



FINANCIAL STATEMENTS

Year Ended June 30, 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.

Report on the Financial Statements

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, 2021 and 2020, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we 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 auditors' 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 control 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2021 and 2020, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2022, 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 7, 2022

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Statements of Financial Position

June 30,	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,273,169	\$ 1,796,566
Grants and contracts receivable	2,085,950	1,008,069
Contribution receivable	-	50,000
Prepaid expenses	61,012	23,415
	5,420,131	2,878,050
Total current assets		
Restricted cash	180,410	-
Deposits	30,187	30,187
Property and equipment - net <i>(Note 3)</i>	709,310	620,226
	920,007	650,413
Total assets	\$ 6,340,038	\$ 3,528,463
LIABILITIES AND NET ASSETS (DEFICIT)		
Current liabilities:		
Accounts payable	444,415	202,812
Accrued payroll and related liabilities	1,028,963	786,116
Due to OIC of America	26,050	26,050
Current portion of capital lease obligation <i>(Note 5)</i>	17,827	-
Current portion of long-term debt <i>(Note 6)</i>	20,180	23,823
	1,537,435	1,038,801
Total current liabilities		
Deferred rent and lease incentive <i>(Note 11)</i>	185,248	199,315
Paycheck Protection Program loan <i>(Note 4)</i>	-	1,368,728
Capital lease obligation, net of current portion <i>(Note 5)</i>	26,516	-
Long-term debt, net of current portion <i>(Note 6)</i>	808,620	802,091
	1,020,430	1,370,134
Total liabilities	2,557,819	3,408,935
Commitments and contingencies <i>(Notes 7, 10, 11, and 12)</i>		
Net assets (deficit):		
Without donor restrictions	2,543,307	(157,158)
With donor restrictions <i>(Note 8)</i>	1,238,912	276,686
	3,782,219	119,528
Total net assets	3,782,219	119,528
Total liabilities and net assets	\$ 6,340,038	\$ 3,528,463

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

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Statements of Activities

Year Ended June 30,	2021	2020
Changes in net assets without donor restrictions:		
Revenue and other support:		
Grants and contracts revenue <i>(Note 12)</i>	\$ 10,464,415	\$ 8,955,310
Foundation grants	634,058	148,341
Contributions	422,412	615,594
Fundraising event revenue	322,344	342,025
In-kind contributions	-	26,000
Paycheck Protection Program loan forgiveness <i>(Note 4)</i>	1,368,728	-
Miscellaneous	36,030	78,638
Net assets released from restriction <i>(Note 8)</i>	<u>635,959</u>	<u>143,089</u>
Total revenue and other support	13,883,946	10,308,997
Expenses:		
Program services:		
Education	3,805,839	3,747,724
Youth and family services	2,449,357	2,109,129
Employment and training	1,701,658	1,548,405
Community outreach	<u>924,092</u>	<u>778,113</u>
Total program services	8,880,946	8,183,371
Supporting services:		
General and administrative	1,722,740	1,709,659
Fundraising	<u>579,795</u>	<u>448,911</u>
Total supporting services	<u>2,302,535</u>	<u>2,158,570</u>
Total expenses	<u>11,183,481</u>	<u>10,341,941</u>
Increase (decrease) in net assets without donor restrictions	2,700,465	(32,944)
Changes in net assets with donor restrictions:		
Foundation grants	1,598,185	240,000
Net assets released from restriction <i>(Note 8)</i>	<u>(635,959)</u>	<u>(143,089)</u>
Increase in net assets with donor restrictions	<u>962,226</u>	<u>96,911</u>
Increase in net assets	3,662,691	63,967
Net assets, beginning of year	<u>119,528</u>	<u>55,561</u>
Net assets, end of year	<u>\$ 3,782,219</u>	<u>\$ 119,528</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.

