

PORTLAND HOMELESS
FAMILY SOLUTIONS
DBA PATH HOME
Audited Financial Statements

For the Year Ended June 30, 2022



McDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Portland Homeless Family Solutions dba Path Home

Opinion

We have audited the accompanying financial statements of Portland Homeless Family Solutions dba Path Home (an Oregon nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 Homeless Family Solutions dba Path Home, as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Portland Homeless Family Solutions dba Path Home, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's 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 auditor's 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 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, 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 Portland Homeless Family Solutions dba Path Home'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 Portland Homeless Family Solutions dba Path Home'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.

Report on Summarized Comparative Information

We have previously audited Portland Homeless Family Solutions dba Path Home's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 17, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobz, P.C.

Portland, Oregon
February 15, 2023

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
STATEMENT OF FINANCIAL POSITION
June 30, 2022
(With comparative totals for 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 801,531	\$ 1,036,101
Investments	2,351,946	-
Grants and contracts receivable	457,633	283,535
Pledges receivable	177,588	221,817
Prepaid expenses	6,468	22,255
Property and equipment, net	6,087,412	6,011,516
TOTAL ASSETS	\$ 9,882,578	\$ 7,575,224
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 104,061	\$ 9,697
Accrued payroll and related expenses	150,785	93,132
Deferred revenue	-	13,500
Notes payable, net	2,329,063	2,375,554
TOTAL LIABILITIES	2,583,909	2,491,883
Net assets:		
Without donor restrictions:		
Available for general operations	2,288,128	126,804
Board designated reserve for rent assistance	100,000	100,000
Board designated reserve for operating	300,000	300,000
Net investment in property and equipment	4,258,349	4,135,962
Total without donor restrictions	6,946,477	4,662,766
With donor restrictions	352,192	420,575
TOTAL NET ASSETS	7,298,669	5,083,341
TOTAL LIABILITIES AND NET ASSETS	\$ 9,882,578	\$ 7,575,224

See notes to financial statements.

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
STATEMENT OF ACTIVITIES
For the year ended June 30, 2022
(With comparative totals for 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Operating revenues and other support:				
Government grants	\$ 1,831,219	\$ -	\$ 1,831,219	\$ 2,062,674
Contributions	3,891,017	303,000	4,194,017	1,751,892
Auction, net of expense of \$17,505 and \$30,293 in 2022 and 2021, respectively	251,968	-	251,968	180,622
Interest and dividends	9,613	-	9,613	1,025
In-kind donations	38,757	-	38,757	-
Net realized/unrealized losses	(112,699)	-	(112,699)	-
Net assets released from restrictions:				
Purpose restrictions	458,384	(458,384)	-	-
Time restrictions	35,000	(35,000)	-	-
Total operating revenues and other support	6,403,259	(190,384)	6,212,875	3,996,213
Expenses:				
Program services	3,580,243	-	3,580,243	2,952,189
Supporting services:				
Management and operations	263,154	-	263,154	192,040
Fundraising	276,151	-	276,151	197,054
Total expenses	4,119,548	-	4,119,548	3,341,283
Increase (decrease) in net assets before non-operating activities	2,283,711	(190,384)	2,093,327	654,930
Non-operating activities:				
Grants and contributions received for the development of property	-	122,001	122,001	29,824
Change in net assets	2,283,711	(68,383)	2,215,328	684,754
Net assets:				
Beginning of year	4,662,766	420,575	5,083,341	4,398,587
End of year	\$ 6,946,477	\$ 352,192	\$ 7,298,669	\$ 5,083,341

See notes to financial statements.

