

PORTLAND HOMELESS FAMILY SOLUTIONS

FINANCIAL STATEMENTS

Year Ended June 30, 2018



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

PORTLAND HOMELESS FAMILY SOLUTIONS

FINANCIAL STATEMENTS

Year Ended June 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Portland Homeless Family Solutions
Portland, Oregon

We have audited the accompanying financial statements of Portland Homeless Family Solutions (a non-profit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Homeless Family Solutions as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited Portland Homeless Family Solutions' 2017 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Portland, Oregon
February 28, 2019

PORTLAND HOMELESS FAMILY SOLUTIONS

STATEMENT OF FINANCIAL POSITION

June 30, 2018

(With Comparative Totals as of June 30, 2017)

ASSETS

	2018	2017
Cash and cash equivalents	\$ 437,446	\$ 220,209
Grants and contracts receivable	151,935	246,332
Pledges receivable	199,449	1,255
Prepaid expenses	21,724	13,270
Property and equipment, net	3,317,940	23,262
Total assets	\$ 4,128,494	\$ 504,328

LIABILITIES AND NET ASSETS

Accounts payable	\$ 17,017	\$ 947
Accrued payroll and related expenses	58,096	45,144
Deferred revenue	2,715	6,000
Line of credit	290,616	-
Notes payable	1,974,603	-
Total liabilities	2,343,047	52,091

Net assets

Unrestricted		
Available for general operations	467,305	258,657
Reserve for rent assistance	50,000	50,000
Reserve for operating	75,000	75,000
Net investment in property and equipment	1,052,720	23,262
Total unrestricted	1,645,025	406,919
Temporarily restricted	140,422	45,318
Total net assets	1,785,447	452,237

Total liabilities and net assets	\$ 4,128,494	\$ 504,328
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See notes to financial statements.

PORTLAND HOMELESS FAMILY SOLUTIONS

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

(With Comparative Totals as of June 30, 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018</u>	<u>2017</u>
Operating revenues and other support				
Government grants and contracts	\$ 1,811,111	\$ -	\$ 1,811,111	\$ 1,248,593
Grants and contributions	255,340	403,303	658,643	567,416
Auction, net of expense of \$49,922 and \$47,020 in 2018 and 2017, respectively.	107,360	-	107,360	79,479
Interest and dividends	563	-	563	-
In-kind childcare staffing	37,335	-	37,335	83,220
In-kind meals	57,464	-	57,464	31,500
	<u>2,269,173</u>	<u>403,303</u>	<u>2,672,476</u>	<u>2,010,208</u>
Net assets released from restriction	<u>1,558,917</u>	<u>(1,558,917)</u>	<u>-</u>	<u>-</u>
Total operating revenues and other support	<u>3,828,090</u>	<u>(1,155,614)</u>	<u>2,672,476</u>	<u>2,010,208</u>
Expenses				
Program services				
Housing and Rent Assistance	896,684	-	896,684	803,764
Day Shelter	284,847	-	284,847	311,423
Night Shelter	1,047,805	-	1,047,805	444,096
Prevention	103,336	-	103,336	114,086
Total program services	<u>2,332,672</u>	<u>-</u>	<u>2,332,672</u>	<u>1,673,369</u>
Supporting services				
Management and operations	128,135	-	128,135	115,211
Fundraising	129,177	-	129,177	127,621
Total expenses	<u>2,589,984</u>	<u>-</u>	<u>2,589,984</u>	<u>1,916,201</u>
Increase (decrease) in net assets before non-operating activities	<u>1,238,106</u>	<u>(1,155,614)</u>	<u>82,492</u>	<u>94,007</u>
Non-operating activities				
Grants and contributions received for the acquisition of property	<u>-</u>	<u>1,250,718</u>	<u>1,250,718</u>	<u>-</u>
Change in net assets	<u>1,238,106</u>	<u>95,104</u>	<u>1,333,210</u>	<u>94,007</u>
Net assets, beginning of year	<u>406,919</u>	<u>45,318</u>	<u>452,237</u>	<u>358,230</u>
Net assets, end of year	<u>\$ 1,645,025</u>	<u>\$ 140,422</u>	<u>\$ 1,785,447</u>	<u>\$ 452,237</u>

See notes to financial statements.