Statement of Functional Expenses

Year Ended June 30, 2020

	Education	Youth and Family Services	Employment and Training	Community Outreach	General and Administrative	Fundraising	Total
Salaries and related expenses	\$ 2,889,630	\$ 1,492,042	\$ 1,170,426	\$ 643,118	\$ 1,255,701	\$ 241,224	\$ 7,692,141
Professional services	105,153	92,932	55,835	31,063	189,153	104,776	578,912
Client assistance	17,982	160,875	74,405	1,928	446	-	255,636
Occupancy	340,154	123,479	115,730	50,698	104,638	12,479	747,178
Program activities and supplies	55,173	61,802	28,401	2,474	4,407	2,336	154,593
Travel and lodging	-	6,515	11,038	-	19,459	1,013	38,025
Office expenses	47,439	27,932	18,674	11,448	29,893	11,589	146,975
Event expenses	-	-	-	-	-	58,432	58,432
School lunch program	103,955	-	-	-	-	-	103,955
Transportation	2,077	40,252	18,626	17,980	4,790	1,081	84,806
Interest	23,798	10,485	7,264	4,001	10,965	1,139	57,652
Information technology	33,684	7,500	12,288	3,324	15,732	4,520	77,048
Insurance	11,134	6,045	4,018	2,262	4,801	602	28,862
Staff development	5,501	12,217	3,737	376	8,424	1,128	31,383
In-kind donations	-	26,000	-	-	-	-	26,000
Scholarships and donations	23,804	-	-	-	-	-	23,804
Depreciation and amortization	51,448	17,580	17,592	7,373	4,105	2,140	100,238
Miscellaneous	36,792	23,473	10,371	2,068	57,145	6,452	136,301
Total expenses	\$ 3,747,724	\$ 2,109,129	\$ 1,548,405	\$ 778,113	\$ 1,709,659	\$ 448,911	\$ 10,341,941

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

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Statements of Cash Flows

Year Ended June 30,	2021	2020
Cash flows from operating activities:		
Cash receipts:		
Grants and contracts	\$ 9,386,534	\$ 9,537,985
Foundation grants	1,977,243	388,341
Contributions	472,412	659,587
Fundraising event	322,344	342,025
Other	33,742	76,237
	<u>12,192,275</u>	<u>11,004,175</u>
Cash disbursements:		
Salaries and related expenses	(7,629,199)	(7,594,286)
Interest	(26,595)	(54,083)
Other expenses	(2,974,528)	(2,807,729)
	<u>(10,630,322)</u>	<u>(10,456,098)</u>
Net cash provided by operating activities	1,561,953	548,077
Cash flows from investing activities:		
Purchase of property and equipment	(143,079)	-
Net cash used by investing activities	(143,079)	-
Cash flows from financing activities:		
Payment on line of credit	-	(290,000)
Proceeds from contributions restricted for a capital project	255,000	-
Proceeds from Paycheck Protection Program loan	-	1,368,728
Proceeds from long-term debt	10,085	-
Principal payments on long-term debt and capital lease obligation	(26,946)	(20,332)
Net cash provided by financing activities	238,139	1,058,396
Net increase in cash, cash equivalents, and restricted cash	1,657,013	1,606,473
Cash, cash equivalents, and restricted cash, beginning of year	1,796,566	190,093
Cash, cash equivalents, and restricted cash, end of year	3,453,579	1,796,566
Less restricted cash, end of year	(180,410)	-
Cash and cash equivalents, end of year	\$ 3,273,169	\$ 1,796,566
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.

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, 2020, contributions receivable was due from one donor.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Grants and Contracts Revenue - The Organization receives revenue from grants and contracts, which are 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 has received conditional, cost-reimbursable grants of approximately \$2.7 million that have not been recognized in the statement of activities for the year ended June 30, 2021, because qualifying expenditures have not yet been incurred.

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. The Organization has received conditional foundation grants of \$25,000 that have not been recognized in the statement of activities for the year ended June 30, 2021, because certain performance barriers were not yet 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, 2020, contributions receivable were due within one year and management determined an allowance for uncollectible amounts was not necessary.

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.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

In-Kind Contributions - The Organization receives contributions of food and supplies. These contributions are reflected as in-kind contributions with offsetting expenses at their estimated fair market values.

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. In-kind contributions of 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.

Property and Equipment - The Organization follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$1,800. 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.

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.

