

PORTLAND HOMELESS
FAMILY SOLUTIONS
DBA PATH HOME

Audited Consolidated Financial Statements

For the Year Ended June 30, 2023



McDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Portland Homeless Family Solutions dba Path Home (an Oregon nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Portland Homeless Family Solutions dba Path Home, as of June 30, 2023, 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 15, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
January 17, 2024

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2023

(With comparative totals for 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 356,588	\$ 801,531
Investments	1,479,160	2,351,946
Grants and contracts receivable	906,860	457,633
Pledges receivable	61,118	177,588
Other assets	38,417	6,468
Property and equipment, net	6,896,296	6,087,412
TOTAL ASSETS	\$ 9,738,439	\$ 9,882,578
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 99,317	\$ 104,061
Accrued payroll and related expenses	108,827	150,785
Deferred revenue	20,000	-
Conditional grant	500,000	-
Notes payable, net	2,643,783	2,329,063
TOTAL LIABILITIES	3,371,927	2,583,909
Net assets:		
Without donor restrictions:		
Available for general operations	795,805	2,288,128
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	4,752,513	4,258,349
Total without donor restrictions	5,948,318	6,946,477
With donor restrictions	418,194	352,192
TOTAL NET ASSETS	6,366,512	7,298,669
TOTAL LIABILITIES AND NET ASSETS	\$ 9,738,439	\$ 9,882,578

See notes to consolidated financial statements.

**PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
CONSOLIDATED STATEMENT OF ACTIVITIES**

For the year ended June 30, 2023
(With comparative totals for 2022)

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Operating revenues and other support:				
Government grants	\$ 2,692,916	\$ -	\$ 2,692,916	\$ 1,831,219
Contributions	1,137,954	518,926	1,656,880	4,194,017
Auction, net of expense of \$16,660 and \$17,505 in 2023 and 2022, respectively	192,266	-	192,266	251,968
Interest and dividends	49,131	-	49,131	9,613
In-kind donations	62,144	-	62,144	38,757
Net realized/unrealized losses	53,854	-	53,854	(112,699)
Net assets released from restrictions:				
Purpose restrictions	364,848	(364,848)	-	-
Time restrictions	88,076	(88,076)	-	-
Total operating revenues and other support	4,641,189	66,002	4,707,191	6,212,875
Expenses:				
Program services	4,794,504	-	4,794,504	3,580,243
Supporting services:				
Management and operations	484,627	-	484,627	263,154
Fundraising	360,217	-	360,217	276,151
Total expenses	5,639,348	-	5,639,348	4,119,548
Increase (decrease) in net assets before non-operating activities	(998,159)	66,002	(932,157)	2,093,327
Non-operating activities:				
Grants and contributions received for the development of property	-	-	-	122,001
Change in net assets	(998,159)	66,002	(932,157)	2,215,328
Net assets:				
Beginning of year	6,946,477	352,192	7,298,669	5,083,341
End of year	\$ 5,948,318	\$ 418,194	\$ 6,366,512	\$ 7,298,669

See notes to consolidated financial statements.

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2023
(With comparative totals for 2022)

