



FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

with

Independent Auditors' Report

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

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Independent Auditors' Report

The Board of Directors
Portland Opportunities Industrialization Center, Inc.

Opinion

We have audited the accompanying financial statements of Portland Opportunities Industrialization Center, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Portland Opportunities Industrialization Center, Inc. of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditors' Responsibility for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2023, on our consideration of the Organization'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Hoffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon
June 21, 2023

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Statements of Financial Position

June 30,	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,172,564	\$ 3,273,169
Grants and contracts receivable	3,478,020	2,085,950
Contribution receivable	595,000	-
Prepaid expenses	103,871	61,012
Total current assets	5,349,455	5,420,131
Restricted cash	950,000	180,410
Deposits	42,956	30,187
Property and equipment - net (<i>Note 3</i>)	1,576,340	709,310
Total assets	\$ 7,918,751	\$ 6,340,038
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 422,459	\$ 439,415
Accrued payroll and related liabilities	1,140,478	1,028,963
Refundable advances	950,000	5,000
Due to OIC of America	26,050	26,050
Current portion of capital lease obligation (<i>Note 5</i>)	19,574	17,827
Current portion of long-term debt (<i>Note 6</i>)	21,003	20,180
Total current liabilities	2,579,564	1,537,435
Deferred rent and lease incentive (<i>Note 11</i>)	189,943	185,248
Capital lease obligation, net of current portion (<i>Note 5</i>)	6,942	26,516
Long-term debt, net of current portion (<i>Note 6</i>)	788,225	808,620
Total liabilities	3,564,674	2,557,819
Net assets:		
Without donor restrictions:		
Board designated reserve (<i>Note 8</i>)	400,000	-
Undesignated	3,102,454	2,543,307
Total net assets without donor restrictions	3,502,454	2,543,307
With donor restrictions (<i>Note 8</i>)	851,623	1,238,912
Total net assets	4,354,077	3,782,219
Total liabilities and net assets	\$ 7,918,751	\$ 6,340,038

The accompanying notes are an integral part of the financial statements.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Statements of Activities

Year Ended June 30,	2022	2021
Changes in net assets without donor restrictions:		
Revenue and other support:		
Grants and contracts revenue <i>(Note 12)</i>	\$ 12,569,105	\$ 10,464,415
Foundation grants	1,100,640	634,058
Contributions	830,136	422,412
Fundraising event revenue	63,700	322,344
Contributed nonfinancial assets	331,638	-
Paycheck Protection Program loan forgiveness <i>(Note 4)</i>	-	1,368,728
Miscellaneous	50,567	36,030
Net assets released from restriction <i>(Note 8)</i>	<u>1,222,289</u>	<u>635,959</u>
Total revenue and other support	16,168,075	13,883,946
Expenses:		
Program services:		
Education	4,962,627	3,805,839
Youth and family services	3,574,817	2,449,357
Employment and training	1,992,549	1,701,658
Community outreach	<u>1,487,689</u>	<u>924,092</u>
Total program services	12,017,682	8,880,946
Supporting services:		
General and administrative	2,652,712	1,722,740
Fundraising	<u>538,534</u>	<u>579,795</u>
Total supporting services	<u>3,191,246</u>	<u>2,302,535</u>
Total expenses	15,208,928	11,183,481
Increase in net assets without donor restrictions	959,147	2,700,465
Changes in net assets with donor restrictions:		
Foundation grants	835,000	1,598,185
Net assets released from restriction <i>(Note 8)</i>	<u>(1,222,289)</u>	<u>(635,959)</u>
Increase (decrease) in net assets with donor restrictions	(387,289)	962,226
Increase in net assets	571,858	3,662,691
Net assets, beginning of year	<u>3,782,219</u>	<u>119,528</u>
Net assets, end of year	<u>\$ 4,354,077</u>	<u>\$ 3,782,219</u>

The accompanying notes are an integral part of the financial statements.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Statement of Functional Expenses