PORTLAND OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Recent Accounting Pronouncements - In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 is effective for the Organization on July 1, 2022. The Organization 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:

	2021	2020
Land	\$ 10,665	\$ 10,665
Building	66,787	66,787
Building improvements	1,377,807	1,377,807
Leasehold improvements	223,385	223,385
Equipment and furniture	449,922	364,012
Vehicles	84,061	46,147
Construction in progress	<u>74,590</u>	<u>-</u>
	2,287,217	2,088,803
Less accumulated depreciation and amortization	<u>(1,577,907)</u>	<u>(1,468,577)</u>
Net property and equipment	<u>\$ 709,310</u>	<u>\$ 620,226</u>

At June 30, 2021, construction in progress consists of the Organization's kitchen project, which is expected to be completed in the next fiscal year. Also at June 30, 2021, restricted cash represents cash restricted for the kitchen project.

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 is not recognized in the statement of activities until the obligations are 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. Amortization of the equipment is included in depreciation and amortization expense.

Minimum future lease payments under the capital lease as June 30, 2021, for each of the next five years and in the aggregate are as follows:

Years Ending June 30,	Amount
2022	\$ 21,235
2023	21,235
2024	<u>7,078</u>
	49,548
Less amount representing interest	<u>(5,205)</u>
Present value of net minimum payments	44,343
Less current portion	<u>(17,827)</u>
Long-term portion	<u><u>\$ 26,516</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:

	2021	2020
Note payable to Bank of the West, refinanced in June 2021.	\$ -	\$ 834,669
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.	835,000	-
	835,000	834,669
Less unamortized debt issuance costs	(6,200)	(8,755)
	828,800	825,914
Less current portion	(20,180)	(23,823)
Long-term portion	\$ 808,620	\$ 802,091

Future principal payments on the note is as follows at June 30, 2021:

Years Ending June 30,	Amount
2022	\$ 20,180
2023	21,003
2024	21,858
2025	22,749
2026	23,766
Thereafter	725,444
	\$ 835,000

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, 2021, 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, and 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 (4 percent at June 30, 2021). There was no balance outstanding on the line of credit at June 30, 2021.

8. Net Assets With Donor Restrictions

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

	2021	2020
Summer programs	\$ 851,863	\$ -
Kitchen project	255,000	-
Scholarships	66,686	61,686
Fiscal office improvements	65,363	125,000
Mental health programs	-	40,000
For use in future periods	-	50,000
	<u>\$ 1,238,912</u>	<u>\$ 276,686</u>

During the year ended June 30, 2021 and 2020, net assets with donor restrictions of \$635,959 and \$143,089, 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:

	2021	2020
Cash and cash equivalents	\$ 3,273,169	\$ 1,796,566
Grants and contracts receivable	2,085,950	1,008,069
Contribution receivable	<u>-</u>	<u>50,000</u>
Total financial assets available within one year	5,359,119	2,854,635
Less amounts unavailable for general expenditures within one year:		
Net assets with donor restrictions for specific program activities	<u>(983,912)</u>	<u>(276,686)</u>
Total financial assets available to management for general expenditure within one year	<u><u>\$ 4,375,207</u></u>	<u><u>\$ 2,577,949</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 over the age of 21 who have completed 1,000 hours of service. Contributions to the retirement plan are discretionary and totaled \$331,359 and \$239,458 for the year ended June 30, 2021 and 2020, 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, 2021 and 2020, the deferred rent liability totaled \$57,105 and \$50,392, 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, 2021 and 2020, lease incentive liability associated with the tenant improvement allowance totaled \$128,143 and \$148,923, 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, 2021:

Years Ending June 30,	Amount
2022	\$ 399,058
2023	361,641
2024	344,852
2025	298,822
2026	276,142
Thereafter	<u>323,697</u>
	<u>\$2,004,212</u>

Rent expense for the year ended June 30, 2021 and 2020, totaled \$533,609 and \$500,146, 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:

	2021	2020
Portland Public Schools	\$ 3,930,817	\$ 3,297,390
Multnomah County	1,626,046	1,508,869
Worksystems, Inc.	725,179	562,544
OIC of America	524,728	533,515
Gresham-Barlow School District	516,247	523,566
Centennial School District	434,795	481,531
City of Portland	432,301	404,922
State of Oregon	396,097	275,351
Portland Children's Levy	409,196	255,080
Self Enhancement, Inc.	297,676	185,625
David Douglas School District	149,162	179,110
Reynolds School District	175,602	174,518
City of Gresham	94,600	160,525
Other sources	751,969	412,764
	<u>\$ 10,464,415</u>	<u>\$ 8,955,310</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 March 7, 2022, the date the financial statements were available to be issued.