

**PORTLAND OPPORTUNITIES
INDUSTRIALIZATION CENTER, INC.**

**AUDITED FINANCIAL STATEMENTS
For the Years Ended
June 30, 2019 and 2018**

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Independent Auditor's Report

**To The Board of Directors of
Portland OIC**

I have audited the accompanying statements of Portland Opportunities Industrialization Center (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 controls relevant to the entity'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 entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Portland Opportunities Industrialization Center as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Fred L. Carter, C.P.A.
Portland, OR

May 27, 2020

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 190,093	\$ 161,230
Grants/Accounts Receivable	1,590,394	853,757
Pledges Receivables	100,000	150,000
Notes Receivable/Payroll Advances	350	100
Deposits	21,671	19,671
Property and Equipment, Net	<u>550,761</u>	<u>638,362</u>
 TOTAL ASSETS	 <u>\$ 2,453,269</u>	 <u>\$1,823,120</u>
 <u>LIABILITIES AND NET ASSETS</u>	 <u>2019</u>	 <u>2018</u>
<u>Liabilities</u>		
Accounts Payable	\$ 514,883	\$ 236,498
Accrued Wages & Related Liabilities	544,631	517,599
Accrued Vacation Payable	143,630	155,943
Line-of Credit, BOW	290,000	-
Unearned Revenue	-	5,000
Due To OIC of America	32,057	32,057
Notes Payable, Net	<u>844,965</u>	<u>864,928</u>
 Total Liabilities	 <u>2,370,166</u>	 <u>1,812,025</u>
 <u>Net Assets</u>		
Without Donor Restriction	(83,872)	(188,829)
Temporarily Restricted Net Assets	<u>166,975</u>	<u>199,924</u>
 Total Net Assets	 <u>83,103</u>	 <u>11,095</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,453,269</u>	 <u>\$1,823,120</u>

The Accompanying Notes Are An Integral
Part of These Financial Statements

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2019 and 2018

	June 30, 2019			Totals 2018
	Without Donor Restriction	With Donor Restriction	Totals	
SUPPORT AND REVENUE				
Contracts	\$ 9,144,179	\$ -	\$ 9,144,179	\$ 7,571,366
Foundation Grants	234,645	62,800	297,445	821,991
Fundraising	391,116	-	391,116	464,635
Donations	359,631	-	359,631	578,935
Miscellaneous	54,514	-	54,514	17,246
In-Kind Contributions	51,460	-	51,460	-
Interest Income	43	-	43	45
Net Assets Released From Restrictions	<u>82,949</u>	<u>(82,949)</u>	<u>-</u>	<u>-</u>
Total Support & Revenue	<u>10,318,537</u>	<u>(20,149)</u>	<u>10,298,388</u>	<u>9,454,218</u>
EXPENSES:				
Program Services:				
Education	4,095,960	-	4,095,960	4,563,236
Youth & Family Services	2,482,829	-	2,482,829	-
Employment & Training	1,435,028	-	1,435,028	2,908,169
Community Outreach	<u>759,234</u>	<u>-</u>	<u>759,234</u>	<u>791,880</u>
Total Program Services	8,773,051	-	8,773,051	8,263,285
Management & General	879,391	-	879,391	851,111
Fundraising	<u>573,895</u>	<u>-</u>	<u>573,895</u>	<u>455,778</u>
Total Expenses	<u>10,226,337</u>	<u>-</u>	<u>10,226,337</u>	<u>9,570,174</u>
Change In Net Assets	92,200	(20,149)	72,051	(115,956)
Adjustments to Net Assets	(43)	-	(43)	(230)
Net Assets, Beginning of Year	<u>(188,829)</u>	<u>199,924</u>	<u>11,095</u>	<u>127,281</u>
NET ASSETS, END OF YEAR	<u>\$(96,672)</u>	<u>\$ 179,775</u>	<u>\$ 83,103</u>	<u>\$ 11,095</u>

