

**THE NEIGHBORHOOD  
PARTNERSHIP FUND**

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**Audited Financial  
Statements  
Including Reports required by  
OMB Circular A-133**

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**For the Year Ended  
June 30, 2008**



MCDONALD JACOBS

*Jake Jacobs, CPA*

*Susan J. Marks, CPA*

*Dennis C. Johnson, CPA*

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*Karin S. Wandtke, CPA*

*Jill Oswald  
Principal*

*James R. McDonald, CPA  
of counsel*

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
The Neighborhood Partnership Fund  
Portland, Oregon

We have audited the accompanying statement of financial position of The Neighborhood Partnership Fund (a nonprofit corporation) as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from The Neighborhood Partnership Fund's 2007 financial statements, and in our report dated September 18, 2007, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Neighborhood Partnership Fund as of June 30, 2008, 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.

*Strength in Numbers*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2008, on our consideration of The Neighborhood Partnership Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of The Neighborhood Partnership Fund taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*McDonald Jacobson, P.C.*

October 23, 2008

**THE NEIGHBORHOOD PARTNERSHIP FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2008**  
**(With comparative totals for 2007)**

	2008	2007
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,711,713	\$ 1,230,409
Restricted cash	3,997,866	2,133,064
Certificate of deposit	100,781	-
Grants and accounts receivable	937,975	1,220,670
Prepaid expenses and deposits	22,462	96,503
Property and equipment, net	49,641	8,819
 TOTAL ASSETS	 \$ 6,820,438	 \$ 4,689,465
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 74,628	\$ 97,176
Deferred revenue	14,059	83,460
Oregon IDA Initiative funds	3,997,866	2,133,064
Grants payable	802,504	218,954
 Total liabilities	 4,889,057	 2,532,654
Net assets:		
Unrestricted:		
Available for operations	151,597	130,725
Net property and equipment	49,641	8,819
Total unrestricted net assets	201,238	139,544
Temporarily restricted	1,730,143	2,017,267
 Total net assets	 1,931,381	 2,156,811
 TOTAL LIABILITIES AND NET ASSETS	 \$ 6,820,438	 \$ 4,689,465

See notes to financial statements.

**THE NEIGHBORHOOD PARTNERSHIP FUND**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2008**  
**(With comparative totals for 2007)**

	2008			2007 Total
	Unrestricted	Temporarily Restricted	Total	
<b>Support and revenues:</b>				
Foundation grants	\$ 23,500	\$ 1,587,480	\$ 1,610,980	\$ 2,105,746
Other contributions and grants	20,700	292,192	312,892	114,640
Government grants and contracts	339,600	65,000	404,600	185,790
Training and program fees	286,679	-	286,679	272,627
Interest income	46,899	-	46,899	26,088
Net assets released from restrictions:				
Satisfaction of purpose restrictions	<u>2,231,796</u>	<u>(2,231,796)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>2,949,174</u>	<u>(287,124)</u>	<u>2,662,050</u>	<u>2,704,891</u>
<b>Expenses:</b>				
Program services	2,774,222	-	2,774,222	1,906,861
Management and general	100,187	-	100,187	81,383
Fundraising	<u>13,071</u>	<u>-</u>	<u>13,071</u>	<u>23,774</u>
Total expenses	<u>2,887,480</u>	<u>-</u>	<u>2,887,480</u>	<u>2,012,018</u>
Change in net assets	61,694	(287,124)	(225,430)	692,873
<b>Net assets:</b>				
Beginning of year	<u>139,544</u>	<u>2,017,267</u>	<u>2,156,811</u>	<u>1,463,938</u>
End of year	<u>\$ 201,238</u>	<u>\$ 1,730,143</u>	<u>\$ 1,931,381</u>	<u>\$ 2,156,811</u>

See notes to financial statements.