PORTLAND HOMELESS FAMILY SOLUTIONS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

(With Comparative Totals as of June 30, 2017)

	PROGRAM SERVICES					SUPPORTING SERVICES		2018	2017
	Housing and Rent Assistance	Day Shelter	Night Shelter	Prevention	Total Program	Management and Operations	Fund- Raising		
Salaries	\$ 163,162	\$ 177,441	\$ 382,573	\$ 26,930	\$ 750,106	\$ 79,490	\$ 53,852	\$ 883,448	\$ 657,034
Payroll taxes and benefits	38,621	37,451	108,670	7,805	192,547	21,244	12,497	226,288	155,590
Rent & Client Assistance	660,690	-	125,673	63,916	850,279	-	-	850,279	643,933
Custodial and maintenance	-	10,523	35,737	-	46,260	-	-	46,260	30,455
Client-related travel	13,046	1,038	2,053	710	16,847	2	198	17,047	16,154
Professional fees	416	390	93,940	104	94,850	9,510	37,920	142,280	68,040
Postage	878	88	293	23	1,282	59	2,899	4,240	5,324
Insurance	1,888	1,770	6,473	472	10,603	1,180	590	12,373	8,503
Office supplies and expense	1,232	1,155	3,850	308	6,545	770	385	7,700	6,409
Printing and copying	998	935	312	249	2,494	624	3,118	6,236	7,400
Computer expense	3,347	1,962	8,139	475	13,923	4,161	4,918	23,002	6,745
Bank charges	2,111	1,979	6,598	528	11,216	1,319	4,448	16,983	4,589
Interest	-	-	11,562	-	11,562	-	-	11,562	-
Advertising	-	-	-	-	-	-	5,073	5,073	2,554
Dues and subscriptions	504	472	1,574	126	2,676	315	157	3,148	2,564
Meetings and meals	2,789	1,285	4,284	343	8,701	858	1,438	10,997	8,805
Moving expense	-	-	-	-	-	-	-	-	-
Taxes, licenses and fees	103	96	322	26	547	64	32	643	554
Telephone and internet	3,134	1,425	3,135	380	8,074	950	475	9,499	7,653
Volunteer expense	-	1,180	3,493	-	4,673	-	-	4,673	3,834
Depreciation	-	-	7,035	-	7,035	5,236	-	12,271	6,946
In-kind childcare staffing	-	-	37,335	-	37,335	-	-	37,335	83,220
In-kind meals	-	-	57,464	-	57,464	-	-	57,464	31,500
Program facility rent	3,765	33,184	66,926	941	104,816	2,353	1,177	108,346	87,397
Other client assistance	-	357	28,103	-	28,460	-	-	28,460	67,780
Miscellaneous	-	12,116	52,261	-	64,377	-	-	64,377	3,218
	\$ 896,684	\$ 284,847	\$ 1,047,805	\$ 103,336	\$ 2,332,672	\$ 128,135	\$ 129,177	\$ 2,589,984	\$ 1,916,201

See notes to financial statements.

PORTLAND HOMELESS FAMILY SOLUTIONS

STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

(With Comparative Totals as of June 30, 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 1,333,210	\$ 94,007
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	12,271	6,946
Proceeds from donations restricted for property acquisition	(1,250,718)	-
Changes in assets and liabilities:		
Grants and contracts receivable	94,397	(42,581)
Pledges receivable	(198,194)	8,692
Prepaid expenses	(8,454)	(3,410)
Accounts payable	16,070	(13,394)
Accrued payroll and related expenses	12,952	8,199
Deferred revenue	(3,285)	3,650
Net cash provided by (used in) operating activities	8,249	62,109
Cash flows from investing activities:		
Purchase of property and equipment	(3,306,949)	-
Cash flows from financing activities:		
Proceeds from donations restricted for property acquisition	1,250,718	-
Proceeds from issuance of debt	2,265,219	-
Net cash provided by (used in) financing activities	3,515,937	-
Change in cash and cash equivalents	217,237	62,109
Cash and cash equivalents, beginning of year	220,209	158,100
Cash and cash equivalents, end of year	\$ 437,446	\$ 220,209
 Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 11,564	\$ -
Property received in exchange for notes payable	\$ 2,450,000	\$ -

See notes to financial statements.

PORTLAND HOMELESS FAMILY SOLUTIONS

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – DESCRIPTION OF ORGANIZATION

Portland Homeless Family Solutions (PHFS) is a not-for-profit organization whose mission is to empower homeless families with children to get back into housing - and stay there. PHFS helps over 280 homeless families with children get back into housing every year. The main activities include helping homeless families move back into housing, providing emergency shelter, and providing long-term support to help families keep their housing. PHFS also advocates to help alleviate family homelessness on a large scale.