The Accompanying Notes Are An Integral
Part of These Financial Statements

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER
STATEMENT OF FUNCTIONAL EXPENSES
JUNE 30, 2019

PROGRAM SERVICES

	Alternative Education	Youth & Family Services	Employment & Training	Community Outreach	Total Program Expenses	General & Admin.	Fundraising	Total Expenses
Wages	\$2,391,096	\$1,321,190	\$818,075	\$485,985	\$5,016,346	\$567,909	\$152,897	\$5,737,152
Payroll Taxes	257,869	127,238	76,211	46,891	508,209	54,429	14,551	577,189
Benefits/Vacation Expense	361,238	176,247	102,342	86,245	726,072	51,916	17,336	795,324
Pension Expense	82,444	55,955	17,717	15,661	171,777	33,325	2,664	207,766
Workers Compensation	11,511	5,680	3,401	2,093	22,685	2,430	650	25,765
Travel Expenses	2,056	41,573	28,482	401	72,512	15,042	592	88,146
Repairs & Maintenance	15,943	1,777	738	287	18,745	748	747	21,265
Rent Expenses	387,333	59,569	41,364	1,123	489,389	3,560	1,277	494,226
Utilities/Security	84,061	10,897	8,024	2,550	105,532	-9,144	6,950	103,338
Janitorial Expenses	49,192	6,401	6,737	456	62,786	-4,022	1,208	59,972
Small Tool & Equipment	5,536	8,194	12,993	875	27,598	-6,116	845	22,327
Equipment Lease	23,898	7,080	7,173	1,755	39,906	-1,452	3,184	41,638
Supplies	27,321	42,416	36,591	3,492	109,820	1,760	15,014	126,614
Board & Meeting Expenses	1,979	4,329	345	48	6,701	5,812	3,132	15,645
Events Expenses	2,878	444	-	-	3,322	4,498	64,623	72,443
Client Assistance	11,954	185,760	92,759	4,992	295,465	674	1,580	297,719
School Lunches	100,369	18	-	-	100,387	-	-	100,387
Program Activities	7,789	97,420	5,714	15,836	126,759	1,931	15,404	144,094
Transportation Expense	17,788	41,633	29,186	22,678	111,285	2,965	912	115,162
Professional Services	90,297	189,435	91,909	38,543	410,184	62,268	196,419	668,871
Merchant/Bank Fees	1,714	580	191	134	2,619	3,425	2,914	8,958
Interest/Amortization Expense	23,218	10,717	5,083	4,337	43,355	4,966	759	49,080
Information Technology	15,232	9,087	4,877	1,767	30,963	2,625	4,458	38,046
Insurance	6,820	6,236	3,419	1,160	17,635	2,515	1,175	21,325
Staff Development	7,011	12,763	5,196	468	25,438	5,989	2,230	33,657
Telephone/Internet	44,544	29,857	16,155	7,857	98,413	15,723	6,870	121,006
Postage/Printing	4,585	2,231	731	707	8,254	3,925	1,573	13,752
Taxes & Licenses	156	-	-	-	156	760	-	916
Dues & Subscriptions	2,095	6,468	1,392	55	10,010	26,517	207	36,734
In Kind Donations	-	-	-	-	-	100	51,460	51,560
Scholarships	7,745	498	-	1,562	9,805	14,725	-	24,530
Depreciation Expense	50,288	21,136	17,297	11,276	99,997	8,877	2,264	111,138
Miscellaneous Expenses	-	-	926	-	926	691	-	1,617
Total Expenses	\$4,095,960	\$2,482,829	\$1,435,028	\$759,234	\$8,773,051	\$879,391	\$573,895	\$10,226,337