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2022
(With comparative totals for 2021)

	Program Services					Supporting Services			
	Housing and Rent Assistance	Family Village	Economic Empower- ment and Prevention	Family Winter Shelter	Total Program	Management and Operations	Fundraising	2022 Total	2021 Total
Personnel expenses	\$ 540,954	\$ 1,124,741	\$ 101,845	\$ 43,338	\$ 1,810,878	\$ 184,188	\$ 184,188	\$ 2,179,254	\$ 1,729,347
Client assistance	842,166	78,979	292,583	54,825	1,268,553	-	-	1,268,553	1,047,463
Office expense	7,312	15,184	1,386	590	24,472	2,506	4,496	31,474	30,484
Utilities	21,043	43,699	3,988	1,697	70,427	7,212	6,460	84,099	80,538
Professional fees	-	-	-	-	-	48,177	59,435	107,612	31,176
Facilities expense	20,072	41,681	3,804	1,619	67,176	6,879	6,879	80,934	100,188
Taxes, licenses and fees	5,441	11,299	1,031	439	18,210	1,865	1,865	21,940	21,784
Interest expense	20,558	42,691	3,896	1,658	68,803	7,047	7,046	82,896	84,755
Equipment and maintenance	7,756	14,160	1,178	501	23,595	2,131	2,131	27,857	18,436
Insurance	7,556	15,690	1,432	609	25,287	2,590	2,590	30,467	33,669
Depreciation	-	147,574	-	-	147,574	-	-	147,574	149,011
Miscellaneous	3,770	11,587	1,022	132	16,511	559	1,061	18,131	14,432
Auction expenses	-	-	-	-	-	-	17,505	17,505	30,293
In-kind donations	-	-	-	38,757	38,757	-	-	38,757	-
	1,476,628	1,547,285	412,165	144,165	3,580,243	263,154	293,656	4,137,053	3,371,576
Less special event direct expenses netted with revenue	-	-	-	-	-	-	(17,505)	(17,505)	(30,293)
Total expenses	\$ 1,476,628	\$ 1,547,285	\$ 412,165	\$ 144,165	\$ 3,580,243	\$ 263,154	\$ 276,151	\$ 4,119,548	\$ 3,341,283

See notes to financial statements.

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
STATEMENT OF CASH FLOWS
For the year ended June 30, 2022
(With comparative totals for 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 2,215,328	\$ 684,754
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	147,574	149,011
Amortization of loan fees	1,413	1,413
Proceeds from donations restricted for development	(122,001)	(29,824)
Net realized/unrealized (gain) loss on investments	104,524	-
(Increase) decrease in:		
Grants and contracts receivable	(174,098)	434,657
Pledges receivable	44,229	(144,680)
Prepaid expenses	15,787	(3,063)
Increase (decrease) in:		
Accounts payable	94,364	(16,244)
Accrued payroll and related expenses	57,653	(52,449)
Deferred revenue	(13,500)	6,500
Refundable advance - Paycheck Protection Program	-	(281,700)
Net cash flows from operating activities	2,371,273	748,375
Cash flows from investing activities:		
Purchase of property and equipment	(223,470)	(83,082)
Proceeds from the sale of investments	3,051,339	-
Purchase of investments	(5,507,809)	-
Net cash flows from investing activities	(2,679,940)	(83,082)
Cash flows from financing activities:		
Proceeds from donations restricted for development	122,001	29,824
Principal payments on debt	(47,904)	(46,027)
Net cash flows from financing activities	74,097	(16,203)
Net change in cash and cash equivalents	(234,570)	649,090
Cash and cash equivalents - beginning of year	1,036,101	387,011
Cash and cash equivalents - end of year	\$ 801,531	\$ 1,036,101
Supplemental cash flow information:		
Cash paid for interest	\$ 82,896	\$ 84,755

See notes to financial statements.

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. DESCRIPTION OF ORGANIZATION

Portland Homeless Family Solutions dba Path Home (the Organization) is a not-for-profit organization whose mission is to empower homeless families with children to get back into housing - and stay there. The Organization helps 350+ homeless families with children get back into housing every year. The main activities include a homeless prevention program, a rapid re-housing program to help homeless families move back into homes, trauma-informed emergency shelter for homeless families, and long-term support to help families keep their housing. The Organization also advocates to help alleviate family homelessness on a large scale.

