

**PORTLAND OPPORTUNITIES  
INDUSTRIALIZATION CENTER, INC.**

**AUDITED FINANCIAL STATEMENTS  
For the Years Ended  
June 30, 2018 and 2017**

## TABLE OF CONTENTS

	<u>Page No.</u>
<b>AUDITOR'S REPORT</b> .....	1 & 2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Functional Expenses .....	5 & 6
Statements of Cash Flows .....	7
Notes to Financial Statements .....	8 & 21

## **FRED L. CARTER**

**Certified Public Accountant  
2300 SW First Avenue, Suite 100  
Portland, Oregon 97201  
(503) 241-2977  
Fax (503) 224-9049  
Email Address: fcarter@aracnet.com**

### **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, 2018 and 2017, 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, 2018 and 2017, 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

June 5, 2019

**PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2018 and 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Cash	\$ 161,230	\$ 341,011
Grants/Accounts Receivable	853,757	782,723
Pledges Receivables	150,000	-
Notes Receivable	100	200
Deposits	19,671	19,671
Property and Equipment, Net	<u>638,362</u>	<u>692,138</u>
<b>TOTAL ASSETS</b>	<b><u>\$1,823,120</u></b>	<b><u>\$1,835,743</u></b>
<u>LIABILITIES AND NET ASSETS</u>	<u>2018</u>	<u>2017</u>
<b><u>Liabilities</u></b>		
Accounts Payable	\$ 236,498	\$ 221,786
Accrued Wages & Related Liabilities	517,599	455,072
Accrued Vacation Payable	155,943	147,492
Unearned Revenue	5,000	-
Due To OIC of America	32,057	
Notes Payable	<u>864,928</u>	<u>884,112</u>
<b>Total Liabilities</b>	<b><u>1,812,025</u></b>	<b><u>1,708,462</u></b>
<b><u>Net Assets</u></b>		
Unrestricted Net Assets	( 188,829)	31,414
Temporarily Restricted Net Assets	<u>199,924</u>	<u>95,867</u>
<b>Total Net Assets</b>	<b><u>11,095</u></b>	<b><u>127,281</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$1,823,120</u></b>	<b><u>\$1,835,743</u></b>

See Accompanying Notes

**PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.**  
**STATEMENTS OF ACTIVITIES**  
For the Years Ended June 30, 2018 and 2017

	<u>June 30, 2018</u>			<u>Totals</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	<u>June 30, 2017</u>
<b>SUPPORT AND REVENUE</b>				
Education	\$ 4,561,252	\$ -	\$ 4,561,252	\$ 4,541,788
Family Outreach	2,200,171	-	2,200,171	1,975,688
Employment & Training Services	809,943	-	809,943	488,219
Foundation Grants	671,991	150,000	821,991	754,945
Fundraising/Special Projects	464,635	-	464,635	380,579
Donations	578,935	-	578,935	370,813
Interest Income	45	-	45	40
Miscellaneous	17,246	-	17,246	23,300
Net Assets Released From Restrictions	<u>45,943</u>	<u>( 45,943)</u>	<u>-</u>	<u>-</u>
<b>Total Support &amp; Revenue</b>	<b><u>9,350,161</u></b>	<b><u>104,057</u></b>	<b><u>9,454,218</u></b>	<b><u>8,535,372</u></b>
<b>EXPENSES:</b>				
Program Services:				
Education	4,563,236	-	4,563,236	3,954,714
Community Outreach	2,908,169	-	2,908,169	2,697,543
Employment & Training	<u>791,880</u>	<u>-</u>	<u>791,880</u>	<u>561,859</u>
Total Program Services	8,263,285	-	8,263,285	7,214,116
Management & General	851,111	-	851,111	574,738
Fundraising	<u>455,778</u>	<u>-</u>	<u>455,778</u>	<u>331,657</u>
<b>Total Expenses</b>	<b><u>9,570,174</u></b>	<b><u>-</u></b>	<b><u>9,570,174</u></b>	<b><u>8,120,511</u></b>
Increase (Decrease) In Net Assets	( 220,013)	104,057	( 115,956)	414,861
Adjustments to Net Assets	( 230)	-	( 230)	( 317)
Net Assets, Beginning of Year	<u>31,414</u>	<u>95,867</u>	<u>127,281</u>	<u>( 287,263)</u>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$( 188,829)</u></b>	<b><u>\$ 199,924</u></b>	<b><u>\$ 11,095</u></b>	<b><u>\$ 127,281</u></b>