The Notes to the Financial Statements are an Integral Part of these Statements

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

	PROGRAM SERVICES					2018 Total Expenses
	Alternative Education	Community Outreach	Employment & Training Services	Total Program Expenses	Management & General Expenses	
Wages	\$2,678,555	\$1,670,099	\$508,640	\$4,857,294	\$476,303	\$190,120
Payroll Taxes	247,001	150,694	62,054	459,749	40,247	17,271
Benefits/Vacation Expense	398,609	266,409	70,514	735,532	45,841	23,457
Pension Expense	75,162	55,647	22,220	153,029	23,852	2,791
Workers' Compensation	11,190	6,975	2,725	20,890	2,065	829
Travel Expense	7,052	57,128	7,040	71,220	12,075	6,629
Facility Rental	398,753	55,815	10,216	464,784	3,577	218
Utilities/Security	41,533	15,902	2,133	59,568	1,143	1,038
Telephone Expense	43,786	42,003	8,330	94,119	6,633	2,862
Repairs & Maintenance	70,045	10,957	1,417	82,419	1,576	257
Equipment Lease	18,529	6,000	587	25,116	1,096	922
Equipment Maintenance	526	-	-	526	145	-
Supplies	15,072	10,274	4,397	29,743	7,632	4,611
Client Assistance	160,166	203,366	22,208	385,740	10,329	4,296
Textbooks/Instructional Materials	1,843	440	-	2,283	-	-
Professional Services	132,024	194,757	42,735	369,516	101,763	95,987
Data Processing	6,159	3,782	712	10,653	632	203
Support Services	399	55,610	1,477	57,486	747	-
Events Expense	-	-	-	-	-	-
Interest Expense	27,306	13,908	314	41,528	20,453	62,538
Insurance Expense	15,249	9,427	1,386	26,062	1,386	5,148
Staff Development	10,260	15,060	1,787	27,107	32,218	277
Postage/Printing	2,003	1,331	148	3,482	1,712	12,329
Taxes & Licenses	3,625	-	-	3,625	400	5,091
Dues & Subscriptions	4,146	2,187	328	6,661	11,161	-
Meeting/Board Expenses	872	1,703	799	3,374	7,366	385
Lunches	106,450	-	-	106,450	-	9,461
Software/Tech Support	6,508	7,500	505	14,513	6,100	2,764
Student Incentives	5,755	6,771	3,085	15,611	-	23,377
Contributions	-	-	-	-	-	-
Small Tools & Equipment	25,036	8,255	757	34,048	14,191	251
Depreciation Expense	49,465	31,345	5,061	85,871	10,606	4,113
Transportation	157	4,824	10,305	15,286	8,684	1,930
Miscellaneous Expenses	-	-	-	-	734	-
					444	
Total Expenses	\$4,563,236	\$2,908,169	\$791,880	\$8,263,285	\$851,111	\$455,778
						\$9,570,174

The Notes to the Financial Statements are an Integral Part of these Statements

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2019</u>	<u>2018</u>
Change in Net Assets	\$ 72,051	\$(115,956)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	111,138	96,485
(Increase) Decrease In Assets:		
Grants/Accounts Receivable	(736,637)	(71,034)
Pledges Receivable	50,000	(150,000)
Notes Receivable/Payroll Advances	(250)	100
Deposits	(2,000)	-
Increase (Decrease) in Liabilities & Net Assets:		
Accounts Payable	278,385	14,712
Accrued Wages & Related Liabilities	27,032	62,527
Accrued Vacation Payable	(12,313)	8,451
Unearned Revenue	(5,000)	5,000
Due To OIC of America	-	32,057
Bank of the West Line-Of-Credit	290,000	-
Adjustment to Net Assets	(43)	(230)
Net Cash Provided (Used) By Operating Activities	<u>72,363</u>	<u>(117,888)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property & Equipment	(23,537)	(42,709)
Net Cash Provided (Used) By Investing Activities	<u>(23,537)</u>	<u>(42,709)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Notes Payable	(19,963)	(19,184)
Net Cash Provided (Used) By Financing Activities	<u>(19,963)</u>	<u>(19,184)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	28,863	(179,781)
Cash and Cash Equivalents Cash, Beginning of Year	<u>161,230</u>	<u>341,011</u>
Cash and Cash Equivalents, End of Year	<u>\$ 190,093</u>	<u>\$ 161,230</u>
SUPPLEMENTAL DATA: Interest Paid	<u>\$ 47,801</u>	<u>\$ 67,129</u>