**THE NEIGHBORHOOD PARTNERSHIP FUND**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended June 30, 2008  
(With comparative totals for 2007)

2008

	Program Services											2007 Total
	OCDC & PNDC Coll- aboratives	Bridges to Housing	Resident Services	Conferences and Training	IDA Program	Policy and Advocacy	Other Programs	Total Program Services	Management and general	Fund- raising	Total	
Salaries and related expenses	\$ 90,948	\$ 63,475	\$ 11,967	\$ 46,171	\$ 115,400	\$ 41,237	\$ 20,639	\$ 389,837	\$ 77,807	\$ 6,892	\$ 474,536	\$ 490,278
Contract services	7,979	145,332	5,033	165,843	54,374	63,146	18,205	459,912	-	-	459,912	338,157
Professional fees	2,821	3,159	340	1,783	5,552	404	245	14,304	4,028	450	18,782	21,921
Grants	613,487	871,235	-	31,637	115,170	-	-	1,631,529	-	-	1,631,529	799,676
Program supplies	-	120	-	311	100	476	37	1,044	-	-	1,044	16,550
Rent	5,640	4,535	654	2,566	6,165	2,445	1,410	23,415	4,789	551	28,755	29,538
Telephone and utilities	801	960	619	1,142	3,253	1,241	188	8,204	820	74	9,098	6,606
Postage and shipping	297	288	65	286	4,074	141	81	5,232	293	174	5,699	3,134
Printing	307	922	24	107	2,252	730	66	4,408	4,011	3,790	12,209	20,510
Office and computer expense	2,715	1,714	245	1,040	5,149	844	516	12,223	2,233	181	14,637	13,992
Facility rental, lodging, and food	-	1,002	-	182,122	758	-	-	183,882	-	-	183,882	227,335
Staff travel	520	1,711	265	1,950	2,639	1,227	44	8,356	685	17	9,058	8,781
Conferences and meetings	421	4,202	729	2,600	7,790	2,143	1,245	19,130	2,034	184	21,348	22,391
Insurance	684	563	89	305	790	332	187	2,950	631	77	3,658	3,713
Depreciation	1,390	1,069	171	597	3,391	569	302	7,489	1,176	168	8,833	4,480
Miscellaneous	496	321	47	209	365	775	94	2,307	1,680	513	4,500	4,956
<b>Total expenses</b>	<b>\$ 728,506</b>	<b>\$ 1,100,608</b>	<b>\$ 20,248</b>	<b>\$ 438,669</b>	<b>\$ 327,222</b>	<b>\$ 115,710</b>	<b>\$ 43,259</b>	<b>\$ 2,774,222</b>	<b>\$ 100,187</b>	<b>\$ 13,071</b>	<b>\$ 2,887,480</b>	<b>\$ 2,012,018</b>

See notes to financial statements.

**THE NEIGHBORHOOD PARTNERSHIP FUND**  
**STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2008**  
**(With comparative totals for 2007)**

	2008	2007
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (225,430)	\$ 692,873
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,833	4,480
(Increase) decrease in:		
Grants and accounts receivable	282,695	(156,475)
Prepaid expenses	74,041	(88,054)
Increase (decrease) in:		
Accounts payable and accrued expenses	(22,548)	76,415
Deferred revenue	(69,401)	(78,311)
Grants payable	583,550	54,375
Net cash provided by operating activities	631,740	505,303
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(49,655)	-
Purchase of certificate of deposit	(100,781)	-
Net cash used in investing activities	(150,436)	-
Net increase in cash and cash equivalents	481,304	505,303
Cash and cash equivalents - beginning of year	1,230,409	725,106
Cash and cash equivalents - end of year	\$ 1,711,713	\$ 1,230,409

See notes to financial statements.

**THE NEIGHBORHOOD PARTNERSHIP FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**1. DESCRIPTION OF ORGANIZATION**

The Neighborhood Partnership Fund (NPF) is an Oregon nonprofit corporation which is incorporated as a separate entity as of December 31, 1998. Prior to incorporation, NPF operated as a fund of The Oregon Community Foundation (OCF). NPF operated as a 501 (c)(3) supporting organization of OCF from 1998 until 2006. NPF changed its classification from supporting organization of OCF to a public supported charitable organization in 2006 and received an advance ruling from the Internal Revenue Service dated December 5, 2006.

NPF receives support from public and private foundations, government agencies, and corporations. During the year ended June 30, 2008, NPF received approximately 71% of total support from four entities.