Funding for the Organization comes from the Joint Office of Homeless Services, local foundations in the form of grants, and hundreds of generous individual donors and businesses. During the years ended June 30, 2022 and 2021, the Organization provided the following program services:

Housing and Rent Assistance:

The Organization's Housing First Program helps families experiencing homelessness move quickly back into homes. The Organization helps families pay security deposits and 12-24 months of rent assistance. The Organization also provides 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 stay in their housing. This program served 734 people from 330 families during the 2021-2022 fiscal year.

Family Village -Emergency Shelter:

The Organization operates Family Village Shelter for up to 17 homeless families with children at a time. Family Village is the first shelter in Oregon designed using trauma informed design and architecture, which helps families heal from the crisis and trauma of homelessness and can lead to better outcomes like shorter shelter stays and greater success moving into housing. Families staying at Family Village each have their own, private bedroom with real beds, plus they have access to a full-service kitchen and dining room, library, computer lab, classroom, laundry room, playground, basketball court, vegetable garden, and dog walk area. In this fiscal year, Family Village hosted 56 families made up of 212 kids and parents. On average, families stayed in shelter 98 days before transitioning to permanent housing. Additionally, 67% of families were employed while in shelter, and 58% of clients are children.

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

1. DESCRIPTION OF ORGANIZATION, Continued

Economic Empowerment and Prevention:

Prevention Program

The Prevention Program helps families with children prevent their homelessness in the first place by helping them stay in their housing. That way, kids can stay in school, parents can be near their jobs, and families can remain in their communities. The Organization pays back rent and utilities for families during times of emergency, with an average investment of only \$3,514 per family. The Prevention Program served 67 families made up of 214 kids and parents.

Economic Empowerment: Basic Income Guarantee

Research shows that supplying folks with unrestricted cash is the fastest way to end poverty. Motivated by these studies, the Organization is conducting a pilot program that provides \$575 once a month for two years to families with children. The Basic Income Guarantee Program served 6 families made up of 19 kids and parents.

Emergency Winter Outreach & Engagement

In 2019-2020, the Organization piloted a new kind of winter engagement focusing on finding families literally outside on the streets, camping, or in their car and help them move directly into housing, thus diverting them from shelter all together. The Organization continued this innovative work and served 21 families during the fiscal year ended June 30, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Grants and Contracts Receivable

Grants and contracts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

Pledges Receivable

Pledges receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management considers history with donors, and current economic and industry trends when determining the collectability of specific accounts. As a result, management determined that an allowance for doubtful accounts is not necessary.

Loan Fees

Loan fees are netted with the related debt position on the statement of financial position and amortized on a straight-line basis over the term of the loan. Amortization of loan fees is included with interest expense.

Property and Equipment

Acquisitions of property and equipment in excess of \$2,500 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Depreciation

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from 3 to 39 years.

Revenue Recognition

Revenues from various sources are recognized as follows:

Government Grants: Government grants are conditioned upon certain performance requirements and/or incurring allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, Continued:

Paycheck Protection Program Loan: The Paycheck Protection Program (PPP) loan guaranteed by the Small Business Administration (SBA) is accounted for as a conditional advance and accrues interest at 1%. The advance may be forgiven partially or in its entirety if certain conditions are met, including incurrence of allowable qualifying expenses (mostly personnel and occupancy costs) and acceptance and approval of the forgiveness application by the lender. The Organization satisfied the conditions during 2021 and \$281,700 was recognized as government grant revenue in the statement of activities.

Contributions: Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Auction: The Organizations record auction revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. Sponsorships are recorded as revenue at the time of the commitment unless commensurate value is included a part of the agreements. The portion of the sponsorship revenue that relates to commensurate value of the sponsor received in return is recognized when the related events are held and performance obligations are met.

Donated Assets and Services: Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donation to a specific purpose.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Income Tax Status

Portland Homeless Family Solutions dba Path Home is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Tax Status, Continued

The Organization follows the provisions of FASB ASC Topic 740 *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and related costs, utilities, facilities expenses, office expenses, and miscellaneous which are allocated based on time and effort.

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. The reclassifications had no impact on previously reported net assets.