See Accompanying Notes

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

	<b>PROGRAM SERVICES</b>						
	Alternative Education	Community Outreach	Employment & Training Services	Total Program Expenses	Management & General Expenses	Fundraising Expenses	2018 Total Expenses
Wages	\$2,678,555	\$1,670,099	\$508,640	\$4,857,294	\$476,303	\$190,120	\$5,523,717
Payroll Taxes	247,001	150,694	62,054	459,749	40,247	17,271	517,267
Benefits/Vacation Expense	398,609	266,409	70,514	735,532	45,841	23,457	804,830
Pension Expense	75,162	55,647	22,220	153,029	23,852	2,791	179,672
Workers' Compensation	11,190	6,975	2,725	20,890	2,065	829	23,784
Travel Expense	7,052	57,128	7,040	71,220	12,075	6,629	89,924
Facility Rental	398,753	55,815	10,216	464,784	3,577	218	468,579
Utilities/Security	41,533	15,902	2,133	59,568	1,143	1,038	61,749
Telephone Expense	43,786	42,003	8,330	94,119	6,633	2,862	103,614
Repairs & Maintenance	70,045	10,957	1,417	82,419	1,576	257	84,252
Equipment Lease	18,529	6,000	587	25,116	1,096	922	27,134
Equipment Maintenance	526	-	-	526	145	-	671
Supplies	15,072	10,274	4,397	29,743	7,632	4,611	41,986
Client Assistance	160,166	203,366	22,208	385,740	10,329	4,296	400,365
Textbooks/Instructional Materials	1,843	440	-	2,283	-	-	2,283
Professional Services	132,024	194,757	42,735	369,516	101,763	95,987	567,266
Data Processing	6,159	3,782	712	10,653	632	203	11,488
Support Services	399	55,610	1,477	57,486	747	-	58,233
Events Expense	-	-	-	-	-	62,538	62,538
Interest Expense	27,306	13,908	314	41,528	20,453	5,148	67,129
Insurance Expense	15,249	9,427	1,386	26,062	1,386	277	27,725
Staff Development	10,260	15,060	1,787	27,107	32,218	12,329	71,654
Postage/Printing	2,003	1,331	148	3,482	1,712	5,091	10,285
Taxes & Licenses	3,625	-	-	3,625	400	-	4,025
Dues & Subscriptions	4,146	2,187	328	6,661	11,161	385	18,207
Meeting/Board Expenses	872	1,703	799	3,374	7,366	9,461	20,201
Lunches	106,450	-	-	106,450	-	-	106,450
Software/Tech Support	6,508	7,500	505	14,513	6,100	2,764	23,377
Student Incentives	5,755	6,771	3,085	15,611	-	-	15,611
Contributions	-	-	-	-	14,191	251	14,442
Small Tools & Equipment	25,036	8,255	757	34,048	10,606	4,113	48,767
Depreciation Expense	49,465	31,345	5,061	85,871	8,684	1,930	96,485
Transportation	157	4,824	10,305	15,286	734	-	16,020
Miscellaneous Expenses	-	-	-	-	444	-	444
<b>Total Expenses</b>	<b>\$4,563,236</b>	<b>\$2,908,169</b>	<b>\$791,880</b>	<b>\$8,263,285</b>	<b>\$851,111</b>	<b>\$455,778</b>	<b>\$9,570,174</b>