Historically, PHFS has operated the Goose Hollow Family Shelter downtown Portland at the First United Methodist Church. Effective August 28, 2018, operations will be located at PHFS' new campus in the Lents neighborhood where PHFS will triple shelter capacity and expand housing and prevention programs as well. PHFS just purchased this new campus in the Lents neighborhood to scale their operations to help more families than ever before. The new campus will be PHFS' new headquarters, will host 26 families in individual private bedrooms, and is expected to be at full capacity by winter 2019.

Funding for PHFS comes from the Joint Office on Homeless Services, from local foundations in the form of grants, and from hundreds of generous individual donors and businesses.

The four programs of PHFS are described as follows:

Housing First Program – PHFS helps families experiencing homelessness move quickly back into homes. PHFS helps families pay security deposits and 12-24 months of rent assistance. We also provide case management for 24 months to help families create action plans, balance their budget, connect to their new community, increase their income by getting jobs and education, and learn new skills they use to keep housing. This program served 653 people from 182 families (601 kids and parents) during the 2017-2018 fiscal year.

Day Shelter – Thirteen Salmon Family Center is the day shelter for the eight families that sleep at Goose Hollow. Families receive snacks, lunch, showers, computer access, and work with a housing specialist to try to find permanent housing. They also participate in classes on life skills including budgeting, parenting, tenant education and employment. In this fiscal year, 51 families (177 kids and parents) were served. Ninety-four percent of the families found permanent housing before they left the shelter.

Night Shelter – Goose Hollow is a night shelter open from 6:30pm to 7:30am every night of the year. Last year, Goose Hollow served 51 families, made up of 177 kids and parents. In FY17-18, PHFS also opened the Family Winter Shelter at Congregation Beth Israel for 75 kids and parents every night between December 2017 and April 2018. Last year, Family Winter Shelter served 69 families made up of 228 kids and parents. Families in both shelters received dinner, showers, laundry, computer access, and work with a housing specialist to try to find permanent housing.

Prevention Program – Helps families with children prevent their homelessness in the first place by helping them keep in their housing. That way, kids can stay in school, parents can be near their jobs, and families can remain in their communities. PHFS pays back rent and utilities for families during times of emergency, with an average investment per family of only \$1,500. This program served 46 families (174 kids and parents) in the 2017-18 fiscal year.

PORTLAND HOMELESS FAMILY SOLUTIONS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

PHFS prepares its financial statements on the accrual basis of accounting; consequently, certain revenues are reflected in the accounts in the period in which they are considered earned, rather than received, and expenses are recorded when incurred, rather than when paid. Assets and liabilities are presented on the basis of historical cost rather than estimated current values and amounts.

Contributions

Contributions, which include unconditional promises to give (pledges), are recognized as revenue when they are received or unconditionally pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, the type of contribution, and the nature of the fund-raising activity.

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 PHFS and changes therein are classified and reported as follows:

- Unrestricted net assets represent net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of PHFS and/or the passage of time.

Expenses are reported as a decrease in unrestricted net assets. Gains and losses are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (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.

Cash and Cash Equivalents

PHFS classifies as cash and cash equivalents all checking, savings, money market accounts and all investments maturing within 90 days from the date of purchase.

Grants and Contracts Receivable

Contracts receivable are recorded monthly as the related projects are completed and billed. Management periodically assesses the need for an allowance for doubtful accounts based on historical experience and existing conditions affecting probable collection. Management has determined that no allowance for doubtful accounts was necessary as of June 30, 2018. There were no grants or contracts receivable older than 90 days as of June 30, 2018.

PORTLAND HOMELESS FAMILY SOLUTIONS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

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

Property and Equipment

Property and equipment is recorded at cost when purchased or fair market value when donated. Depreciation is computed on the estimated useful lives of the assets using the straight-line method over an estimated useful life ranging from three to seven years. Expenditures exceeding \$1,000 for additions, and betterments are capitalized. Expenditures for repairs and maintenance are expensed as incurred.

Loan Fees

PHFS has adopted new FASB guidance regarding the presentation on the statement of financial position of the costs of issuance of debt and related amortization expense in the statement of functional expenses. The new guidance requires presenting such unamortized costs as a direct deduction from the face amount of the debt (see Note F). Amortization is required to be included with interest expense.

Advertising

Advertising costs are charged to expense as they are incurred.

Income Taxes

PHFS has been approved as a tax-exempt organization under the Internal Revenue Code Section 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. PHFS does not believe it has unrelated trade or business income in excess of \$1,000.