The Accompanying Notes Are An Integral
Part of These Financial Statements

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - NOTE 1 - NATURE OF THE ORGANIZATION

Organization

Portland Opportunities Industrialization Center, Inc. (Portland OIC) was incorporated in the State of Oregon under the provisions of the Oregon Nonprofit Corporation Act. Portland OIC is part of an international network of community based centers which provide education, training and job placement services to disconnected people. Portland OIC's focus is to serve youth ages 14-25 through Rosemary Anderson High School (RAHS), which is accredited by the Northwest Association of Accredited Schools and employment training and leadership programs.

Programs

Portland OIC provides the following program services:

Alternative Education

Rosemary Anderson High School: a private alternative high school providing accredited educational opportunities to students unable to succeed in a traditional school environment. RAHS campuses in North Portland and East Multnomah County offer high school diploma and General Equivalency Degree (GED) courses.

After School Program: provides RAHS students a safe after-school environment and facilitate tutoring, academic support, leadership experience, arts enrichment, and community service opportunities.

Transitions: provides RAHS seniors and graduates through age 25 with post-graduation support to promote success in college enrollment and retention, job search and retention, crisis management and self-sufficiency.

Young Parent Program: utilizes an evidence-based curriculum and year-round pro-social activities to pregnant and parenting youth through age 25 in order to develop parenting skills and healthy parent-child relationships.

Employment & Training Services

Work Opportunity Training (WOT): provides flexible employment preparation and career exposure opportunities designed to increase youth economic self-sufficiency through career exploration, gaining financial literacy, resume and interview preparation, job referrals, and internships.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - NOTE 1 - NATURE OF THE ORGANIZATION (CONT.)

Career Prep: in partnership with Worksystems, Inc. unites local businesses and professionals to provide employment and finance training, career coaching and planning, and real work experience for youth through age 25.

Leadership: a collection of opportunities for RAHS students to increase self-confidence and develop communication, organization, and conflict resolution skills through exercises in self-reflection and taking on educator and leadership roles with peer and non-peer groups.

Youth and Family Services

Community Healing Initiative: case management, counseling, and healing therapy services for families of youth currently or recently involved in the juvenile or criminal justice system.

Mentoring: a volunteer program utilizing best practice methods to create strong relationships between adult mentors and RAHS youth mentees and to engage youth in community-based activities alongside a positive adult influence.

Youth & Community Grant: a community-based grant designed to assist existing efforts in improving education and workforce success for youth who are disconnected from, or are at risk of disconnecting from the education system and labor market. The target population of this grant are Opportunity and Priority Youth. Opportunity Youth are youth age 16 and older who are disconnected from the education system and the labor market.

Workforce & Innovation Grant: a support innovative and sustainable effort that improves education and/or workforce success for youth ages 6 - 24, with an emphasis on youth ages 14 - 24 who are disconnected from school and/or work. This is intended to support programming that includes educational re-engagement, career connected learning, post-secondary access, and support services to ensure stability and success for youth facing significant barriers to education and employment.

Community Outreach

Street Level Gang Outreach: a partnership between Portland OIC and the cities of Portland and Gresham which deploys outreach workers to neighborhoods across Multnomah County with the goal of preventing youth violence and connecting gang-impacted youth with positive alternatives.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Portland OIC's financial statements have been prepared on the accrual basis method of accounting in accordance with generally accepted accounting principles.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property & equipment are stated at cost. Donated property & equipment is stated at fair market value at the date of donation. Property & equipment is depreciated on the straight line method over five years. Buildings and building improvements are depreciated over thirty (30) years. Portland OIC capitalization threshold is \$1,800.