See Accompanying Notes

**PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2017

	<b>PROGRAM SERVICES</b>						<b>2017 Total Expenses</b>
	<b>Alternative Education</b>	<b>Community Outreach</b>	<b>Employment &amp; Training Services</b>	<b>Total Program Expenses</b>	<b>Management &amp; General Expenses</b>	<b>Fundraising Expenses</b>	
Wages	\$2,276,243	\$1,427,134	\$336,995	\$4,040,372	\$377,466	\$139,634	\$4,557,472
Payroll Taxes	215,861	139,188	32,298	387,367	33,141	11,939	432,447
Benefits/Vacation Expense	352,403	246,706	43,991	643,100	53,944	14,399	711,443
Pension Expense	67,276	56,919	12,474	136,669	18,234	4,981	159,884
Workers' Compensation	9,371	6,029	1,439	16,839	1,624	615	19,078
Travel Expense	14,290	61,698	5,154	81,142	2,933	6,390	90,465
Facility Rental	261,159	49,599	1,439	319,426	1,062	407	320,895
Utilities/Security	32,974	9,817	2,406	45,197	1,101	432	46,730
Telephone Expense	34,326	32,678	7,029	74,033	1,681	884	76,598
Repairs & Maintenance	56,129	10,228	1,835	68,192	1,160	502	69,854
Equipment Lease	23,911	10,700	2,075	36,686	1,415	672	38,773
Equipment Maintenance	292	38	-	330	-	-	330
Supplies	25,848	31,773	2,592	60,213	5,021	2,787	68,021
Educational Enrichment	120,598	213,446	23,634	357,678	949	4,947	363,574
Textbooks/Instructional Materials	1,324	300	-	1,624	-	-	1,624
Professional Services	190,366	247,381	47,166	484,913	15,795	60,185	560,893
Data Processing	5,553	3,233	711	9,497	502	226	10,225
Support Services	478	64,872	396	65,746	19	-	65,765
Events Expense	-	-	-	-	-	-	47,641
Interest Expense	32,279	11,983	1,502	45,764	13,555	6,766	66,085
Insurance Expense	14,371	8,265	1,866	24,502	1,320	572	26,394
Staff Development	17,929	14,386	2,980	35,295	3,363	1,094	39,752
Postage/Printing	3,216	3,487	1,040	7,743	564	9,659	17,966
Taxes & Licenses	6,355	435	174	6,964	266	32	7,262
Dues & Subscriptions	7,128	2,358	422	9,908	378	97	10,383
Meeting/Board Expenses	185	317	-	502	5,215	11,694	17,411
Lunches	83,971	-	-	83,971	-	-	83,971
Software/Tech Support	4,382	2,269	382	7,033	923	1,611	9,567
Student Incentives	4,871	4,677	3,990	13,538	-	100	13,638
Tuition Assistance	4,313	-	343	4,656	-568	-501	3,587
Small Tools & Equipment	28,234	624	1,284	30,142	5,415	-15	35,542
Depreciation Expense	55,026	28,823	7,301	91,150	9,286	2,019	102,455
Transportation	4,032	8,180	11,712	23,924	-	-	23,924
Contributions/Payments to Affiliates	-	-	-	-	18,974	1,888	20,862
<b>Total Expenses</b>	<b>\$3,954,714</b>	<b>\$2,697,543</b>	<b>\$561,859</b>	<b>\$7,214,116</b>	<b>\$574,738</b>	<b>\$331,657</b>	<b>\$8,120,511</b>

See Accompanying Notes



**PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2018 and 2017

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2018</u>	<u>2017</u>
Change in Net Assets	\$( 115,956)	\$ 414,861
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	96,485	102,455
Changes in Operating Assets and Liabilities::		
Grants/Accounts Receivable	( 71,034)	( 305,845)
Pledges Receivable	( 150,000)	-
Prepaid Expenses	100	-
Other Assets	-	( 6,280)
Accounts Payable	14,712	17,185
Accrued Wages & Related Liabilities	62,527	74,596
Accrued Vacation Payable	8,451	38,477
Unearned Revenue	5,000	( 8,421)
Due To OIC of America	32,057	-
Adjustment to Net Assets	( 230)	( 317)
<b>Net Cash Provided (Used) By Operating Activities</b>	<u>( 117,888)</u>	<u>326,711</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property & Equipment	( 42,709)	( 90,530)
<b>Net Cash Provided (Used) By Investing Activities</b>	<u>( 42,709)</u>	<u>( 90,530)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short/Long-Term Borrowing	-	900,000
Repayment of Line of Credit	-	( 142,482)
Repayment of Notes Payable	( 19,184)	( 829,284)
<b>Net Cash Provided (Used) By Financing Activities</b>	<u>( 19,184)</u>	<u>( 71,766)</u>
Net Increase (Decrease) in Cash	( 179,781)	164,415
Cash at Beginning of Year	<u>341,011</u>	<u>176,596</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 161,230</u>	<u>\$ 341,011</u>
<b>SUPPLEMENTAL DATA: Interest Paid</b>	<u>\$ 67,129</u>	<u>\$ 66,085</u>

See Accompanying Notes

**PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

**Community Outreach**

**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.

**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.

**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.

**PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**June 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**Revenue Recognition**

Portland OIC recognizes revenue from contracts with governmental agencies at the same time as qualifying expenditures under the contract are incurred. All other revenue is recognized when earned.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, some costs have been allocated among the programs and supporting services benefitted.