Year Ended June 30, 2022

	Education	Youth and Family Services	Employment and Training	Community Outreach	General and Administrative	Fundraising	Total
Salaries and related expenses	\$ 3,400,861	\$ 2,128,677	\$ 1,411,676	\$ 1,097,873	\$ 1,133,938	\$ 290,165	\$ 9,463,190
Professional services	135,941	319,618	42,690	7,781.00	904,769	148,241	1,559,040
Client assistance	39,001	397,160	199,644	171,622	-	-	807,427
Occupancy	397,172	200,639	150,518	111,139	117,789	25,293	1,002,550
Program activities and supplies	145,920	167,390	33,457	7,037	2,611	1,966	358,381
Travel and lodging	-	41,765	7,254	6,731	11,673	-	67,423
Office expenses	63,111	48,230	28,436	22,154	38,645	22,511	223,087
Event expenses	-	-	-	-	-	13,954	13,954
School lunch program	97,028	-	-	-	-	-	97,028
Transportation	600	36,237	9,379	13,835	3,976	669.00	64,696
Interest	12,894	8,071	5,352	4,163	4,299	1,100	35,879
Information technology	78,592	60,149	15,410	6,300	179,166	15,681	355,298
Insurance	39,041	24,437	16,206	12,603	13,017	3,331	108,635
Staff development	599	12,179	658	6,566	16,087	5,412	41,501
Scholarships and donations	30,840	-	-	-	-	-	30,840
Depreciation and amortization	53,260	33,336	22,108	17,193	17,758	4,544	148,199
Miscellaneous	28,104	48,857	1,946	380	103,716	5,163	188,166
Grants	422,930	37,424	-	-	-	-	460,354
Equipment	16,733	10,648	47,815	2,312	105,268	504	183,280
Total expenses	<u>\$ 4,962,627</u>	<u>\$ 3,574,817</u>	<u>\$ 1,992,549</u>	<u>\$ 1,487,689</u>	<u>\$ 2,652,712</u>	<u>\$ 538,534</u>	<u>\$ 15,208,928</u>

The accompanying notes are an integral part of the financial statements.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Statement of Functional Expenses

Year Ended June 30, 2021

	Education	Youth and Family Services	Employment and Training	Community Outreach	General and Administrative	Fundraising	Total
Salaries and related expenses	\$ 3,163,954	\$ 1,456,892	\$ 1,137,182	\$ 659,739	\$ 1,127,282	\$ 326,997	\$ 7,872,046
Professional services	24,204	72,719	52,314	-	373,539	153,235	676,011
Client assistance	17,660	499,846	301,563	72,512	-	106	891,687
Occupancy	262,006	118,948	93,421	61,761	78,971	24,514	639,621
Program activities and supplies	4,963	134,227	12,150	36,315	5,884	4,145	197,684
Travel and lodging	946	436	340	197	337	98	2,354
Office expenses	48,408	32,870	21,252	19,890	31,968	4,918	159,306
Event expenses	-	2,384	-	8,150	-	41,455	51,989
School lunch program	9,210	-	-	-	-	-	9,210
Transportation	1,284	7,040	12,776	17,147	2,000	-	40,247
Interest	14,401	6,482	5,060	2,936	5,016	1,455	35,350
Information technology	91,540	28,457	23,996	15,851	18,529	7,098	185,471
Insurance	15,701	7,230	5,643	3,274	5,594	1,623	39,065
Staff development	8,493	25,572	3,045	2,346	6,727	850	47,033
Scholarships and donations	45,410	-	-	-	-	-	45,410
Depreciation and amortization	43,942	20,234	15,794	9,163	15,656	4,541	109,330
Miscellaneous	53,717	36,020	17,122	14,811	51,237	8,760	181,667
Total expenses	\$ 3,805,839	\$ 2,449,357	\$ 1,701,658	\$ 924,092	\$ 1,722,740	\$ 579,795	\$ 11,183,481

