programs	Adult Skills and Development	Community Supported Programs	Alcohol and Drug Treatment	Program Services	Total
Personnel costs	\$ 1,143,782	\$ 773,048	\$ 319,610	\$ 106,290	\$ 212,437	\$ 2,555,167	\$ 2,730,835
Professional fees	17,242	43,953	2,815	27,356	4,154	95,520	145,278
Supplies	44,961	20,278	16,299	20,618	3,624	105,780	110,621
Telephone and internet	14,757	10,231	3,317	15,720	1,411	45,436	46,199
Occupancy	9,660	6,615	2,579	774	1,359	20,987	21,954
Travel	29,495	6,868	7,495	1,675	1,322	46,855	47,747
Miscellaneous	59,141	29,605	24,314	9,912	5,061	128,033	164,235
Depreciation	20,615	13,580	5,907	1,896	3,441	45,439	47,411
Interest expense	10,323	6,530	2,942	797	1,648	22,240	26,072
	\$ 1,349,976	\$ 910,708	\$ 385,278	\$ 185,038	\$ 234,457	\$ 3,065,457	\$ 3,340,352
						\$ 42,999	\$ 42,999
						\$ 231,896	\$ 231,896
						\$ 14,488	\$ 14,488
						211	211
						123	123
						156	156
						138	138
						278	278
						21,714	21,714
						1,761	1,761
						3,709	3,709
						46,261	46,261
						3,424	3,424
						22,691	22,691
						3,497	3,497
						1,417	1,417
						607	607
						829	829
						614	614
						47,411	47,411
						167,705	167,705
						47,791	47,791
						25,838	25,838
						\$ 2,692,887	\$ 2,692,887
						118,489	118,489
						106,337	106,337

See notes to financial statements.

NORTHWEST FAMILY SERVICES
STATEMENT OF CASH FLOWS
For the year ended December 31, 2017
(With comparative totals for 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash receipts:		
Grants, contributions, events and contracts	\$ 3,224,298	\$ 2,694,693
Program fees	229,571	120,932
Other income	27,113	55,145
Cash disbursements:		
Payroll and related expenses	2,778,582	2,634,930
Other operating expenses	482,389	450,089
Net cash provided by (used in) operating activities	<u>220,011</u>	<u>(214,249)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(96,536)</u>	<u>-</u>
Net cash used in investing activities	<u>(96,536)</u>	<u>-</u>
Cash flows from financing activities:		
Principal payments on note payable	<u>(8,941)</u>	<u>(8,343)</u>
Net cash used in financing activities	<u>(8,941)</u>	<u>(8,343)</u>
Net increase (decrease) in cash and cash equivalents	114,534	(222,592)
Cash and cash equivalents - beginning of year	<u>7,555</u>	<u>230,147</u>
Cash and cash equivalents - end of year	<u>\$ 122,089</u>	<u>\$ 7,555</u>
Supplemental cash flow information:		
Cash paid for interest	<u>\$ 26,072</u>	<u>\$ 25,838</u>
Cash flows from operating activities:		
Change in net assets	\$ 268,321	\$ (352,369)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	47,411	47,791
(Increase) decrease in:		
Contracts receivable	10,091	(70,701)
Other assets	907	25,082
Increase (decrease) in:		
Accounts payable and accrued personnel expenses	(75,491)	106,473
Contracts payable	6,016	-
Refundable advances	(37,244)	29,475
Net cash provided by (used in) operating activities	<u>\$ 220,011</u>	<u>\$ (214,249)</u>

See notes to financial statements.

NORTHWEST FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

1. THE ORGANIZATION

Northwest Family Services (NWFS or the Organization) is an award-winning Oregon not-for-profit corporation and a leading provider of creative services that reduce poverty. NWFS, located in Clackamas County, has provided programs that support child well-being and family stability for almost 35 years through a holistic and strength-based approach. Most services are provided throughout the Greater Portland Metropolitan Area. NWFS provides a variety of programs ranging from health and social service navigation, parenting, job readiness, placement and retention, youth prevention and intervention services, drug and alcohol treatment, and professional counseling. Funds are provided by grants, contracts, contributions, and fees for instruction. A hallmark of these programs is the focus on strong evidence-based programs, as well as the participation in active research to continue to provide the highest quality of services. Programs include:

Programs Serving Primarily Adults

The Organization's programs serving primarily adults are funded through several funding streams including grants from the Administration for Children and Families Office of Family Assistance, Clackamas County Health, Housing, and Human Services, Clackamas Workplace Partnership, Oregon Community Foundation, Health Share of Oregon, FamilyCare Health, the government of Mexico, Oregon Community Health Workers Association, Oregon Department of Human Services, Oregon Health Authority, Susan G. Komen/Oregon & SW Washington, Oregon Department of Human Services, and Oregon Vocational Rehabilitation Services.

The broad-based services include services that strengthen families such as employment support addressing job readiness as well as group support for unemployed workers. NWFS also provides employment services for people with disabilities and significant barriers. Health and social service programs continue to expand. Vulnerable individuals and families are supported by community health workers (CHWs) and peer support specialists who address physical and mental health. As a Susan G. Komen grantee, NWFS staff provides breast health education and navigation for Latinas. NWFS partners with Clackamas County Division for Children, Youth, and Families, as well as Clackamas Department of Human Services, and Gladstone School District. This partnership includes assisting families navigate the health and social service, crisis mental health, and alcohol and drug services to stabilize their immediate crisis. NWFS provides Mental Health First Aid and Youth Mental Health First Aid classes in English and Spanish. The Organization has focused on educating and destigmatizing the community on mental illness. Helping parents have the skills needed to prepare their children for pre-kindergarten focusing on social-emotional needs, numeracy, and reading has also been a focus. Parenting education of various levels and for a variety of populations is provided. NWFS was approved to offer a Peer Support Specialist certification program through the Oregon Health Authority.

NORTHWEST FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2017

1. **THE ORGANIZATION, Continued**

Programs Serving Primarily Adults, Continued

This year, NWFS provided services to those attending the Mexican Consulate for the Ventanilla de Salud as well as the Bi-national Health Week Activities. The Organization also expanded services to the underserved Micronesian community providing outreach, education, and support to access healthcare. All of these services are available in English and Spanish and some were offered in Marshallese and Chuukese. Supporting families with immigration personal rights was a priority this year. Approximately 20,500 individuals were served.

Programs Serving Primarily Youth

These programs are funded through several sources: Administration for Children and Families, Substance Abuse and Mental Health Services Administration, The Collins Foundation, Oregon Community Foundation, Reynolds and Gladstone School Districts, Clackamas County Health, Housing, and Human Services, Oregon Department of Education Youth Development Council, Portland Timbers, and Care Oregon along with other funding sources. Programs provide support for school site coordination, case management, mentoring, after-school and summer programs such as tutoring, positive youth development and prevention education, service learning, career development, and parent education.

Using a trauma informed and equity lens, positive youth development provides important skills, support, and the motivation youth need to make positive choices. Parents receive the information, skills, and support they need to assist their children during the middle school and high school challenges. Peer Court is a restorative justice approach assisting referred youth who have first time, low-level offenses. NWFS also continued successful gang, truancy, and suicide prevention as well as healthy relationship education. NWFS is the fiscal agent for a Drug Free Community Coalition, Vibrant Futures, that serves the catchment area of North Clackamas School District, provides a wide range of education and community engagement around reducing youth substance abuse. NWFS's child sex trafficking awareness program, Deceptions, provides education for vulnerable youth. Care Oregon funded a pilot project to offer alcohol and drug treatment school-based Clackamas County schools. Multnomah County Mental Health and Addictions Services provided support for those youth not covered by Medicaid. The Gladstone School Foundation and the Portland Timbers supported some of the summer activities including a soccer tournament. NWFS provides a robust program that supports children who are affected by incarceration including mentor matching, education and outreach, general support and activities for youth. This year the program was expanded to serve elementary age children. The various services described above are available in English and Spanish. Approximately 10,000 youth and families are reached annually in schools and community-based organizations.

NORTHWEST FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2017

1. THE ORGANIZATION, Continued

Community Supported Programs

The Community Supported Programs are funded through grants, donations, and fees providing important services to the community at large. Professional counseling services are available to the general population as well as low-income and Spanish-speaking individuals. The youth programs include retreats, workshops, and parent-child seminars. Other fee-based services include Sympto-Pro™ Fertility Education and marriage preparation. Approximately 3,500 people are served annually through these services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as unrestricted or restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Contracts Receivable

Amounts 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.