Revenue Recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as Net Assets With Donor Restriction. When the passage of time or programmatic purposes specified by the donor has been met those restricted net assets are reclassified to Net Assets Without Restriction in the statement of activities as "net assets released from restrictions"

Functional Allocation of Expenses

The Statement of Activities reports expenses by both natural and functional classification. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs are directly applied to the related program or supporting service category when identifiable and possible. General operating costs across nearly all natural categories are allocated on the basis of estimates of time and effort.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash & Cash Equivalents

Cash and cash equivalents included all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Nature of Activities

Portland OIC is supported primarily through donor contributions and government grants. Approximately 30% and 33% of Portland OIC's support for the years ended June 30, 2019 and 2018, respectively, came from Portland Public Schools. The future involvement of Portland Public Schools is not determinable and depends on the economic issues for the city of Portland.

Loan Fees

Loan fees are being amortized using the straight-line method over the terms of the financing. Accounting principles generally accepted in the United States of America require the effective yield method be used to amortize Loan fees; however, the effect of using the straight-line method is not materially different from the results that would be obtained using the effective yield method.

Loan fees are recorded at cost and amortized over the term of the notes. The unamortized cost is recorded as a reduction of the note payable.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Net Assets With Donor Restriction:

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or programmatic purposes specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. POIC had no donor-imposed restricted net assets that are perpetual in nature, for the year ended June 30, 2019 and 2018.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue, and expenses is based on the existence, or absence, of donor-imposed restrictions. It requires that the amounts for each of classes of net assets be displayed in the Statement of Financial Position and that the amount of change in each of those classes of net assets be displayed in a Statement of Activities.

In accordance with U.S. generally accepted accounting principles (U.S. GAAP), POIC reports information regarding its financial position and activities according to two classes of net assets: Net Assets Without Donor Restriction and Net Assets With Donor Restriction.

Net Assets Without Donor Restriction:

Net assets available for general use to support operations. The only limits on the use of net assets without restriction are broad limits resulting from the nature of POIC, the environment in which it operates, and the purpose specified in its corporate documents.

Income Taxes

POIC is exempt from federal, state, and local income tax under *Section 501(c)(3) Internal Revenue Code* and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, POIC has been determined by the Internal Revenue Service (IRS) not to be a "private foundation within the meaning of Section 509(a) of the code.

ASC 740 requires that organizations must recognize the tax impact of a tax position taken on a tax return when it is more likely than not that the position will not be sustained on audit, based on the technical merits of the position. POIC does not believe there are any material uncertain tax positions and, accordingly, has not recognized any liability for unrecognized tax benefits.

POIC is subject to routine audits by several taxing jurisdictions; however, there are currently no audits for any tax periods in progress. POIC believes it is no longer subject to income tax examinations for years prior to 2016.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Change In Accounting Principle

In August 2016, The Financial Accounting Standards Board (FASB) issued ASU 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities. ASU 2016-14 amends the current reporting model for non-profit organizations and enhances their required disclosures. The major changes impacting POIC include: (1) requiring the presentation of only two classes of net assets now titled "net assets with donor restriction" and net assets without donor restriction", (2) requiring that all non-profits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (3) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, and (4) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of non-profit financial statements. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017. POIC has adopted ASU 2016-14 as of and for the year ended June 30, 2018. POIC changed its presentation of net assets and expanded footnote disclosures as required by ASU 2016-14.

Contributions and Pledges Receivable

Contributions received, including unconditional promises to give, if any, are reported at their net realizable values. Gifts of cash and other assets are reported as with donor restriction if they are received with donor stipulations that limit their use or if they are intended to support activities in future periods. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
June 30, 2019

NOTE 3 - CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject POIC to concentration of credit risk, consists of cash and cash equivalents. At times, POIC may have cash deposits at financial institutions which exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits which is \$250,000 per depositor, per insured bank, and for each account ownership category including, checking and savings accounts, money market accounts, and certificates of deposit.

