



FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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.

Report on the Audit of the Financial Statements

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, 2023 and 2022, 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. as of June 30, 2023 and 2022, 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 opinions.

Change in Accounting Principle

As discussed in *Note 2* to the financial statements, the Organization has adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to that matter.

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.

Responsibilities of Management for the Financial Statements - Continued

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 March 20, 2024, 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
March 20, 2024

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Statements of Financial Position

June 30,	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,569,864	\$ 1,672,564
Grants and contracts receivable	3,975,572	3,528,020
Contributions receivable	281,500	545,000
Prepaid expenses	194,543	103,871
Total current assets	6,021,479	5,849,455
Restricted cash	-	450,000
Deposits	62,603	42,956
Property and equipment:		
Land	10,665	10,665
Building	66,787	66,787
Building improvements	2,346,651	1,820,241
Leasehold improvements	223,385	223,385
Equipment and furniture	1,189,299	884,911
Vehicles	146,098	113,598
	3,982,885	3,119,587
Less accumulated depreciation and amortization	(1,757,621)	(1,543,247)
Net property and equipment	2,225,264	1,576,340
Operating right-of-use assets (<i>Note 8</i>)	2,211,282	-
Total assets	\$ 10,520,628	\$ 7,918,751

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

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Statements of Financial Position - Continued

June 30,	2023	2022
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 532,344	\$ 448,975
Accrued payroll and related liabilities	1,372,147	1,140,478
Refundable advances	500,000	950,000
Due to OIC of America	40,265	26,050
Current portion of operating lease obligation <i>(Note 8)</i>	623,811	-
Current portion of long-term debt <i>(Note 3)</i>	21,858	21,003
	3,090,425	2,586,506
Total current liabilities		
Deferred rent and lease incentive	-	189,943
Operating lease obligation, net of current portion <i>(Note 8)</i>	1,768,485	-
Long-term debt, net of current portion <i>(Note 3)</i>	767,446	788,225
	5,626,356	3,564,674
Total liabilities		
Net assets:		
Without donor restrictions:		
Board designated reserve <i>(Note 5)</i>	400,000	400,000
Undesignated	4,162,649	3,102,454
	4,562,649	3,502,454
Total net assets without donor restrictions		
With donor restrictions <i>(Note 5)</i>	331,623	851,623
	4,894,272	4,354,077
Total net assets		
Total liabilities and net assets	\$ 10,520,628	\$ 7,918,751

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

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Statements of Activities

Year Ended June 30,	2023	2022
Changes in net assets without donor restrictions:		
Revenue and other support:		
Grants and contracts revenue <i>(Note 9)</i>	\$ 18,910,963	\$ 12,569,105
Foundation grants	1,396,234	1,100,640
Contributions	410,352	830,136
Fundraising event revenue	312,058	63,700
Contributed nonfinancial assets	1,022,051	331,638
Miscellaneous	126,475	50,567
Net assets released from restriction <i>(Note 5)</i>	795,000	1,222,289
Total revenue and other support	22,973,133	16,168,075
Expenses:		
Program services:		
Education	5,878,501	4,962,627
Youth and family services	4,029,809	3,574,817
Employment and training	3,396,041	1,992,549
Community outreach	5,044,683	1,487,689
Total program services	18,349,034	12,017,682
Supporting services:		
General and administrative	2,871,162	2,652,712
Fundraising	692,742	538,534
Total supporting services	3,563,904	3,191,246
Total expenses	21,912,938	15,208,928
Increase in net assets without donor restrictions	1,060,195	959,147
Changes in net assets with donor restrictions:		
Foundation grants	275,000	835,000
Net assets released from restriction <i>(Note 5)</i>	(795,000)	(1,222,289)
Decrease in net assets with donor restrictions	(520,000)	(387,289)
Increase in net assets	540,195	571,858
Net assets, beginning of year	4,354,077	3,782,219
Net assets, end of year	\$ 4,894,272	\$ 4,354,077

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

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Statement of Functional Expenses