The accompanying notes are an integral part of the financial statements.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Statements of Cash Flows

Year Ended June 30,	2022	2021
Cash flows from operating activities:		
Cash receipts:		
Grants and contracts	\$ 11,177,035	\$ 9,386,534
Foundation grants	1,090,640	1,977,243
Contributions	830,136	472,412
Fundraising event	58,700	322,344
Other	<u>50,567</u>	<u>33,742</u>
	13,207,078	12,192,275
Cash disbursements:		
Salaries and related expenses	(9,351,675)	(7,629,199)
Interest	(35,259)	(26,595)
Other expenses	<u>(5,629,549)</u>	<u>(2,974,528)</u>
	<u>(15,016,483)</u>	<u>(10,630,322)</u>
Net cash provided (used) by operating activities	(1,809,405)	1,561,953
Cash flows from investing activities:		
Purchase of property and equipment	<u>(683,591)</u>	<u>(143,079)</u>
Net cash used by investing activities	(683,591)	(143,079)
Cash flows from financing activities:		
Proceeds from contributions restricted for projects	1,200,000	255,000
Proceeds from long-term debt	-	10,085
Principal payments on long-term debt and capital lease obligation	<u>(38,019)</u>	<u>(26,946)</u>
Net cash provided by financing activities	<u>1,161,981</u>	<u>238,139</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	(1,331,015)	1,657,013
Cash, cash equivalents, and restricted cash, beginning of year	<u>3,453,579</u>	<u>1,796,566</u>
Cash, cash equivalents, and restricted cash, end of year	2,122,564	3,453,579
Less restricted cash, end of year	<u>(950,000)</u>	<u>(180,410)</u>
Cash and cash equivalents, end of year	<u>\$ 1,172,564</u>	<u>\$ 3,273,169</u>
Supplemental disclosures of non-cash investing and financing activities:		
Equipment acquired with a capital lease	\$ -	\$ 55,335

The accompanying notes are an integral part of the financial statements.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Notes to Financial Statements

1. Nature of Activities

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

The Organization provides the following program services-

Education:

Rosemary Anderson High School (RAHS) - RAHS is 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 - The Organization provides RAHS students a safe after-school environment and facilitate tutoring, academic support, leadership experience, arts enrichment, and community service opportunities.

Transitions - The Organization 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 - The Organization 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.

Youth and Family Services:

Community Healing Initiative - The Organization provides 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.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Notes to Financial Statements - Continued

1. Nature of Activities - Continued
Youth and Family Services - Continued

Youth and 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 and Priority Youth are youth age 16 and older who are disconnected from the education system and the labor market.

Workforce and Innovation Grant - An 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.

Employment and Training:

Work Opportunity Training (WOT) - The Organization 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.

Career Prep - In partnership with Worksystems, Inc., the Organization 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:

Street Level Gang Outreach - A partnership between the Organization 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 - Continued

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Organization are described below to enhance the usefulness of the financial statements to the reader.

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 follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Board of Directors of the Organization may designate certain net assets without donor restrictions for specific purposes.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions, which are temporary in nature; those restrictions will be met by actions of the Organization, or by the passage of time.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Basis of Accounting - The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates - The preparation of financial statements in conformity with GAAP 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates are used in the financial statements for, among other things, depreciation and amortization expense (based on the estimated useful lives of the underlying assets) and the functional allocation of expenses.

Cash and Cash Equivalents - The Organization considers all highly liquid debt instruments with a maturity of 3 months or less to be cash equivalents. Restricted cash consists of funds received from funding agencies for capital projects.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Financial Instruments with Concentrations of Credit Risk - Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents, grants and contracts receivable, the contribution receivable. On occasion throughout the year, cash and cash equivalent balances exceeded amounts insured by the Federal Deposit Insurance Corporation (FDIC). A majority of the Organization's grants and contracts receivable are due from local government agencies and school districts and not considered a significant credit risk by management. At June 30, 2022 and 2021, contributions receivable was due from three and one donor(s), respectively.