Property and Equipment

Acquisitions of property and equipment in excess of \$5,000 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

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from 3 to 40 years.

NORTHWEST FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2017

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Revenue Recognition and Deferred Revenue

Revenue from government grants and fees are recognized in the period earned. Deferred revenue represents advance payments from awarding agencies for which services will be provided and expenses will be incurred in future periods.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Assets and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Total donated services for the years ended December 31, 2017 and 2016 were \$112,451 and \$16,662, respectively.

Contributions

Contributions which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when 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.

Expense Allocation

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.

NORTHWEST FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Income Tax Status

Northwest Family Services is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

Income Tax Status, Continued

The Organization follows the provisions of FASB ASC *Topic Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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

Subsequent Events

The Organization has evaluated all subsequent events through May 3, 2018, the date the financial statements were available to be issued.

Summarized Financial Information for 2016

The financial information as of December 31, 2016 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

NORTHWEST FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2017

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2017	2016
Land	\$ 208,835	\$ 208,835
Building	1,236,238	1,236,238
Equipment and leasehold improvements	<u>190,779</u>	<u>106,391</u>
Total property and equipment	1,635,852	1,551,464
Less accumulated depreciation	<u>360,520</u>	<u>325,257</u>
Net property and equipment	<u>\$ 1,275,332</u>	<u>\$ 1,226,207</u>

4. CONTINGENCIES

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

5. NOTE PAYABLE

The note is payable to a financial institution and due in monthly installments of \$2,848, including interest at the 10-year Home Loan Rate plus 2.47% (6.02% at year end); balloon payment due in January 2024 and secured by real property. Balances at December 31, 2017 and 2016 were \$408,634 and \$417,575, respectively.

Under terms of the debt agreement, the Organization is subject to debt covenants. The Organization was in compliance with these covenants as of December 31, 2017.

Future maturities of long-term debt are as follows:

Year ending December 31, 2018	\$ 9,994
2019	10,615
2020	11,207
2021	11,968
2022	12,711
Thereafter	<u>352,139</u>
	<u>\$ 408,634</u>

NORTHWEST FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2017

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Youth Solutions	\$ 28,342	\$ 12,697
Children of Incarcerated Parents	24,799	16,435
Deceptions	10,379	7,193
VDS	27,041	16,231
Health and substance abuse prevention	136,305	2,935
Other	<u>33,876</u>	<u>13,749</u>
Total temporarily restricted net assets	<u>\$ 260,742</u>	<u>\$ 69,240</u>

7. RETIREMENT PLAN

The Organization has a 401(k) Profit Sharing Plan that is made available to substantially all employees. Employees are eligible to participate in the plan after one year of service. Participants may elect to contribute a portion of their compensation. The Organization may make a discretionary match. Contributions to the plan in 2017 and 2016 were approximately \$13,300 and \$12,000, respectively.

8. LEASE COMMITMENT

The Organization leases equipment under an operating lease for approximately \$630 per month, expiring in May 2021. Rent expense paid totaled approximately \$9,900 and \$9,600 for the years ended December 31, 2017 and 2016, respectively.

Approximate future minimum lease commitments are as follows:

Year ending December 31, 2018	\$ 10,100
2019	10,100
2020	9,300
2021	7,600
2022	<u>7,600</u>
	<u>\$ 44,700</u>

NORTHWEST FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2017

9. CONCENTRATIONS OF CREDIT RISK AND COMMITMENTS

The Organization maintains its cash balances in several financial institutions. 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.

Credit risk for receivables is concentrated, with 70% of the balance due from two government agencies at December 31, 2017 (67% at December 31, 2016). In addition, all of the balances receivable are unsecured. Revenues are concentrated with 46% coming from two government agencies for the year ended December 31, 2017 (58% coming from three government agencies for 2016).

II. RELATED PARTY DISCLOSURES

The Organization employs several members of the executive director's immediate family and pays compensation at comparable market rates to those individuals. In addition, the spouse of the Executive Director is a board member.