Year Ended June 30, 2023

	Education	Youth and Family Services	Employment and Training	Community Outreach	General and Administrative	Fundraising	Total
Salaries and related expenses	\$ 3,971,741	\$ 2,103,552	\$ 2,111,069	\$ 1,588,701	\$ 1,451,814	\$ 294,096	\$ 11,520,973
Professional services	202,290	430,145	66,563	191,122	638,230	188,104	1,716,454
Client assistance	32,768	690,579	268,199	685,690	-	-	1,677,236
Occupancy	371,177	216,921	267,890	165,729	136,485	21,974	1,180,176
Program activities and supplies	246,289	204,283	177,471	5,791	-	-	633,834
Travel and lodging	53	20,244	19,223	51,903	56,810	-	148,233
Office expenses	108,916	57,102	48,451	42,761	48,128	9,593	314,951
Event expenses	-	-	-	-	-	113,770	113,770
Transportation	3,367	32,858	30,626	18,668	12,016	366	97,901
Interest	13,259	7,242	7,268	5,469	4,998	1,012	39,248
Information technology	532,376	49,433	27,752	41,484	170,957	20,954	842,956
Insurance	13,568	7,410	7,437	5,597	5,114	1,036	40,162
Staff development	64,008	35,991	11,096	48,882	11,531	9	171,517
Scholarships and donations	121,302	-	-	-	-	-	121,302
Depreciation and amortization	150,590	82,250	82,544	62,119	56,767	11,499	445,769
Miscellaneous	27,428	35,142	3,187	988	207,722	25,389	299,856
Grants	-	-	-	2,129,184	-	-	2,129,184
Equipment	19,369	56,657	267,265	595	70,590	4,940	419,416
Total expenses	\$ 5,878,501	\$ 4,029,809	\$ 3,396,041	\$ 5,044,683	\$ 2,871,162	\$ 692,742	\$ 21,912,938

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	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	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	\$ 4,962,627	\$ 3,574,817	\$ 1,992,549	\$ 1,487,689	\$ 2,652,712	\$ 538,534	\$ 15,208,928

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

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Statements of Cash Flows

Year Ended June 30,	2023	2022
Cash flows from operating activities:		
Cash receipts:		
Grants and contracts	\$ 18,027,626	\$ 11,677,035
Foundation grants	1,934,734	1,090,640
Contributions	410,352	830,136
Fundraising event	312,058	58,700
Other	126,475	50,567
	<u>20,811,245</u>	<u>13,707,078</u>
Cash disbursements:		
Salaries and related expenses	(11,289,304)	(9,351,675)
Interest	(38,628)	(35,259)
Other expenses	(9,438,816)	(5,647,376)
	<u>(20,766,748)</u>	<u>(15,034,310)</u>
Net cash provided (used) by operating activities	44,497	(1,327,232)
Cash flows from investing activities:		
Purchase of property and equipment	(576,653)	(683,591)
Net cash used by investing activities	(576,653)	(683,591)
Cash flows from financing activities:		
Proceeds from contributions restricted for capital projects	-	700,000
Principal payments on long-term debt	(20,544)	(20,192)
Net cash provided (used) by financing activities	(20,544)	679,808
Net decrease in cash, cash equivalents, and restricted cash	(552,700)	(1,331,015)
Cash, cash equivalents, and restricted cash, beginning of year	<u>2,122,564</u>	<u>3,453,579</u>
Cash, cash equivalents, and restricted cash, end of year	1,569,864	2,122,564
Less restricted cash, end of year	<u>-</u>	<u>(450,000)</u>
Cash and cash equivalents, end of year	\$ 1,569,864	\$ 1,672,564

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, mentorship, family outreach, and employment training, and placement services to high risk youth and adults.

The Organization's mission is to provide the highest quality services in alternative education, mentoring, family outreach, and employment training and placement.

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.

Rosemary Anderson Prep (RA Prep) - RA Prep expands on the alternative, community-based educational model at RAHS, providing further educational, athletic, and entrepreneurial opportunities. RA Prep offers AP level courses, and more.

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.

POIC Kitchen - POIC's Culinary + Hospitality Emergent Fellowship Academic (CHEF) program is a paid 12-week opportunity for students to learn industry standards, all while providing nutritious and delicious food to our students and the individuals we serve.

Construction Pre-Apprenticeship - POIC provides a 12-week program to prepare adults for careers in construction and in the trades. This is a paid opportunity for hands-on learning, classroom instruction, industry-recognized certifications, career exploration, and more.

