

**HUMAN SOLUTIONS, INC.
AND OTHER ENTITIES**

**CONSOLIDATED AND COMBINED
FINANCIAL STATEMENTS**

Year Ended June 30, 2018



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES
CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

Year Ended June 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Human Solutions, Inc. and Other Entities
Portland, Oregon

Report on the Financial Statements

We have audited the accompanying consolidated and combined financial statements of Human Solutions, Inc. and Other Entities (a nonprofit 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 did not audit the financial statements of The Pines Housing, Inc., a combined entity, whose statements reflect total assets of \$4,152,069, as of June 30, 2018, and total support and revenues of \$671,977 for the year then ended. This statement was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for The Pines Housing, Inc., is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Human Solutions, Inc. and Other Entities 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.

To the Board of Directors
Human Solutions, Inc. and Other Entities

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of *Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Requirement by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018, on our consideration of Human Solutions, Inc. and Other Entities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on effectiveness of Human Solution, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Human Solutions, Inc. and Other Entities' internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Human Solutions, Inc. and Other Entities' 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other information listed as pages 35-39 in the table of contents, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide and assurance on it.



Portland, Oregon
December 6, 2018

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES
CONSOLIDATED AND COMBINED STATEMENT OF FINANCIAL POSITION

June 30, 2018
(With Comparative Totals as of June 30, 2017)

	ASSETS	
	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 627,610	\$ 494,057
Accounts receivable	2,436,766	2,242,265
Contributions receivable	-	27,859
Prepaid expenses and other assets	215,372	198,981
Restricted deposits and funded reserves	2,064,231	2,456,051
Interest receivable from affiliated organizations	76,302	63,782
Receivables from affiliated organizations	4,562,126	3,138,985
Investments in affiliated organizations	253,759	311,961
Land, buildings and equipment, net	<u>25,538,707</u>	<u>26,715,395</u>
Total assets	<u>\$ 35,774,873</u>	<u>\$ 35,649,336</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 1,010,153	\$ 926,589
Accrued payroll and related expenses	352,629	420,540
Deferred revenue	143,580	189,537
Tenant security deposits	169,277	185,259
Long-term debt	15,638,743	16,914,457
Total liabilities	<u>17,314,382</u>	<u>18,636,382</u>
Net assets		
Unrestricted		
Available for general operations and programs	5,619,585	3,935,636
Designated by Board for housing predevelopment	85,896	25,868
Restricted deposits and funded reserves	2,064,231	2,456,051
Net investment in capital assets and affiliated organizations	10,153,723	10,112,899
	<u>17,923,435</u>	<u>16,530,454</u>
Temporarily restricted	537,056	482,500
Total net assets	<u>18,460,491</u>	<u>17,012,954</u>
Total liabilities and net assets	<u>\$ 35,774,873</u>	<u>\$ 35,649,336</u>

See notes to consolidated and combined financial statements.