Change in Accounting Standard

The Organization has implemented Accounting Standard Update 2020-07, *Presentation and Disclosures by Non-Profit Entities for Contributed Nonfinancial Assets* for the year ended June 30, 2022 on a retrospective basis. The standard provides new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The amendments do not change the recognition and measurement requirements. There was no material impact on the Organization's financial position and change in net assets upon adoption.

Summarized Financial Information for 2021

The financial information as of June 30, 2021 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

3. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

Financial assets available for general expenditure consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 801,531	\$ 1,036,101
Investments	2,351,946	-
Grants and contracts receivable	457,633	283,535
Pledges receivable	<u>177,588</u>	<u>221,817</u>
	3,788,698	1,541,453
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	281,098	390,751
Board designated net assets	<u>400,000</u>	<u>400,000</u>
Financial assets available for general expenditure	<u>\$ 3,107,600</u>	<u>\$ 750,702</u>

The board designated net assets are available for spending when approved by the Board of Directors. See Note 9 regarding board designated net assets. See Note 7 regarding the Organization's access to a line of credit.

4. PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give as follows at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Within one year	\$ 117,588	\$ 134,317
Within two to five years	60,000	87,500
Total pledges receivable	<u>\$ 177,588</u>	<u>\$ 221,817</u>

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

5. INVESTMENTS

Investments consist of the following at June 30, 2022:

Cash	\$ 22,884
Fixed income securities	1,915,182
Equity securities	388,569
Mutual funds	<u>25,311</u>
Total investments	<u>\$ 2,351,946</u>

There were no investments at June 30, 2021.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,212,848	\$ 1,212,848
Building and improvements	5,182,694	5,079,242
Vehicles	26,181	26,181
Equipment	25,520	24,320
Furniture and furnishings	66,089	84,962
Construction in progress	<u>117,327</u>	<u>-</u>
	6,630,659	6,427,553
Less accumulated depreciation	<u>(543,247)</u>	<u>(416,037)</u>
Property and equipment, net	<u>\$ 6,087,412</u>	<u>\$ 6,011,516</u>

The Organization is in the predevelopment phase of construction for the affordable housing and multipurpose buildings purchased subsequent to year-end (see Note 15). No construction commitments have been made as of June 30, 2022.

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

7. LINE OF CREDIT

The Organization has a \$250,000 stand-alone revolving line of credit with Heritage Bank. Interest on the line is payable monthly at prime plus 0.5% (prime rate 5.25% at June 30, 2022 and 2021). The line matures April 2023, and is secured by all assets of the Organization. No advances were outstanding on the line at June 30, 2022 and 2021.

8. NOTES PAYABLE

Notes payable consist of the following at June 30, 2022 and 2021:

	2022	2021
Note payable to Heritage Bank in monthly installments of \$10,899, including interest at 4.375%. Matures September 2029 with the requirement of a balloon payment of approximately \$1.4 million and secured by real property. The note includes prepayment penalties if repaid in the first five years.	\$ 1,842,063	\$ 1,889,967
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 loan will convert into a grant upon maturity date.	500,000	500,000
	2,342,063	2,389,967
Unamortized loan fees	(13,000)	(14,413)
Total notes payable	\$ 2,329,063	\$ 2,375,554
	2022	2021
Current portion	\$ 49,692	\$ 47,537
Long-term portion	2,292,371	2,342,430
Total notes payable	\$ 2,342,063	\$ 2,389,967

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

8. NOTES PAYABLE, Continued

The following schedule outlines principal payments and loan fee amortization:

	Debt	Loan Fees
Year ending June 30, 2023	\$ 49,692	\$ 1,789
2024	51,729	1,789
2025	54,292	1,789
2026	56,755	1,789
2027	59,329	1,789
Thereafter	2,070,266	4,055
	\$ 2,342,063	\$ 13,000