**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.

**Net Assets**

Net assets are allocated to and accounted for based upon the donor's intended purpose. In accordance with accounting principles generally accepted in the United States of America, POIC reports information regarding its financial position and activities in three classes of net assets:

**Unrestricted Net Assets** - Represents those net assets that POIC may use at its discretion.

**Temporarily Restricted Net Assets** - results from contributions subject to donor's restrictions that expire with the passage of time or by actions of POIC. When donor restrictions from prior years expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported as "net assets released from restrictions".

**Permanently Restricted Net Assets** - result from contributions whose use by POIC is limited by donor-imposed stipulations that **neither** expire by passage of time nor can be fulfilled or otherwise removed by actions of POIC.

Resources arising from the results of operations or asserts set aside by the Board of Directors are not considered to be donor restricted.

**PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**June 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**Basis of Presentation**

FASB ASC 958-210-45-9 requires providing information about the three classes of net assets. The amounts for each of the three classes of net assets and total net assets are required to be reported on the face of the Statement of Financial Position. Additional information is required to be reported for Temporarily and Permanently restricted net assets. That information includes a description and dollar amount of the different types of permanent restrictions and the different types of temporary restrictions.

Accounting principles generally accepted in the United States of America allow POIC to treat as unrestricted, any restricted revenue where the restrictions are met in the same year. POIC has elected to follow that reporting method. As a result, all activities in which restrictions are met during the year are recorded as Unrestricted Net Assets in the Statement of Activities.

**Contributions and Pledges Receivable**

Contributions, including gifts, grants,, bequests, pledges, and other unconditional promises to give, without restrictions or stipulations are recorded as support (revenue) in the period received. Contributions are reported as temporarily restricted or permanently restricted support if they are received with donor imposed stipulations that limit their use.

Contributions of assets other than cash are recorded at their fair market value.

Contributions of services are recognized as revenue if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and typically need to be purchased or not provided by donation. During the years ended June 30, 2018 and 2017, POIC received no contributed services.

Unconditional promises or pledges are recorded at net realizable value. POIC provides an allowance for uncollectible pledges which is based on historical collection experience and management's estimate of the losses that will be incurred in the collection of all pledges receivable. As of June 30, 2018 and 2017, no allowance for uncollectible pledges was deemed necessary.

**Nature of Activities**

Portland OIC is supported primarily through donor contributions and government grants. Approximately 33% and 36% of Portland OIC's support for the years ended June 30, 2018 and 2017, 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.

**PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**June 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**Income Taxes**

POIC is exempt from income taxes as a non-profit organization under *Internal Revenue Code Sec. 501(c)(3)* and qualify for the charitable contribution deduction. However, income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income. There was no tax on unrelated business income, for the years ended June 30, 2018 and 2017.

Accounting standards requires management to evaluate tax positions taken and to recognize a tax liability if an uncertain tax position has been taken that more-likely-than-not" would not be sustained upon examination by taxing authorities. Management believes it has appropriate support for any tax positions taken and that none would require recognition of a liability or disclosure in the financial statements. POIC is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods in progress. POIC's Federal and state tax returns are generally open for examination for three years following the date filed.

**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 amounts for the year ended June 30, 2017 have been reclassified to conform with the presentation for the year ended June 30, 2018.

**PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**June 30, 2018**

**NOTE 2 - CONCENTRATION OF CREDIT RISK**

For the year ended June 30, 2018, Portland OIC did not have on deposit with one bank an amount in excess of the Federal Deposit Insurance Corp.(FDIC) limit.

For the year ended June 30, 2017, Portland OIC had \$307,514 on deposit with one financial institution which exceeds the insurance coverage provided by Federal Deposit Insurance Corp. (FDIC). This creates a concentration of credit risk which occurs when an organization has on deposit with one financial institution an amount that exceeds the \$250,000 insurance coverage provided by FDIC. Management believes that, on the average, these accounts exceed \$250,000 for no more than a few days at a time and therefore does not pose a concentration of credit risk.