NPF's programs support three primary goal areas:

- To create thriving communities throughout Oregon which meet the housing needs of their residents.
- To increase opportunities for low-income Oregonians to succeed in school and in life, by supporting quality programs that provide interwoven housing and services.
- To increase the household financial resources and stability for low-income Oregonians.

The Program areas of NPF are:

**Policy and Advocacy**

The success of the affordable housing and community development industry is threatened by a lack of support and funding at the local and state level. NPF's policy and advocacy efforts are designed to develop long-term relationships with decision leaders and inspire them with a passion for community development. NPF also strives to support these efforts with research and dissemination of new ideas, creative strategies, and proven approaches.

**Training and Technical Assistance (Conferences and Training)**

NPF's training and technical delivery system has three components. First, NPF strives to provide national caliber trainings in leadership, management, and technical issues. Second, NPF works to nurture peer support networks so that staff have the ability to talk through approaches, problems and concerns in a supportive environment. Third, NPF partners to provide on-site technical assistance as a follow up to group learning so that lessons and new approaches can be fully implemented.

**THE NEIGHBORHOOD PARTNERSHIP FUND**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2008**

**1. DESCRIPTION OF ORGANIZATION, Continued**

**Training and Technical Assistance (Conferences and Training), Continued**

This program is never static, as the needs of the industry change rapidly. Emerging issues that NPF is addressing include succession planning, asset management, long-term portfolio planning, program design and evaluation, resident service program best practices, and leadership for emerging leaders.

Programs in 2007-2008 included training in housing development and asset management. A leadership institute for emerging leaders was completed with significant impact on the participants and their organizations.

**Support for Oregon's Community Development Corporations (OCDC and PNDSC Collaboratives)**

NPF works in partnership with The Enterprise Foundation, Portland's Bureau of Housing and Community Development, and Oregon Housing and Community Services to fund operating expenses of Oregon community development corporations. In 2007-2008, NPF funded 14 groups through the Portland Neighborhood Development Support Collaborative (PNDSC), and 14 groups through the Oregon Community Development Collaborative (OCDC). These collaborative structures assist organizations in developing benchmarks for success, monitoring progress, and addressing organizational challenges. NPF's role as program administrator keeps NPF integrally connected to the industry.

**Bridges to Housing**

In late 2005, NPF was asked to assume a coordinating role for an innovative four county, two state effort to alleviate family homelessness. As the coordinator of Bridges to Housing, NPF acts to centralize program design and delivery, to evaluate impact, to inspire systems improvements within each county, and to support fundraising. In 2007-2008, NPF provided support to four organizations serving high need homeless families in the Portland-Vancouver metro area.

**Resident Services**

Housing, while a critical component of family stability, is not always enough to allow low income families and individuals to make the most of their opportunities and succeed. NPF's resident services project seeks to measure both individual outcomes (better grades in school, financial literacy) and system-related outcomes (lower involuntary turnover, lower maintenance costs).

**THE NEIGHBORHOOD PARTNERSHIP FUND**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2008**

**1. DESCRIPTION OF ORGANIZATION, Continued**

**Asset Building through Individual Development Accounts (IDA)**

NPF is the nonprofit partner for the State of Oregon's Individual Development Account (IDA) Tax Credit Program. NPF raises funds through the sale of tax credits that will be used to match individuals' savings towards higher education, a new home purchase, or a small business startup. The funds are utilized by a network of statewide partner organizations that provide financial literacy training, enterprise development assistance, and homeownership counseling.

**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

NPF considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents. Restricted cash includes cash designated for specific purposes by grantors.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 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 computed on the straight-line method based on estimated useful lives of three to ten years.

Grants Receivable

Unconditional grants received from other organizations are recorded as revenue when NPF is notified of the award.

**THE NEIGHBORHOOD PARTNERSHIP FUND**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2008**

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

Deferred Revenue

Proceeds from trainings and conferences are recognized as revenues in the period the event occurs. Amounts received in advance for trainings and conferences are recorded as deferred revenue.

Grants Payable

Grants payable to other organizations are recorded as expense when they are approved by the Board of Directors for payment. Grants payable at June 30, 2008 are payable within one year.