Grants and Contracts Revenue - The Organization receives revenue from grants and contracts, which are classified as conditional contributions, conditioned upon certain performance barriers and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has satisfied the barriers and/or incurred expenditures in compliance with specific grant or contract provisions. Amounts received prior to satisfaction of any donor-imposed conditions are reported as refundable advances in the statement of financial position. The Organization received conditional, cost-reimbursable grants of approximately \$7.7 million that have not been recognized in the statement of activities for the year ended June 30, 2022, because qualifying expenditures have not yet been incurred. Included in this amount is \$950,000 received in advance that is recognized in the statements of financial position as a refundable advance at June 30, 2022.

Contribution Recognition - The Organization recognizes contributions (including foundation grants) when cash, securities, or other assets or an unconditional promise to give is received. Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend are met.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted, when material, at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Management estimates an allowance for uncollectible contributions receivable based on past collection history and evaluation of specific contributions. At June 30, 2022 and 2021, contributions receivable were due within one year and management determined an allowance for uncollectible amounts was not necessary.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued
Contribution Recognition - Continued

The Organization reports contributions of capital assets and cash or other assets to be used to acquire capital assets as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of capital assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire capital assets are reported as restricted support. Absent explicit donor stipulations about how long those capital assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired capital assets are placed in service.

Contributed Nonfinancial Assets - Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets; or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers assisted in program activities and provided other supporting efforts throughout the year. However, the value of these services was not recognized as contributions in the financial statements since the recognition criteria were not met.

Contributions of property and equipment are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of the Organization's activities. During the year ended June 30, 2022, the Organization received contributions of a vehicle and equipment totaling \$331,638 utilized in program services. The values were based on the cost to purchase the vehicle and equipment if purchased.

Property and Equipment - The Organization follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$3,500. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which range between 3 and 30 years.

Debt Issuance Costs - Debt issuance costs are recorded at cost and are amortized using the straight-line method over the life of the loan and netted against long-term debt. Amortization of the debt issuance costs are included with interest expense.

Functional Allocation of Expenses - Costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The statements of functional expenses report certain categories of expenses that are attributable to more than one program and supporting service function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The primary expenses that require allocation are salaries and related expenses, which are allocated on the basis of estimates of time and effort, and occupancy and depreciation and amortization expenses, which are allocated based on the estimated use of the underlying leased or owned property.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Income Taxes - Income taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Organization is not classified as a private foundation.

Management of the Organization does not believe they have taken any uncertain tax positions. The Organization has not paid any penalties or interest related to its tax positions, and if any were paid, those amounts would be included in miscellaneous expense. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Adoption of New Accounting Pronouncement - Effective January 1, 2022, the Organization has adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU), 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires more detailed presentation and disclosure of in-kind contributions of goods and services. The Organization has adopted the provisions of ASU 2020-07 on a retrospective basis. Total support and net assets were unaffected by adopting this new standard.

Recent Accounting Pronouncements - In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU, among other things, will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset, which represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 was effective for the Organization on July 1, 2022. Management is evaluating the potential impact of this ASU on the Organization's financial statements.

3. Property and Equipment - Net

Property and equipment consists of the following at June 30:

	2022	2021
Land	\$ 10,665	\$ 10,665
Building	66,787	66,787
Building improvements	1,820,241	1,377,807
Leasehold improvements	223,385	223,385
Equipment and furniture	884,911	449,922
Vehicles	113,598	84,061
Construction in progress	-	74,590
	<u>3,119,587</u>	<u>2,287,217</u>
Less accumulated depreciation and amortization	<u>(1,543,247)</u>	<u>(1,577,907)</u>
Net property and equipment	<u><u>\$1,576,340</u></u>	<u><u>\$ 709,310</u></u>

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Notes to Financial Statements - Continued

4. Paycheck Protection Program Loan

In April 2020, the Organization received loan proceeds in the amount of 1,368,728 from Pacific West Bank under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides for full or partial loan forgiveness if loan proceeds are used for qualifying expenses and certain other conditions are satisfied.