Allocation of Functional Expenses

The cost of providing the various programs and other activities has been summarized in the Statement of Activities. Certain costs, including salaries and administrative operating expenses, have been allocated among the programs and supporting services benefited.

PORTLAND HOMELESS FAMILY SOLUTIONS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2018 consists of the following:

Land	\$ 1,212,848
Building	2,094,100
Office furniture and equipment	15,222
Laundry equipment	6,300
Sleep mats	15,564
Vehicles	26,181
Less accumulated depreciation	<u>(52,275)</u>
	<u>\$ 3,317,940</u>

NOTE D – IN-KIND CONTRIBUTIONS

PHFS has recorded \$37,335 of in-kind volunteer services based on 13,062 hours of service to PHFS including volunteer childcare and kids enrichment activities, food prep and meal service, sorting donations and doing laundry, and helping with general shelter operation.

Donors also contribute almost all of the shelter supplies used by PHFS including sheets, towels, blankets, pillows, toiletries, diapers, baby supplies, and other personal care items. The value of contributed shelter supplies has not been estimated.

NOTE E – PLEDGE LINE OF CREDIT

PHFS maintains a line of credit at Heritage Bank for up to \$450,000 bearing interest at the Wall Street Journal Prime Rate (4.75% at June 30, 2018). The amount that may be borrowed is limited to 80% multiplied by the sum of the balance of Capital Campaign Pledges outstanding less the amount of the Capital Campaign Pledges greater than 90 days past due, along with any pledges collected and set aside to pay loan principal.

The line of credit is collateralized by real property. At June 30, 2018, \$290,616 was outstanding. The line of credit is expected to be repaid by June 1, 2021.

The pledge line of credit contains certain restrictive financial and other covenants. PHFS was in compliance with all covenants as of June 30, 2018.

PORTLAND HOMELESS FAMILY SOLUTIONS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE F – NOTES PAYABLE

The Organization has long-term debt issued to the Organization. The balances at June 30, 2018 were as follows:

Note payable to Heritage Bank in monthly installments of \$9,528, including interest at 5.750% through May 2023. After that date, the interest rate indexed to the Five Year Deferral Home Loan Bank of Des Moines Fixed Advance Rate, but under no circumstances less than 5.75%. Matures in June 2028 with the requirement of a balloon payment or refinancing and is secured by real property.	\$ 1,500,000
Loan payable to Portland Housing Bureau, at 0% interest; due in May 2078 or earlier, if the property is transferred or sold the loan is in default. In the event that no repayment event has occurred, the Equity Gap Contribution will convert into a grant upon Maturity Date.	<u>500,000</u> 2,000,000
Loan fees	<u>(25,397)</u>
	<u><u>\$ 1,974,603</u></u>

The loan agreements contain certain restrictive financial and other covenants. PHFS was in compliance with all covenants as of June 30, 2018.

Annual maturities of the notes payable as of June 30 are as follows:

Year Ending June 30,		
2019	\$	26,341
2020		30,398
2021		32,193
2022		34,094
2023		36,106
Thereafter		<u>1,840,868</u>
	\$	<u><u>2,000,000</u></u>

PORTLAND HOMELESS FAMILY SOLUTIONS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE G – RETIREMENT PLAN

Beginning during the year ended June 30, 2018, the Organization sponsors a SIMPLE IRA retirement plan. The plan covers substantially all employees. The Organization contributes 2% of salaries to the plan. Retirement plan expense amounted to \$13,340 for the year ended June 30, 2018. Employees may make contributions to the plan up to the maximum allowed by the Internal Revenue Code.

NOTE H – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2018:

For purpose	
Retention Specialist Position	\$ 26,047
Prevention	8,771
Remodel	<u>105,604</u>
	<u>\$ 140,422</u>

NOTE I – SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject PHFS to concentrations of credit risk consist principally of cash and contracts receivable. Cash maintained with financial institutions is insured by the Federal Deposit Insurance Corporation (FDIC). Amounts in excess of FDIC coverage are not insured.

Contracts receivable are unsecured and generally due in 30 days. PHFS has not experienced any losses on those amounts.

NOTE J – CONCENTRATION OF REVENUE

The primary sources of revenue are derived from a family shelter contract administered by Human Solutions and a rental assistance contract administered by Home Forward. Funding under both contracts originates with Multnomah County. Together these contracts will share funding and case management and provide shelter for homeless families. In the year ended June 30, 2018, these contracts provided about 80% of PHFS' operations funding.

NOTE K – SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 28, 2019, which is the date the financial statements were available to be issued.