Grants received on behalf of others, in which NPF has no variance power over the grants, are recorded as a liability. Contributions received under the IDA program, in which NPF has no variance power, are included in grants payable on the statement of financial position and approximate \$3,998,000 and \$2,133,000, at June 30, 2008 and 2007, respectively.

Unrestricted and Restricted Support, Revenues, and Contributions

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

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.

Income Tax Status

The Neighborhood Partnership Fund is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code. 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.

Summarized Financial Information for 2007

The accompanying financial information as of and for the year ended June 30, 2007 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

**THE NEIGHBORHOOD PARTNERSHIP FUND**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2008**

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

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Use of Estimates

The preparation of financial statements in conformity with 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.

**3. GRANTS AND ACCOUNTS RECEIVABLE**

Grants and accounts receivable at June 30, 2008 are expected to be received as follows:

Within one year	\$ 722,975
In two to five years	<u>215,000</u>
Total grants receivable	<u>\$ 937,975</u>

**4. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30:

	<u>2008</u>	<u>2007</u>
Furniture and equipment	\$ 97,014	\$ 82,579
Software	<u>35,220</u>	<u>-</u>
Total property and equipment	132,234	82,579
Less accumulated depreciation	<u>82,593</u>	<u>73,760</u>
Property and equipment, net	<u>\$ 49,641</u>	<u>\$ 8,819</u>

**THE NEIGHBORHOOD PARTNERSHIP FUND**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2008**

**5. LINE OF CREDIT**

NPF has a \$150,000 revolving line of credit with Wells Fargo Bank. The line of credit bears interest at prime plus 2.0% and is payable on demand. There were no outstanding advances on the line at June 30, 2008 and 2007.

**6. RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30 are restricted for the following programs:

	<u>2008</u>	<u>2007</u>
PNDSC & OCDC Collaboratives	\$ 31,952	\$ 2,546
Resident services	263,672	70,903
Bridges to Housing	1,043,663	988,171
Trainings and conferences	320,171	893,850
Policy	39,855	52,641
IDA operating support	30,830	-
Asset building	<u>-</u>	<u>9,156</u>
Total temporarily restricted net assets	<u>\$ 1,730,143</u>	<u>\$ 2,017,267</u>

**7. RETIREMENT PLAN**

NPF established a retirement plan whereby all employees over 20-1/2 years of age are eligible to participate. Employees may enter the plan on the first day of any month. NPF makes discretionary contributions to the plan for employees with over 1,000 hours of service in the plan year. NPF contributed \$32,882 during the year ended June 30, 2008, and \$33,885 during the year ended June 30, 2007. Amounts contributed by NPF become 100% vested after the employee has performed three years of service.

**8. LEASE COMMITMENTS**

NPF rents office space under an operating lease agreement in effect through February 2009. For the years ended June 30, 2008 and 2007, rent expense approximated \$29,000 and \$30,000, respectively. Future minimum lease payments through June 30, 2009 total \$19,600.

**THE NEIGHBORHOOD PARTNERSHIP FUND**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2008**

**9. 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.

**10. RELATED PARTY DISCLOSURES**

The Organization maintains cash balances approximating \$5.3 million at June 30, 2008 in three banks in which three board members are employed.

**11. CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS**

The Organization maintains its cash balances in several financial institutions located in Portland. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000 per institution (\$250,000 effective October 3, 2008 through December 31, 2009). At June 30, 2008 and 2007, uninsured balances approximated \$5,287,000 and \$3,286,000, respectively. In July 2008, the Organization disbursed funds totaling \$2 million.

**REPORTS REQUIRED BY OMB CIRCULAR A-133**

**THE NEIGHBORHOOD PARTNERSHIP FUND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended June 30, 2008**

Federal Grantor/Pass-through Grantor Program title	CFDA Number	Contract Number	Federal Expend- itures
US Department of Housing and Urban Development:			
Technical Assistance	14.239		\$ 43,545
Passed through Enterprise Foundation:			
Capacity Building	14-XXX	B-00-NC-MD- 0006	<u>648,061</u>
Total expenditures of federal awards			\$ <u><u>691,606</u></u>

See notes to the schedule of expenditures of federal awards.