The Organization used the proceeds for purposes consistent with the PPP and applied for loan forgiveness. During the year ended June 30, 2021, the loan was forgiven by the Small Business Administration (SBA).

The Organization has elected to account for the PPP loan following the debt model under GAAP. As such, the forgiveness of indebtedness was not recognized in the statement of activities until the obligation was forgiven by the SBA. The Organization recognized loan forgiveness in the statement of activities of \$1,368,728 for the year ended June 30, 2021.

5. Capital Lease Obligation

The Organization leases equipment with a cost of \$55,335 under a capital lease that expires October 2023. The asset and liability under the capital lease have been recorded at the present value of the minimum lease payments. The equipment is amortized over the lower of its lease term or estimated useful life. At June 30, 2022 and 2021, accumulated amortization totaled \$32,279 and \$13,834, respectively. Amortization of the equipment is included in depreciation and amortization expense.

Minimum future lease payments under the capital lease as June 30, 2022, are as follows:

Years Ending June 30,	Amount
2023	\$ 21,235
2024	<u>7,078</u>
	28,313
Less amount representing interest	<u>(1,797)</u>
Present value of net minimum payments	26,516
Less current portion	<u>(19,574)</u>
Long-term portion	<u><u>\$ 6,942</u></u>

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Notes to Financial Statements - Continued

6. Long-Term Debt

The Organization's long-term debt consists of the following at June 30:

	2022	2021
Note payable to Pacific West Bank in monthly installments of \$4,434, including interest at 4 percent per annum through June 2026. Beginning July 2026, the interest rate will rest according to the Federal Home Loan Bank of Des Moines five year advance rate plus 3.25 percent per annum. A balloon payment of all unpaid principal and interest will be due at the maturity date of the note, which is June 2031. The note is secured by substantially all assets of the Organization.	814,808	835,000
	814,808	835,000
Less unamortized debt issuance costs	(5,580)	(6,200)
	809,228	828,800
Less current portion	(21,003)	(20,180)
Long-term portion	\$ 788,225	\$ 808,620

Future principal payments on the note are as follows at June 30, 2022:

Years Ending June 30,	Amount
2023	\$ 21,003
2024	21,858
2025	22,749
2026	23,766
2027	23,766
Thereafter	701,666
	\$ 814,808

The aforementioned note payable to Pacific West Bank and the line of credit with Pacific West Bank described in *Note 7* contain financial covenants that must be maintained by the Organization. At June 30, 2022, management believes the Organization complied with the covenants.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Notes to Financial Statements - Continued

7. Line of Credit

The Organization has a \$650,000 line of credit with Pacific West Bank, secured by substantially all assets of the Organization, that matures June 2026. The line of credit bears interest at the bank's prime rate plus 0.75 percent per annum, with an interest rate floor of 4 percent (5.5 percent at June 30, 2022). There was no balance outstanding on the line of credit at June 30, 2022 and 2021.

8. Net Assets

The Organization's Board of Directors has designated net assets without donor restrictions for a financial reserve fund. The purpose of the fund is to act as a safeguard and permit the Organization to adjust to annual variances in revenues and expenses and to plan and prepare for new projects and programming. At June 30, 2022 and 2021, the balance was \$400,000 and \$-0-, respectively.