Community Outreach:

Street Level Community 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

1. Nature of Activities - Continued Community Outreach - Continued

Healing Hurt People (HHP) - In partnership with Legacy Emmanuel, Oregon Health and Science University, and Legacy Mt. Hood, our HHP team advocates for victims of violence, offering support, resources, and more to them and their families as they recover.

Life Coaching - 18-month life planning and wraparound support for justice-involved individuals.

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.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

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.

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, and contributions receivable. Cash and cash equivalent balances are 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 a majority of the Organization's contributions receivable are due from local foundations. As such, grants, contracts, and contributions receivable are not considered a significant credit risk by management.

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 \$20 million that have not been recognized in the statement of activities for the year ended June 30, 2023, because qualifying expenditures have not yet been incurred. Included in this amount is \$500,000 received in advance that is recognized in the statements of financial position as a refundable advance at June 30, 2023.

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.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. 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 statements of activities as net assets released from restrictions.

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. Contributions of assets other than cash 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.

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 nonfinancial assets consist of following during the year ended June 30:

	2023	2022
Computer equipment and licenses	\$ 423,980	\$ 302,101
Information technology services	598,071	-
Vehicle	-	29,537
	<u>\$ 1,022,051</u>	<u>\$ 331,638</u>

During the years ended June 30, 2023 and 2022, contributed nonfinancial assets totaling \$1,022,051 and \$302,101, respectively, were from a grant from the State of Oregon and are for the Organization's education program. The value of the assets and services are based on the cost if purchased.

Property and Equipment - The Organization follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$5,000. 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.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

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.

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 Standard - Effective July 1, 2022, the Organization adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which requires a lessee to record a right-of-use (ROU) asset and a lease liability for all leases with an initial term greater than 12 months. Leases are classified as either financing or operating, with classification affecting the recognition, measurement, and presentation of expenses and cash flows.

Upon adoption of the new guidance, the Organization elected to apply several practical expedients, including: (1) not reassessing existing contracts to determine whether they are or contain a lease; (2) not reassessing existing leases to determine whether they are an operating or financing lease; and (3) not reassessing any initial direct costs for existing leases.

The Organization adopted ASU 2016-02 using the modified retrospective approach, which resulted in the recognition of an operating ROU assets of \$2,782,436 (net of the previously recognized accumulated deferred rent and lease incentives liabilities of \$189,943) and associated operating lease liabilities of \$2,972,379 as of July 1, 2022.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Notes to Financial Statements - Continued

3. Long-Term Debt

	2023	2022
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.	794,264	814,808
Less unamortized debt issuance costs	(4,960)	(5,580)
Less current portion	(21,858)	(21,003)
Long-term portion	\$ 767,446	\$ 788,225

Future principal payments on the note are as follows at June 30, 2023:

Years Ending June 30,	Amount
2024	\$ 21,858
2025	22,749
2026	23,766
2027	23,655
2028	24,718
Thereafter	677,518
	\$ 794,264

The aforementioned note payable to Pacific West Bank and the line of credit with Pacific West Bank described in *Note 4* contain financial covenants that must be maintained by the Organization. At June 30, 2023, management believes the Organization complied with the covenants.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Notes to Financial Statements - Continued

4. 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 (9 percent at June 30, 2023). There was no balance outstanding on the line of credit at June 30, 2023 and 2022.

5. 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, 2023 and 2022, the balance was \$400,000.

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

	2023	2022
Kitchen project	\$ -	\$ 250,000
Scholarships	56,623	56,623
For use in future periods	<u>275,000</u>	<u>545,000</u>
	<u>\$ 331,623</u>	<u>\$ 851,623</u>

During the years ended June 30, 2023 and 2022, net assets with donor restrictions of \$795,000 and \$1,222,289, 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

6. 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:

	2023	2022
Cash and cash equivalents	\$ 1,569,864	\$ 1,672,564
Grants and contracts receivable	3,975,572	3,528,020
Contributions receivable	<u>281,500</u>	<u>545,000</u>
Total financial assets available within one year	5,826,936	5,745,584
Less amounts unavailable for general expenditures within one year:		
Board designated financial reserve fund	(400,000)	(400,000)
Net assets with donor restrictions for specific program activities	<u>(56,623)</u>	<u>(306,623)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 5,370,313</u>	<u>\$ 5,038,961</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 4*) to help manage unanticipated liquidity needs.