	Program Services					Supporting Services			2023 Total	2022 Total
	Housing and Rent Assistance	Family Village	Economic Empower- ment and Prevention	Family Winter Shelter	Total Program	Management and Operations	Fundraising			
Personnel expenses	\$ 761,764	\$ 1,306,246	\$ 107,751	\$ -	\$ 2,175,761	\$ 222,724	\$ 230,228	\$ 2,628,713	\$ 2,179,254	
Client assistance	1,519,862	185,697	271,379	68,722	2,045,660	154	179	2,045,993	1,268,553	
Professional fees	23,458	47,691	2,784	-	73,933	77,791	97,880	249,604	107,612	
Office expense	40,780	47,723	3,223	379	92,105	17,917	14,861	124,883	31,474	
Utilities	7,046	72,485	945	-	80,476	3,528	1,861	85,865	84,099	
Facilities expense	1,850	51,544	267	-	53,661	420	488	54,569	80,934	
Taxes, licenses and fees	733	1,257	1,115	-	3,105	25,403	641	29,149	21,940	
Interest expense	-	-	-	-	-	113,494	-	113,494	82,896	
Equipment and maintenance	3,745	37,746	239	-	41,730	4,698	989	47,417	27,857	
Insurance	8,263	17,627	-	-	25,890	1,877	2,182	29,949	30,467	
Depreciation	40,389	86,158	5,117	-	131,664	14,632	10,664	156,960	147,574	
Miscellaneous	925	7,076	374	-	8,375	1,989	244	10,608	18,131	
Auction expenses	539	1,150	5	-	1,694	122	14,844	16,660	17,505	
In-kind donations	-	-	-	62,144	62,144	-	-	62,144	38,757	
	2,409,354	1,862,400	393,199	131,245	4,796,198	484,749	375,061	5,656,008	4,137,053	
Less special event direct expenses netted with revenue	(539)	(1,150)	(5)	-	(1,694)	(122)	(14,844)	(16,660)	(17,505)	
Total expenses	<u>\$ 2,408,815</u>	<u>\$ 1,861,250</u>	<u>\$ 393,194</u>	<u>\$ 131,245</u>	<u>\$ 4,794,504</u>	<u>\$ 484,627</u>	<u>\$ 360,217</u>	<u>\$ 5,639,348</u>	<u>\$ 4,119,548</u>	

See notes to consolidated financial statements.

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended June 30, 2023
(With comparative totals for 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (932,157)	\$ 2,215,328
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	156,960	147,574
Amortization of loan fees	11,607	1,413
Donations restricted for development	-	(122,001)
Net realized/unrealized (gain) loss on investments	(94,539)	104,524
Loss on disposal of property and equipment	28,305	-
(Increase) decrease in:		
Grants and contracts receivable	(449,227)	(174,098)
Pledges receivable	116,470	44,229
Other assets	(31,949)	15,787
Increase (decrease) in:		
Accounts payable	(4,744)	94,364
Accrued payroll and related expenses	(41,958)	57,653
Deferred revenue	20,000	(13,500)
Net cash flows from operating activities	(1,221,232)	2,371,273
Cash flows from investing activities:		
Purchase of property and equipment	(1,053,819)	(223,470)
Proceeds from the sale of property and equipment	59,670	-
Proceeds from the sale of investments	1,986,372	3,051,339
Purchase of investments	(1,019,047)	(5,507,809)
Net cash flows from investing activities	(26,824)	(2,679,940)
Cash flows from financing activities:		
Donations and conditional grant restricted for development	500,000	122,001
Loan fees on new debt	(50,491)	-
Net payments on line of credit	-	-
Proceeds from issuance of debt	882,500	-
Principal payments on debt	(528,896)	(47,904)
Net cash flows from financing activities	803,113	74,097
Net change in cash and cash equivalents	(444,943)	(234,570)
Cash and cash equivalents - beginning of year	801,531	1,036,101
Cash and cash equivalents - end of year	\$ 356,588	\$ 801,531
Supplemental cash flow information:		
Cash paid for interest	\$ 101,887	\$ 82,896

See notes to consolidated financial statements.

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

1. DESCRIPTION OF ORGANIZATION

Portland Homeless Family Solutions dba Path Home (Path Home or 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 500+ homeless families with children get back into housing every year, made up of about 1,900 kids and parents. 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, 2023 and 2022, 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 1,278 people from 360 families during the 2022-2023 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 66 families made up of 254 kids and parents. On average, families stayed in shelter 87 days before transitioning to permanent housing and 96% of families moved into housing from shelter. Additionally, 70% of families were employed while in shelter, and 56% of clients are children.