**THE NEIGHBORHOOD PARTNERSHIP FUND  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS**

**For the year ended June 30, 2008**

**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes all federal grant activity of The Neighborhood Partnership Fund and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

Total expenditures of federal awards	\$	691,606
Non federal expenditures		<u>2,195,874</u>
 Total expenses per Statement of Activities	 \$	 <u><u>2,887,480</u></u>

**2. SUBRECIPIENTS**

Of the federal expenditures presented in the schedule, The Neighborhood Partnership Fund provided federal awards to subrecipients as follows:

Program Title	Grant or CFDA Number	Amount Provided to Sub- recipients
Capacity Building	B-00-NC-MD-0006	\$ 567,546

See notes to the schedule of expenditures of federal awards.

**THE NEIGHBORHOOD PARTNERSHIP FUND  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
For the year ended June 30, 2008**

Finding No. 1: Living Cities - Grant number: B-00-NC-MD-0002  
Subrecipient Responsibilities

Condition

The Neighborhood Partnership Fund is responsible for reporting the amount of federal funds awarded to subrecipients. The Neighborhood Partnership Fund did not report to subrecipients the amount of federal funds on grants under the Living Cities Program.

Recommendation:

The Neighborhood Partnership Fund should take immediate action and inform subrecipients of the amount and source of federal funds awarded.

Action Taken:

On August 23, 2007, The Neighborhood Partnership Fund notified the subrecipients in separate mailings of the amount of federal awards granted for the year ended June 30, 2007.

Status:

We verified by examining correspondence, that all subrecipients of the Living Cities program were notified of the amount of federal funds awarded for the year ended June 30, 2007.



MCDONALD JACOBS

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
The Neighborhood Partnership Fund  
Portland, Oregon

We have audited the financial statements of The Neighborhood Partnership Fund (a nonprofit organization) as of and for the year ended June 30, 2008 and have issued our report thereon dated October 23, 2008. We conducted our audit in accordance auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered The Neighborhood Partnership Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that the misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Neighborhood Partnership Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the finance committee, management, others within the Organization, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*McDonald Jacobz, P.C.*

October 23, 2008



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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133**

To the Board of Directors  
The Neighborhood Partnership Fund  
Portland, Oregon

**Compliance**

We have audited the compliance of The Neighborhood Partnership Fund with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Neighborhood Partnership Fund's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The Neighborhood Partnership Fund's management. Our responsibility is to express an opinion on The Neighborhood Partnership Fund's compliance based on our audit.

We conducted our audit of compliance in with accordance auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Neighborhood Partnership Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of The Neighborhood Partnership Fund's compliance with those requirements.

In our opinion, The Neighborhood Partnership Fund complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

#### Internal Control Over Compliance

The management of The Neighborhood Partnership Fund is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The Neighborhood Partnership Fund's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A control deficiency in an organization's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the finance committee, management, others within the Organization, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*McDonald Jacobz, P.C.*

October 23, 2008

**THE NEIGHBORHOOD PARTNERSHIP FUND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year ended June 30, 2008**

Section I: Summary of Auditor's Results

**Financial Statements**

- Type of auditor's report issued: unqualified
  
- Internal control over financial reporting:
  - Material weakness(es) identified? \_\_\_yes Xno
  - Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_yes Xnone reported
  
- Noncompliance material to financial statements noted? \_\_\_yes Xno

**Federal Awards**

- Internal control over major programs:
  - Material weakness(es) identified? \_\_\_yes Xno
  - Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_yes Xnone reported
  
- Type of auditor's report issued on compliance for major programs: unqualified
  
- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_yes Xno
  
- Identification of major programs:
  - CFDA Number: 14-XXX, B-00-NC-MD-0006
  - Name of Federal Program: Capacity Building
  
- Dollar threshold used to distinguish between type A and type B programs: \$300,000
  
- Auditee qualified as low-risk auditee \_\_\_yes Xno

**THE NEIGHBORHOOD PARTNERSHIP FUND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued**  
**For the year ended June 30, 2008**

**Section II: Financial Statements Findings**

There were no audit findings.

**Section III: Federal Award Findings and Questioned Costs**

There were no audit findings.

**THE NEIGHBORHOOD PARTNERSHIP FUND  
CORRECTIVE ACTION PLAN  
For the year ended June 30, 2008**

None: There were no audit findings.