POIC did not have a potential credit risk, for the years ended June 30, 2019 and 2018.

NOTE 4 - DEPOSITS

	2019	2018
Deposits consists of the following:		
Security Deposit - Rockwood	\$ 14,528	\$ 14,528
Prepaid Rent - Raindrop & 99E	3,810	3,810
Other Deposits	3,333	1,333
	\$ 21,671	\$ 19,671

NOTE 5 - PROPERTY & EQUIPMENT, NET

	2019	2018
Property & equipment net is as follows:		
Furniture & Equipment	\$ 364,013	\$ 340,476
Autos	46,147	46,147
Building	66,787	66,787
Land	10,665	10,665
Building Improvements	1,377,807	1,377,807
	1,865,419	1,841,882
Less Accumulated Depreciation	(1,314,658)	(1,203,520)
Property & Equipment, Net	\$ 550,761	\$ 638,362

NOTE 6 - EVALUATION OF SUBSEQUENT EVENTS

Management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. POIC's financial statements were available to be issued June 5, 2019 and this is the date through which subsequent events were evaluated.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
June 30, 2019

NOTE 7 - OMB CIRCULAR A-133 AUDIT REQUIREMENTS

For the years ended June 30, 2018 and 2017, Portland OIC. expended \$685,032 and \$550,074, respectively, of Federal funds, which is below the threshold of \$750,000 for when an audit under OMB Circular A-133 is required.

NOTE 8 - LOAN FEES

	2019	2018
Loan Fee	\$ 12,811	\$ 12,811
Less Accumulated Amortization	(2,775)	(1,494)
Loan Fees, Net	<u>\$ 10,036</u>	<u>\$ 11,317</u>

The loan fees are being amortized over the life of the loan. Unamortized loan fees has been offset against notes payable.

NOTE 9 - UNEARNED REVENUE

For the year ended June 30, 2019, there was no unearned revenue.

For the year ended June 30, 2018, unearned revenue represents an unused advance received from City of Portland Gang Impacted Family Team for the gang outreach program.

NOTE 10 - PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give. POIC will receive \$50,000 for three years starting with the year ended June 30, 2019 and ending June 30, 2021. At June 30, 2019 and 2018, POIC had pledges receivable of \$100,000 and \$150,000, respectively.

NOTE 11 - PROPERTY APPRAISAL VALUE

In 2017, Portland OIC's property located at 717 North Killingsworth Court was appraised in conjunction with refinancing of its Bank of the West mortgage. The appraised value was stated at \$2,000,000.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
June 30, 2019

NOTE 12 - ADJUSTMENTS TO NET ASSETS WITHOUT DONOR RESTRICTION

The adjustments to net assets without donor restriction for the years ended June 30, 2019 and 2018 were to correct immaterial errors made in prior years.

NOTE 13 - RETIREMENT PLAN

Portland OIC provides a defined contribution pension plan, under Section 403(b) of the Internal Revenue Code, for all eligible employees. Employees will determine how retirement plan contributions will be invested; employees can establish a supplemental fund at their discretion. Portland OIC's contributions are based on years of service as follows:

<u>Completed Years of Service</u>	<u>Percentage of Annual Salary</u>
1 to 3 years	3%
3 to 5 years	5%
5 years +	7%

POIC's contributions to the 403(b) plan will begin on the one year anniversary of employment.

Plan contributions are fully vested and nonforfeitable when made. Contributions for the years ended June 30, 2018 and 2017 was \$179,672 and \$159,884, respectively.