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2023

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 \$3,180 per family. The Prevention Program served 93 families made up of 195 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 and 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 65 families during the fiscal year ended June 30, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Path Home and 6205 & 6211 SE 93RD LLC (collectively, the Organization). 6205 & 6211 SE 93RD LLC was created to hold real estate for affordable housing and multipurpose buildings.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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.

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Net Assets, Continued

- *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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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.

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. If material to the consolidated financial statements, unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue. 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 consolidated 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.

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Leases

The Organization determines if an arrangement is or contains a lease at inception. Under FASB ASC 842, Leases, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Leases are included in right-of-use (ROU) assets and lease liabilities in the consolidated statement of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. Since most of the Organization's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the Organization's incremental borrowing rate based on the information available at lease commencement. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option.

The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

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 consolidated statement of financial position.

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, Continued

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.

In-kind Contributions: 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 consolidated financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

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 financials to comply with provisions of this Topic.

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year consolidated financial statements. The reclassifications had no impact on previously reported net assets.

Summarized Financial Information for 2022

The financial information as of June 30, 2022 and for the year then ended is presented for comparative purposes and is not intended to be a complete consolidated financial statement presentation.

New Accounting Standard

Effective July 1, 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to restate the comparative period (2022). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. The Organization's lease subject to ASU No. 2016-02 is immaterial to the financial statement. The adoption did not result in a significant effect on amounts reported in the consolidated statement of activities for the year ended June 30, 2023.

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2023

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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 356,588	\$ 801,531
Investments	1,479,160	2,351,946
Grants and contracts receivable	906,860	457,633
Pledges receivable	<u>61,118</u>	<u>177,588</u>
	2,803,726	3,788,698
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	307,100	281,098
Board designated net assets	<u>400,000</u>	<u>400,000</u>
Financial assets available for general expenditure	<u>\$ 2,096,626</u>	<u>\$ 3,107,600</u>

The board designated net assets are available for spending when approved by the Board of Directors. See Note 10 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Within one year	\$ 61,118	\$ 117,588
Within two to five years	<u>-</u>	<u>60,000</u>
Total pledges receivable	<u>\$ 61,118</u>	<u>\$ 177,588</u>

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2023

5. INVESTMENTS

Investments consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash	\$ 43,019	\$ 22,884
Fixed income securities	986,820	1,915,182
Equity securities	421,227	388,569
Mutual funds	28,094	25,311
Total investments	<u>\$ 1,479,160</u>	<u>\$ 2,351,946</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 1,593,084	\$ 1,212,848
Building and improvements	5,652,748	5,182,694
Vehicles	26,181	26,181
Equipment	27,892	25,520
Furniture and furnishings	92,576	66,089
Construction in progress	<u>204,022</u>	<u>117,327</u>
	7,596,503	6,630,659
Less accumulated depreciation	<u>(700,207)</u>	<u>(543,247)</u>
Property and equipment, net	<u>\$ 6,896,296</u>	<u>\$ 6,087,412</u>

The Organization is in the predevelopment phase of construction for the affordable housing and multipurpose buildings purchased during 2023. No construction commitments have been made as of June 30, 2023.

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 8.5% and 5.25% at June 30, 2023 and 2022, respectively). The line matures April 2024, and is secured by all assets of the Organization. No advances were outstanding on the line at June 30, 2023 and 2022.

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2023

8. CONDITIONAL GRANT

The Organization received a conditional grant of \$500,000 for the development of property over a five-year term. The grant is subject to certain provisions and conditions and the grant will be recognized as revenue as conditions are met.