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES
CONSOLIDATED AND COMBINED STATEMENT OF ACTIVITIES

Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	Temporarily		Total	
	Unrestricted	Restricted	2018	2017
Operating revenues, gains and other support:				
Government grants and contracts	\$ 14,716,406	\$ -	\$ 14,716,406	\$ 11,418,340
Private grants and contributions	422,321	201,401	623,722	956,713
Rental income	3,816,886	-	3,816,886	3,810,053
Development fees	350,000	-	350,000	834,066
Management fees	1,559	-	1,559	18,241
Program income	164,983	-	164,983	179,723
Investment income	25,137	-	25,137	3,061
Other income	534,620	-	534,620	507,254
	<u>20,031,912</u>	<u>201,401</u>	<u>20,233,313</u>	<u>17,727,451</u>
Less pass-through revenue	(1,074,514)	-	(1,074,514)	(596,516)
Net operating revenues, gains and other support	<u>18,957,398</u>	<u>201,401</u>	<u>19,158,799</u>	<u>17,130,935</u>
Net assets released from restrictions	161,901	(161,901)	-	-
Total operating revenues, gains, and other support	<u>19,119,299</u>	<u>39,500</u>	<u>19,158,799</u>	<u>17,130,935</u>
Expenses				
Program services				
Properties	4,499,646	-	4,499,646	4,285,843
Social services	11,756,194	-	11,756,194	8,695,215
Housing	1,279,015	-	1,279,015	1,146,903
Employment	824,608	-	824,608	950,533
Total program services	<u>18,359,463</u>	<u>-</u>	<u>18,359,463</u>	<u>15,078,494</u>
Supporting services				
Management and general	1,467,573	-	1,467,573	1,363,706
Fundraising	386,574	-	386,574	388,164
Total expenses	<u>20,213,610</u>	<u>-</u>	<u>20,213,610</u>	<u>16,830,364</u>
Increase (decrease) in net assets before non-operating activities	<u>(1,094,311)</u>	<u>39,500</u>	<u>(1,054,811)</u>	<u>300,571</u>
Non-operating activities:				
Grants for long-term investment in capital assets	-	73,191	73,191	106,426
Gain on forgiveness of debt	1,369,918	-	1,369,918	-
Transfer of assets to/from partnership	1,059,239	-	1,059,239	-
Net assets released from restrictions for capital purposes	58,135	(58,135)	-	-
Total non-operating activities	<u>2,487,292</u>	<u>15,056</u>	<u>2,502,348</u>	<u>106,426</u>
Increase in net assets	<u>1,392,981</u>	<u>54,556</u>	<u>1,447,537</u>	<u>406,997</u>
Net assets at beginning of year	<u>16,530,454</u>	<u>482,500</u>	<u>17,012,954</u>	<u>16,605,957</u>
Net assets at end of year	<u>\$ 17,923,435</u>	<u>\$ 537,056</u>	<u>\$ 18,460,491</u>	<u>\$ 17,012,954</u>

See notes to consolidated and combined financial statements.

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

CONSOLIDATED AND COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

(With Comparative Totals for the Year Ended June 30, 2017)

	PROGRAM SERVICES					SUPPORTING SERVICES		Total	
	Properties	Social Services	Housing	Employment	Total	Management and General	Fund-Raising	2018	2017
	Salaries and benefits	\$ 216,284	3,057,174	773,279	614,419	\$ 4,661,156	\$ 929,421	241,222	\$ 5,831,799
Client assistance	31,357	3,082,066	16,282	90,840	3,220,545	-	-	3,220,545	1,156,021
Communications	8,640	64,122	11,990	12,979	97,731	15,037	3,372	116,140	118,945
Dues, subscriptions and other	162,826	4,482	47,146	2,088	216,542	26,586	26,436	269,564	75,279
Equipment lease and maintenance	42,858	40,274	5,904	7,737	96,773	12,597	2,651	112,021	66,398
Fundraising expense	12,855	3,079	175	14	16,123	-	37,846	53,969	63,474
Gas and mileage	-	26,217	4,588	9,665	40,470	682	770	41,922	44,423
Grants awarded	-	-	43,863	-	43,863	-	-	43,863	99,189
In-kind services and supplies	-	316,127	-	-	316,127	-	23,288	339,415	124,138
Insurance	187,089	21,235	6,317	4,889	219,530	7,037	1,416	227,983	219,931
Interest expense	731,833	29,264	18,561	-	779,658	6,580	-	786,238	691,549
Management fees	426,634	-	-	-	426,634	-	-	426,634	398,244
Occupancy	531,750	322,708	28,539	37,942	920,939	63,398	13,770	998,107	1,020,997
Office supplies	21,268	46,983	6,764	9,679	84,694	10,518	2,197	97,409	107,165
Permits, licenses and fees	55,193	535	4,247	50	60,025	6,951	3,645	70,621	66,580
Professional assistance	40,795	33,151	258,434	63	332,443	304,894	12,598	649,935	513,666
Program expense	-	137,283	42,456	174	179,913	146	-	180,059	234,699
Property maintenance	664,612	-	-	-	664,612	17	-	664,629	772,194
Rent assistance	-	3,661,960	-	-	3,661,960	-	-	3,661,960	3,027,705
Staff recruitment and training	3,233	17,732	7,860	4,069	32,894	18,749	977	52,620	51,341
Subcontractors	-	819,692	-	30,000	849,692	-	-	849,692	970,544
Software support	-	-	2,610	-	2,610	53,197	16,386	72,193	18,792
Total operating expenses	<u>3,137,227</u>	<u>11,684,084</u>	<u>1,279,015</u>	<u>824,608</u>	<u>16,924,934</u>	<u>1,455,810</u>	<u>386,574</u>	<u>18,767,318</u>	<u>15,559,576</u>
Depreciation and amortization	<u>1,362,419</u>	<u>72,110</u>	<u>-</u>	<u>-</u>	<u>1,434,529</u>	<u>11,763</u>	<u>-</u>	<u>1,446,292</u>	<u>1,270,788</u>
Total expenses	<u>\$ 4,499,646</u>	<u>\$ 11,756,194</u>	<u>\$ 1,279,015</u>	<u>\$ 824,608</u>	<u>\$ 18,359,463</u>	<u>\$ 1,467,573</u>	<u>\$ 386,574</u>	<u>\$ 20,213,610</u>	<u>\$ 16,830,364</u>