Additionally, the Organization's financial reserve fund is a component of net assets without donor restrictions. Although management intends to use the fund in accordance with the provisions outlined by the Board of Directors, amounts could be made available for current operations, if approved by the Board of Directors.

7. 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 \$294,370 and \$304,509 for the year ended June 30, 2023 and 2022, respectively.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Notes to Financial Statements - Continued

8. Leases

The Organization determines if an arrangement is a lease or a service contract at inception. A contract is determined to be or contain a lease if the contract conveys the right to control the use of an identified asset in exchange for consideration. When an arrangement is a lease, the Organization determines whether it is an operating or finance lease.

Leases result in recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term. Lease liabilities represent the obligation to make lease payments, measured on a discounted basis. At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability, adjusted for any direct costs, prepaid or deferred rent, and lease incentives. The Organization has elected not to separate lease components from non-lease components, and to apply the short-term lease exception, which does not require the capitalization of leases with a term of 12 months or less. Short-term leases are recognized as expense on a straight-line basis over the term of the lease. Variable lease payments, if any, are recognized as expense in the period in which the obligation for payment is incurred. The Organization considers any options to extend or terminate a lease when determining the lease term, and only options that the Organization believes are reasonably certain to be exercised are included in the measurement of the ROU assets and lease liabilities.

The Organization leases classroom and office space under operating leases with initial terms up to 5 years. Some leases may include renewal options which can extend the lease term. The exercise of these renewal options are generally at the discretion of the Organization, and only lease options that the Organization believes are reasonably certain to be exercised are included in the measurement of the lease assets and liabilities. The lease agreements do not include any residual value guarantees or restrictive covenants. The Organization has elected to use the risk-free rate of return as the discount rate as neither the rate implicit in the lease nor the Organization's incremental borrowing rate are readily available.

Rent expense for the operating leases and other month-to-month rentals was \$716,860 for the year ended June 30, 2022. Lease expense was composed of the following as of June 30, 2023:

Operating lease expense	\$	656,523
Variable lease expense		133,733
Short-term lease expense		115,847
Sublease income		(3,000)
		<hr/>
	\$	903,103
		<hr/> <hr/>

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Notes to Financial Statements - Continued

8. Leases - Continued

The following summarizes the cash flow information related to operating leases for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities for operating leases	\$ 657,279
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 2,972,379

Weighted average lease term and discount rate related to operating leases were as follows at June 30, 2023:

Weighted-average remaining lease term (in years)	3.8
Weighted-average discount rate	2.91%

The maturities of operating lease liabilities were as follows as of June 30, 2023:

Years Ending June 30,	Amount
2024	\$ 683,464
2025	656,279
2026	620,712
2027	509,646
2028	55,441
	<u>2,525,542</u>
Less present value discount	<u>(133,246)</u>
	2,392,296
Less current portion	<u>(623,811)</u>
Long-term portion	<u>\$ 1,768,485</u>

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Notes to Financial Statements - Continued

9. Grants and Contracts Revenue

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

	2023	2022
Portland Public Schools	\$ 4,215,840	\$ 4,367,189
Multnomah County	2,472,157	1,962,436
Worksystems, Inc.	1,114,522	867,660
OIC of America	260,418	313,669
Gresham-Barlow School District	332,893	374,551
Centennial School District	347,270	321,591
City of Portland	1,036,191	1,359,202
State of Oregon	6,483,068	1,081,848
Portland Children's Levy	641,932	600,711
David Douglas School District	110,270	124,167
Reynolds School District	75,981	113,908
City of Gresham	125,722	56,400
Other sources	1,694,699	1,025,773
	<u>\$ 18,910,963</u>	<u>\$ 12,569,105</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.

10. Subsequent Events

Subsequent events have been evaluated through March 20, 2024, the date the financial statements were available to be issued.

In August 2023, the Organization, through its wholly owned limited liability company, was granted the building at the Albina Arts Center from the Oregon Community Foundation and will assume the loan on the building. The estimated value of the building is approximately \$1.5 million and the amount of the loan that will be assumed is approximately \$215,000.