**NOTE 3 - DEPOSITS**

Deposits consists of the following:

	<b>2018</b>	<b>2017</b>
Security Deposit - Rockwood	\$ 14,528	\$ 14,528
Prepaid Rent - Raindrop & 99E	3,810	3,810
Other Deposits	1,333	1,333
	<b>\$ 19,671</b>	<b>\$ 19,671</b>

**NOTE 4 - PROPERTY & EQUIPMENT, NET**

Property & equipment net is as follows:

	<b>2018</b>	<b>2017</b>
Furniture & Equipment	\$ 340,476	\$ 324,278
Autos	46,147	46,147
Building	66,787	66,787
Land	10,665	10,665
Building Improvements	1,377,807	1,351,509
	1,841,882	1,799,386
Less Accumulated Depreciation	( 1,203,520)	( 1,107,248)
<b>Property &amp; Equipment, Net</b>	<b>\$ 638,362</b>	<b>\$ 692,138</b>

**NOTE 5 - PLEDGES RECEIVABLE**

Pledges receivable represent unconditional promises to give. At June 30, 2018 and 2017, POIC had pledges receivable of \$150,000 and \$0, respectively.

**PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**June 30, 2018**

**NOTE 6 - GRANTS/ACCOUNTS RECEIVABLE**

	<b>2018</b>	<b>2017</b>
Government grants receivable consists of the following:		
Portland Children's Levy (CHIF)	\$ 19,307	\$ 12,417
Portland Public Schools	129,610	217,583
City of Portland - Office of Youth Violence Prevention		
Gang Outreach	66,273	-
Child Abuse Prevention & Intervention	12,626	-
Multnomah County		
NFV/CHI Contract	256,953	233,981
Early Intervention	-	2,535
Community Violence Prevention Project	20,610	-
Friends of Trees	32,477	20,966
Reynolds School District	-	17,931
Centennial School District	-	19,240
Gresham-Barlow School District	-	30,160
Oregon Dept. of Education:		
Child Nutrition Program	1,905	12,325
Youth Intervention	99,268	48,192
Gang Prevention/Intervention	-	22,709
City of Gresham	20,000	14,397
Worksystems, Inc.	173,751	81,100
David Douglas High School	-	16,560
Schools Uniting Neighborhoods (SUN)	-	7,062
Portland United Against Hate	4,368	-
Other	16,609	25,565
	<b>\$ 853,757</b>	<b>\$ 782,723</b>

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

**NOTE 7 - 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.

For the year ended June 30, 2017, there was no unearned revenue.



**PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**June 30, 2018**

**NOTE 8 - LOAN FEES :**

	<b>2018</b>	<b>2017</b>
Loan Fee	\$ 12,811	\$ 12,811
Less Accumulated Amortization	( 1,494)	( 213)
<b>Loan Fees, Net</b>	<b><u>\$ 11,317</u></b>	<b><u>\$ 12,598</u></b>

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

**NOTE 9 - 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.

**NOTE 10 - 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, 2018**

**NOTE 11 - 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 12 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily Restricted Net Assets consists of the following:

	<u>Balance June 30, 2017</u>	<u>Current Year Additions</u>	<u>Released From Restrictions</u>	<u>Balance June 30, 2018</u>
Scholarships	\$ 74,579	-	( 25,943)	48,636
Student Activities	21,014	-	( 20,000)	1,014
General	-	150,000	-	150,000
Other	274	-	-	274
	<u>\$ 95,867</u>	<u>\$ -</u>	<u>\$( 45,943)</u>	<u>\$ 199,924</u>

**NOTE 13 - 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.

**PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**June 30, 2018**

**NOTE 14 - 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.

**NOTE 15 - EDUCATION REVENUE**

2018

2017

Education revenue consists of the following:

Unrestricted

Portland Public Schools: Alternative Education	\$ 3,158,332	\$ 3,097,781
State of Oregon - Lunches	64,954	63,664
Portland Children's Levy:		
Mentoring Program	125,723	124,588
Centennial School District	379,040	353,764
Gresham-Barlow School District	486,320	527,220
David Douglas School District	144,280	101,196
Reynolds School District	109,354	156,047
Schools Uniting Neighborhoods (SUN)	-	75,000
Other Grants	<u>93,249</u>	<u>42,528</u>
	<b><u>\$ 4,561,252</u></b>	<b><u>\$ 4,541,788</u></b>

**NOTE 16 - FAMILY OUTREACH**

2018

2017

Family Outreach revenue consists of the following:

Unrestricted

CHI (Community Healing Initiative)	\$ 1,460,185	\$ 1,304,847
Gang Outreach	609,986	576,791
Gresham Gangs	<u>130,000</u>	<u>94,050</u>
	<b><u>\$ 2,200,171</u></b>	<b><u>\$ 1,975,688</u></b>

**PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**June 30, 2018**

**NOTE 17 - EMPLOYMENT AND TRAINING**  
SERVICES REVENUE

	<b>2018</b>	<b>2017</b>
Employment and training services revenue consists of the following:		
Employment Training	\$ 768,685	\$ 467,253
Friends of Trees	41,258	20,966
	<b><u>\$ 809,943</u></b>	<b><u>\$ 488,219</u></b>

**NOTE 18 - NOTES PAYABLE**

	<b>2018</b>	<b>2017</b>
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	\$ 876,245	\$ 896,710
Less unamortized loan fees (Note 8)	( 11,317)	( 12,598)
	<b><u>\$ 864,928</u></b>	<b><u>\$ 884,112</u></b>

**PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)**

June 30, 2018

**NOTE 18 - NOTES PAYABLE (CONT)**

Maturities of notes payable are as follows:

<u>Year Ending</u> <u>June, 30</u>	<u>Amount</u>
2019	\$ 21,842
2020	22,811
2021	23,823
2022	24,881
2023	25,985
Thereafter	<u>756,903</u>
	<u><b>\$ 876,245</b></u>

**NOTE 19 - LEASES**

For the year ended June 30, 2018, POIC has the following leases:

**Office Space:**

a. Located at 9828 E Burnside; with Bitar Properties (lessor):

1. Suite 205; approximately 1,356 square feet; this lease expires February 28, 2022.,  
monthly rent is as follows:

March 1, 2018 thru February 29, 2019	\$ 1,584
March 1, 2019 thru February 29, 2020	1,632
March 1, 2020 thru February 28, 2021	1,681
March 1, 2021 thru February 28, 2022	1,731

2. Suite 210; approximately 2,808 square feet; this lease expires February 28, 2022;  
monthly rent is as follows:

March 1, 2018 thru February 28, 2019	3,353
March 1, 2019 thru February 29, 2020	3,454
March 1, 2020 thru February 28, 2021	3,558
March 1, 2021 thru February 28, 2022	3,665

**PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
June 30, 2018**

**NOTE 19 - LEASES (CONT)**

- b. 922 N Killingsworth St., Unit 2A; with Raindrop Management LLC (lessor):

Approximately 1,200 square feet; monthly rent of \$1,200; this lease expired on September 30, 2018.

- c. 9330 SE Harold St with Boys and Girls Clubs of Portland Metropolitan Area (lessor):

This lease ended on June 15, 2018; POIC has the option to renew this lease for five (5) successive additional terms of one (1) year each. Monthly rent will be \$5,000.

- d. Located at 2208, 2190, 2194, and 2196 SE 182<sup>nd</sup> Avenue; with ML-Rockwood, LLC (landlord):

Approximately 16,398 square feet; the lease expires on May 31, 2021; monthly rent is as follows:

April 1, 2018 thru March 31, 2019	\$	20,490
April 1, 2019 thru March 31, 2020		20,837
April 1, 2020 thru May 31, 2021		21,163

- e. Suite B, 4625 N Trenton; with Income Property Management Co, Agent for Owner;

Approximately 4,150 square feet; lease expires on August 31, 2019; monthly rent is as follows:

September 1, 2018 thru August 31, 2019	\$	1,834
--	----	-------

- f. 9226 SE Division St, Suite D; with CKK Investment, LLC (lessor):

Approximately 1,665 square feet; this lease expires on September 30, 2023; monthly rent is as follows:

October 1, 2018	\$	2,000
October 1, 2019		2,060
October 1, 2020		2,122
October 1, 2021		2,185
October 1, 2022		2,151

**PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**June 30, 2018**

**NOTE 19 - LEASES (CONT)**

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

<u>Year Ending</u>	<u>Amount</u>
6/30/2019	\$ 350,264
6/30/2020	341,777
6/30/2021	103,313
6/30/2022	69,199
6/30/2023	25,914

**NOTE 20 - ADJUSTMENTS TO UNRESTRICTED NET ASSETS**

The adjustments to unrestricted net assets for the years ended June 30, 2018 and 2017 were to correct immaterial errors made in prior years.