See notes to consolidated and combined financial statements.

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES
CONSOLIDATED AND COMBINED STATEMENT OF CASH FLOWS

Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018	2017
Cash flows from operating activities:		
Cash received from tenants, contractors, grantors and donors	\$ 18,892,152	\$ 16,767,103
Cash paid to employees and suppliers	(17,965,426)	(14,706,779)
Interest income received	25,137	3,061
Interest paid	(786,239)	(691,549)
Net cash provided by (used in) operating activities	165,624	1,371,836
Cash flows from investing activities:		
Capital expenditures	(663,168)	(6,994,432)
Repayment of loans made to affiliated organizations	619,233	268,602
Net (increase) decrease in restricted deposits and funded reserves	31,666	643,847
Net cash provided (used) in investing activities	(12,269)	(6,081,983)
Cash flows from financing activities:		
Grants restricted to long-term investment in capital assets	73,191	106,426
Proceeds on the issuance of long-term debt	402,136	4,455,000
Repayment of long-term debt principal	(495,129)	(458,141)
Net cash provided by (used in) financing activities	(19,802)	4,103,285
Net decrease in cash and cash equivalents	133,553	(606,862)
Cash and cash equivalents at beginning of year	494,057	1,100,919
Cash and cash equivalents at end of year	\$ 627,610	\$ 494,057

See notes to consolidated and combined financial statements.

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

June 30, 2018

NOTE A – DESCRIPTION OF ORGANIZATION

Since 1988, Human Solutions, Inc. (the Organization) has been working in East Portland and East Multnomah County, Oregon to assist homeless and low-income community members in their efforts to obtain and sustain stable housing and employment that enables them to meet their basic needs and, ultimately, to pursue their dreams.

Our Vision:

Human Solutions envisions vibrant, healthy neighborhoods where all people can share in the security, hopes and advantages of a thriving, supportive community.

Our Mission:

Human Solutions counters the forces that keep people and communities in poverty by building relationships and assets that create opportunity – today and for future generations.

- **We partner** with people and communities impacted by poverty so they can achieve long-term housing and economic security.
- **We invest** in affordable housing and community assets that contribute to strong, inclusive neighborhoods.
- **We advocate** with our community for policies and investments that expand housing and economic opportunity, eliminate wealth inequality and end poverty.

East Portland/East Multnomah County, Oregon is our home and the heart of our investments, advocacy and programs.

During the year ended June 30, 2018, the Organization provided services in three core program areas: Housing, social services and employment.