9. NOTES PAYABLE

Notes payable consist of the following at June 30, 2023 and 2022:

	2023	2022
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.	\$ 1,797,625	\$ 1,842,063
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
Loan payable of \$882,500 to Portland Affordable Housing Preservation Trust Loan at 4% interest; principal and interest due December 2025; secured by property and assignment of rents and leases.	<u>398,042</u>	<u>-</u>
	2,695,667	2,342,063
Unamortized loan fees	<u>(51,884)</u>	<u>(13,000)</u>
Total notes payable	<u>\$ 2,643,783</u>	<u>\$ 2,329,063</u>

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2023

9. NOTES PAYABLE, Continued

The following schedule outlines principal payments and loan fee amortization:

	Debt	Loan Fees
Year ending June 30, 2024	\$ 51,729	\$ 18,619
2025	452,334	18,619
2026	56,755	5,997
2027	59,329	1,789
2028	61,830	1,789
Thereafter	2,013,690	5,071
	\$ 2,695,667	\$ 51,884

10. BOARD DESIGNATED NET ASSETS

The Organization has board designated reserves for rent assistance of \$100,000 and operations of \$300,000, at June 30, 2023 and 2022.

II. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with expiring donor restrictions are restricted for the following purposes at June 30, 2023 and 2022:

	2023	2022
Contributions and pledges - time restricted	\$ 75,000	\$ 35,000
Rapid intervention (prevention)	100,000	155,000
Capital campaign	15,363	16,098
Capital campaign - Phase 2	111,094	71,094
Kitchen Remodel	64,117	75,000
Economic Empowerment	32,000	
Incredible Years	20,620	-
Total net assets with donor restrictions	\$ 418,194	\$ 352,192

The Organization utilized net assets for construction purposes relating to capital campaign – phase 2 of \$111,094 and \$71,094 during years ended June 30, 2023 and 2022, 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 CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2023

12. CONTRIBUTED NONFINANCIAL ASSETS (IN-KIND CONTRIBUTIONS)

The Organization received the following contributions of nonfinancial assets for the years ended June 30, 2023 and 2022:

	2023	2022
Donated meals	\$ 48,480	\$ 38,757
Legal and professional services, included in administration	13,664	-
Total donated materials and services	\$ 62,144	\$ 38,757

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. Contributed legal and professional services are recorded at their estimated fair value using current market rates from similar vendors and comparable professionals.

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 2,967 hours during the year ended June 30, 2023 (2,236 hours during the year ended June 30, 2022). The value of such services, which do not meet the criteria for recording donated services, has not been recognized in the accompanying consolidated financial statements.

13. 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 \$38,900 and \$28,600 for the years ended June 30, 2023 and 2022, respectively. Employees may make contributions to the plan up to the maximum allowed by the Internal Revenue Code.

14. 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 total approximately \$313,200 as of June 30, 2022.

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2023

14. CONCENTRATIONS OF CREDIT RISK, Continued

The Organization's revenues are concentrated with approximately 50% of total revenues coming from one governmental agency for the year ended June 30, 2023 (64% from two governmental agencies for the year ended June 30, 2022). The Organization's credit risk for grants and contracts receivable is concentrated with 85% of the balances coming from two governmental agencies at June 30, 2023 (87% from two governmental agencies at June 30, 2022.)

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

15. FAIR VALUE MEASUREMENTS

Assets and liabilities, including investments, are recorded at fair value in the consolidated 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.

PORTLAND HOMELESS FAMILY SOLUTIONS DBA PATH HOME
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2023

15. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on recurring basis at June 30, 2023 and 2022 are as follows:

	<u>Total</u>	<u>Level 1</u>
June 30, 2023		
Investments recorded at fair value:		
Fixed income-domestic	\$ 950,987	\$ 950,987
Fixed income-international	35,833	35,833
Equity securities-domestic	234,883	234,883
Equity securities-international	186,344	186,344
Mutual funds-domestic	13,905	13,905
Mutual funds-international	<u>14,189</u>	<u>14,189</u>
Total fair value investments	<u>\$ 1,436,141</u>	<u>\$ 1,436,141</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	<u>25,311</u>	<u>25,311</u>
Total fair value investments	<u>\$2,329,062</u>	<u>\$2,329,062</u>

The fair value of mutual funds, debt and equity securities are determined by reference to quoted market prices or other relevant market data as provided by the bank or broker.