Net assets with donor restrictions are available for the following purposes at June 30:

	2022	2021
Summer programs	\$ -	\$ 851,863
Kitchen project	250,000	255,000
Scholarships	56,623	66,686
Fiscal office improvements	-	65,363
For use in future periods	<u>545,000</u>	<u>-</u>
	<u>\$ 851,623</u>	<u>\$ 1,238,912</u>

During the years ended June 30, 2022 and 2021, net assets with donor restrictions of \$1,222,289 and \$635,959, respectively, were released from restrictions due to specific program accomplishments of the Organization or the passage of time.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Notes to Financial Statements - Continued

9. Liquidity and Availability of Resources

The Organization's financial assets available for general expenditure within one year of the statement of financial position date consist of the following at June 30:

	2022	2021
Cash and cash equivalents	\$ 1,172,564	\$ 3,273,169
Grants and contracts receivable	3,478,020	2,085,950
Contribution receivable	<u>595,000</u>	<u>-</u>
Total financial assets available within one year	5,245,584	5,359,119
Less amounts unavailable for general expenditures within one year:		
Net assets with donor restrictions for specific program activities	<u>(601,623)</u>	<u>(1,238,912)</u>
Total financial assets available to management for general expenditure within one year	<u><u>\$ 4,643,961</u></u>	<u><u>\$ 4,120,207</u></u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Organization has access to a \$650,000 line of credit (*Note 7*) to help manage unanticipated liquidity needs.

10. Retirement Plan

The Organization has a qualified defined contribution plan with a 403(b) provision, which covers substantially all employees that meet certain eligibility requirements. Contributions to the retirement plan are discretionary and totaled \$304,509 and \$331,359 for the year ended June 30, 2022 and 2021, respectively.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Notes to Financial Statements - Continued

11. Operating Lease Commitments

The Organization leases building space at multiple locations in Portland, Oregon under noncancelable operating leases expiring through 2027.

Certain leases include monthly rent increases over their term. The Organization records rent expense over the lease term on a straight-line basis. Accordingly, the Organization recognizes a deferred rent liability to the extent that the straight-line recognition of rent expense exceeds required rental payments. Deferred rents are reduced when rent payments exceed the recognized amount of expense. At June 30, 2022 and 2021, the deferred rent liability totaled \$82,580 and \$57,105, respectively.

One of the lease agreements provided a tenant improvement allowance of \$223,385. The lease agreement states that if the Organization terminates the lease before the expiration date, then the Organization would have to pay the landlord the unamortized balance of the tenant improvement allowance and a pro-rated amount the landlord paid for its leasing commission.

The tenant improvement allowance was used for leasehold improvements, which were capitalized and included in property and equipment. At June 30, 2022 and 2021, lease incentive liability associated with the tenant improvement allowance totaled \$107,363 and \$128,143, respectively. The liability is being amortized over the term of the lease as a reduction to rent expense.

Minimum payments remaining under the noncancelable leases are as follows at June 30, 2022:

Years Ending June 30,	Amount
2023	\$ 663,792
2024	659,528
2025	624,130
2026	598,234
2027	553,625
Thereafter	<u>46,242</u>
	<u><u>\$3,145,551</u></u>

Rent expense for the year ended June 30, 2022 and 2021, totaled \$716,860 and \$533,609, respectively.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Notes to Financial Statements - Continued

12. Grants and Contracts Revenue

A summary of the Organization's grants and contracts revenue is as follows for the year ended June 30:

	2022	2021
Portland Public Schools	\$ 4,367,189	\$ 3,930,817
Multnomah County	1,962,436	1,626,046
Worksystems, Inc.	867,660	725,179
OIC of America	313,669	524,728
Gresham-Barlow School District	374,551	516,247
Centennial School District	321,591	434,795
City of Portland	1,359,202	432,301
State of Oregon	1,081,848	396,097
Portland Children's Levy	600,711	409,196
Self Enhancement, Inc.	-	297,676
David Douglas School District	124,167	149,162
Reynolds School District	113,908	175,602
City of Gresham	56,400	94,600
Other sources	<u>1,025,773</u>	<u>751,969</u>
	<u>\$ 12,569,105</u>	<u>\$ 10,464,415</u>

Grants and contracts revenue received from various contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Organization if so determined in the future.

13. Subsequent Events

Subsequent events have been evaluated through June 21, 2023, the date the financial statements were available to be issued.