9. BOARD DESIGNATED NET ASSETS

The Organization has board designated reserves for rent assistance and operations of \$100,000 and \$300,000, respectively, at June 30, 2022 and \$100,000 and \$300,000, respectively, at June 30, 2021.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with expiring donor restrictions are restricted for the following purposes at June 30, 2022 and 2021:

	2022	2021
Contributions and pledges - time restricted	\$ 35,000	\$ 35,000
Rapid intervention (prevention)	155,000	337,500
Capital campaign	16,098	15,251
Capital campaign - Phase 2	71,094	29,824
Kitchen Remodel	75,000	-
Adult education	-	3,000
Total net assets with donor restrictions	\$ 352,192	\$ 420,575

The Organization utilized net assets for construction purposes relating to capital campaign – phase 2 of \$71,094 and \$29,824 during years ending June 30, 2022 and 2021, respectively. The net assets with donor restrictions will be released once the building has been placed in service.

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

11. CONTRIBUTED NONFINANCIAL ASSETS

The Organization received meals that are restricted for use within designated programs. Donated meals are recorded at fair value and are used to support programs. Fair value is \$4 per meal, which is based on the United States Department of Agriculture's rate for free meals. During the year ended June 30, 2022, the Organization received approximately \$38,800 in donated meals for program activities. The value was not tracked and recorded during the year ended June 30, 2021.

In addition, the Organization received contributed services from a large number of volunteers. These services were provided by volunteers who contributed an estimated total of 2,236 hours during the years ended June 30, 2022 (1,941 hours during the year ended June 30, 2021). The value of such services, which do not meet the criteria for recording, has not been recognized in the accompanying financial statements.

12. RETIREMENT PLAN

The Organization sponsors a simple IRA retirement plan. The plan covers substantially all employees. The Organization contributes 2 percent of salaries to the plan. Retirement plan expense was approximately \$28,600 and \$21,700 for the years ended June 30, 2022 and 2021, respectively. Employees may make contributions to the plan up to the maximum allowed by the Internal Revenue Code.

13. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in several financial institutions. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Share Insurance Fund up to \$250,000. Balances, at times, may exceed the insured limit. Balances in excess of insured limits were approximately \$313,200 and \$794,300 as of June 30, 2022 and 2021, respectively.

The Organization's revenues are concentrated with 64% of total revenues coming from two entities for the year ended June 30, 2022 (44% from two government agencies for the year ended June 30, 2021). The Organization's credit risk for grants and contracts receivable is concentrated with 87% of the balances coming from two governmental agencies for the year ended June 30, 2022 (88% from two governmental agencies for the year ended June 30, 2021.)

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 June 30, 2022

14. FAIR VALUE MEASUREMENTS

Assets and liabilities, including investments, are recorded at fair value in the statement of financial position and are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets measured on recurring basis at June 30, 2022 are as follows:

	<u>Total</u>	<u>Level 1</u>
June 30, 2022		
Investments recorded at fair value:		
Fixed income-domestic	\$ 1,883,091	\$ 1,883,091
Fixed income-international	32,091	32,091
Equity securities-domestic	251,131	251,131
Equity securities-international	137,438	137,438
Mutual funds-international	25,311	25,311
Total fair value investments	<u>\$ 2,329,062</u>	<u>\$ 2,329,062</u>

The Organization had no investments at June 30, 2021. The fair value of mutual funds and exchange traded funds is determined by reference to quoted market prices or other relevant market data as provided by the bank or broker.

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15. SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through February 15, 2023, the date the financial statements were available to be issued.

The Organization entered into a contract for campaign consulting of \$69,800 through March 2023.

Portland Homeless Family Solutions dba Path Home, as sole member, created a wholly owned subsidiary, 6205 & 6211 SE 93rd, LLC for the purpose of developing a building for affordable housing and a multipurpose building to provide supporting services for families experiencing homelessness.

In November 2022, the Portland Affordable Housing Preservation Trust approved a loan of \$882,500 to the Organization for the property acquisitions. The loan has an interest rate of 4% with no payments due until the maturity date of December 1, 2025, at which time any accrued interest and principal will be due in full. The loan is collateralized by specific properties.