NOTE 14 - VACATION

Paid vacation is provided to regular full-time and part-time employees. To qualify for vacation benefits, a regular employee must complete 90 days of continuous service at part-time or full-time status to begin accruing vacation leave and may not be taken until completion of six months of continuous employment. Thereafter, vacation will be earned on a per-pay-period basis, at a rate determined by years of service completed since initial hire date as well as the number of hours worked. Maximum amount of vacation that can be earned is as follows:

<u>Completed Years of Service</u>	<u>Accrual Rate/Hours Earned Annually</u>
0 to 3 years	4 hours per pay period (96 hours)
3 to 5 years	5 hours per pay period (120 hours)
5 years +	6.67 hours per pay period (160 hours)

Vacation benefits are prorated and based on total hours. The maximum amount of vacation time that may be accrued is 240 hours. Unused vacation time will be paid out at the time of employee separation. Teachers do not receive vacation benefits, but may use a portion of their sick leave for personal time off.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
June 30, 2019

NOTE 15 - NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction consists of:

	<u>Balance June 30, 2018</u>	<u>Current Year Additions</u>	<u>Released From Restrictions</u>	<u>Balance June 30, 2019</u>
Subject to program expenditure for a specified purpose:				
Scholarships	\$ 48,636	\$ -	\$(2,058)	\$ 46,578
Student Activities	1,014	-	(617)	397
General	150,000	-	(50,000)	100,000
Intel Corp	-	62,800	(30,000)	32,800
Other	<u>274</u>	<u>-</u>	<u>(274)</u>	<u>-</u>
	199,924	62,800	(82,949)	179,775
Subject to the passage of time	-	-	-	-
Subject to be held in perpetuity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Assets With Donor Restriction	<u>\$ 199,924</u>	<u>\$ 62,800</u>	<u>\$(82,949)</u>	<u>\$ 179,775</u>

NOTE 16 - LINE OF CREDIT

POIC has a \$300,000 line-of-credit with Bank of the West which has no maturity date. The line-of-credit is secured by POIC's assets. matures on November 16, 2025. Interest is charged on any outstanding balances based on changes in the Bank of the West Prime Rate. As of June 30, 2019, the interest rate is 5.95%. Under no circumstances will the interest rate be less than 4.0% per annum or more than the maximum rate allowed by applicable law. As of June 30, 2019 and 2018, the outstanding balance on the line was \$290,000 and \$0, respectively.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
June 30, 2019

NOTE 17- GRANTS/ACCOUNTS RECEIVABLE

Government grants receivable consists of the following:

	2019	2018
Education	\$ 673,889	\$ 131,515
Youth & Family Services	579,449	408,764
Employment & Training	259,906	206,228
Community Outreach	45,416	86,273
Other	31,734	20,977
	\$ 1,590,394	\$ 853,757

Grants/accounts receivable appear to be fully collectible, therefore, no allowance for doubtful accounts has been established.

NOTE 18 - CONTRACT REVENUE

Contract revenue consists of the following:

	2019	2018
Education	\$ 4,408,344	\$ 4,342,280
Youth & Family Services	2,728,067	1,585,908
Employment & Training	1,190,711	809,943
Community Outreach	754,254	739,986
Other Contracts	62,803	93,249
	\$ 9,144,179	\$ 7,571,366

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
June 30, 2019

NOTE 19 - NOTES PAYABLE

2019

2018

Notes payable consists of the following:

Note payable, Bank of the West in the amount of \$900,000; used to pay off notes payable to Portland Housing Bureau and Bank of the West and the line of credit with the Bank of the West; the loan shall be paid in 119 regular payments of \$4,959 and one irregular last payment estimated at approximately \$662,000; the interest rate is 4.35% per annum; the first payment is due May 20, 2017 and the final balloon payment is due on April 20, 2027; this loan is secured by the property located at 717 N Killingsworth Court Portland OR 97217

\$ 855,001 \$ 876,245

Less unamortized loan fees (Note 8)

(10,036) (11,317)

\$ 844,965 **\$ 864,928**

Maturities of notes payable are as follows:

Year Ending
June, 30

Amount

2020

\$ 22,811

2021

23,823

2022

23,881

2023

25,985

2024

27,138

Thereafter

731,363

\$ 855,001

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
June 30, 2019

NOTE 20 - LEASES

For the year ended June 30, 2019, POIC has the following leases:

Office Space:

a. Located at 9828 & 9829 E Burnside Portland, OR; with Bitar Properties (lessor):

1. Suite 205; approximately 1,356 square feet; this lease expires February 28, 2022., annual lease payments are as follows:

June 30, 2020	\$	19,774
June 30, 2021		20,367
June 30, 2022		13,847

2. Suite 210; approximately 2,808 square feet; this lease expires February 28, 2022; annual lease payments are as follows:

June 30, 2020	\$	41,858
June 30, 2021		43,113
June 30, 2022		29,311

b. 922 N Killingsworth St., Unit 2a-2k, Portland, OR; with Raindrop Management LLC (lessor):

Approximately 1,200 square feet; this lease expires on March 31, 2020; annual lease payments are as follows:

June 30, 2020	\$	12,150
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c. 9330 SE Harold St, Portland, OR with Boys and Girls Clubs of Portland Metropolitan Area (lessor):

This lease is for ten months; this lease expires on June 30, 2020; annual lease payments are as follows:

June 30, 2020	\$	52,531
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4430 N Trenton, Portland, OR; with Boys & Girls Club of Portland (Lessor):

Approximately 4,150 square feet; this lease expires on June 30, 2020; annual lease payments are as follows:

June 30, 2020	\$	40,000
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PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
June 30, 2019

NOTE 20 - LEASES (CONT)

d. 9226 SE Division St, Suite D, Portland, OR; with CKK Investment, LLC (lessor):

Approximately 1,665 square feet; this lease expires on September 30, 2023; annual lease payments are as follows:

June 30, 2020	\$ 27,996
June 30, 2021	28,732
June 30, 2022	29,490
June 30, 2023	30,272
June 30, 2024	7,617

e. 4610 N. Trenton, Portland, OR; with Home Forward (landlord); this lease expires on August 31, 2024; annual lease payments are as follows:

June 30, 2020	\$ 75,190
June 30, 2021	92,484
June 30, 2022	95,258
June 30, 2023	98,355
June 30, 2024	101,060

f. Located at 2208/2190 SE 182nd Ave, Portland, OR; with Arcadia Property Management (landlord):

Approximately 16,398 square feet; the lease expires on May 31, 2021; annual lease payments are as follows:

June 30, 2020	\$ 251,924
June 30, 2021	236,088

Annual future minimum lease commitments for the next five (5) years is as follows:

<u>Year Ending</u>	<u>Amount</u>
6/30/2020	\$ 521,423
6/30/2021	420,784
6/30/2022	167,906
6/30/2023	128,627
6/30/2023	108,677

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
June 30, 2019

NOTE 21 - AVAILABILITY AND LIQUIDITY

The following represents POIC's financial assets at June 30, 2019:

Total Financial Assets At Year End:

Cash and Cash Equivalents	\$ 190,093
Grants/Accounts Receivables	1,590,394
Pledges Receivables	100,000
Notes Receivable/Payroll Advances	<u>350</u>
Total Financial Assets At Year End	1,880,837

Less Amounts Not Available To Be Used Within 1 Year	<u>(50,000)</u>
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Financial Assets Available To Meet General Expenditures Over The Next 12 months	<u>\$ 1,830,837</u>
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The accounts receivable are subject to implied time restrictions but are expected to be collected within one year.

As part of POIC's liquidity management, it is in the process of establishing a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The policy will include a plan for POIC to invest cash in excess of daily requirements in short-term investments. POIC has a line of credit to meet short-term needs. See Note 16 for information regarding the line-of-credit.

See Note 10 for information about the amounts not available to be used within 1 year.