HOUSING – Since 1988, Human Solutions has provided affordable housing to low-income and homeless families throughout outer East Portland and East Multnomah County. Human Solutions owns and operates 720 units of affordable rental housing in 17 apartment communities. The three components of the Housing Department are:

1. **Asset Management** Managers oversee the property management companies charged with day-to-day oversight of the 720 permanent, affordable housing units and one commercial unit.
2. **Resident Services** Coordinators provide information and referral, eviction prevention services, client assistance funds, as well as support classes for families and activities for kids to the tenants in the 720 apartment units.
3. **Real Estate Development** Staff plan and oversee new real estate investments, including housing development, purchase and rehabilitation projects.

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE A – DESCRIPTION OF ORGANIZATION (CONTINUED)

SOCIAL SERVICES – The Organization’s intake staff and family advocates provide anti-poverty services to people experiencing homelessness and to low-income families who entered a wide variety of shelter, housing, and skill building programs that Human Solutions operates. On any given night, Human Solutions provided shelter and/or housing to an average of 1,084 homeless or formerly homeless people from 391 households. The emergency family and women’s shelters received donated clothing, blankets, household goods, and food from the community that the organization distributed to participants at no charge. The organization raised funds to provide after-school homework club and field trips for children staying at the Emergency Family Center.

The Organization also prevented homelessness with short-term rent assistance programs so that 382 families (with 533 adults and 654 children) could remain in their housing. It is the Organization’s goal to support people experiencing homelessness and very low-income families as they work to get back on their feet and into stable housing. The Organization offers families and individuals life-skill classes such as Rent Well, trauma recovery empowerment groups (TREM) and other relevant learning opportunities.

During the year ended June 30, 2018, the Organization responded with information and referrals to 21,619 calls from people seeking assistance. The Organization also provided energy bill assistance to 860 households, keeping the lights and heat on for 2,255 individuals. Community members invested more than 15,600 volunteer hours in the Holiday Store, Learn Links, and emergency shelters of the organization.

EMPLOYMENT SERVICES – The Organization provided employment, job search, and training services to 860 people. Of those, 30% were either homeless or at risk of becoming homeless when they enrolled, and 60% obtained jobs with an average starting wage of \$15.50/hour, \$4.75 more than the state’s minimum wage. Partnerships with the City of Gresham, the City of Portland/Portland Development Commission, Worksystems, Inc., and Oregon Department of Human Services/Immigrant and Refugee Community Organization (“IRCO”) made these services possible. One of Human Solutions’ employment programs, Living Solutions, focused on participants who have very limited employment skills and lack the training and skills needed to find living wage jobs. One of the Organization’s employment programs was designed to assist people to leave Temporary Assistance to Needy Families (“TANF”) by obtaining jobs with wages sufficient to support their families.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by grantors.

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Consolidation

The consolidated and combined financial statements include all accounts and activities of the Organization, including all joint ventures and partnerships, and all nonprofit organizations in which the Organization has a controlling financial and economic interest. The other entities are comprised of the consolidated and combined entities listed below.

Accounting Standards Codification (ASC) 810 (formerly EITF Issue 04-5) is based on the fundamental principle that a general partner in a limited partnership is presumed to control the limited partnership, regardless of the extent of its ownership interest. Consequently, unless this presumption is overcome, a sole general partner is required to consolidate its limited partnership interests. Management has concluded that consolidation of these limited partnership entities is not required at this time as the presumption of control had been overcome in all cases.

Investments in affiliate organizations in which the Organization has significant ownership interests (generally ranging from 20% to 50%), and where the Organization exercises significant influence over the operating and financial policies of the affiliate, are accounted for using the equity method of accounting. The equity method of accounting is also followed for other investments in limited partnerships for which the Organization serves as sponsor and general partner, and in which it generally holds a 1.0% or .01% equity interest, as follows:

<u>Organization</u>	<u>Held Through</u>
Glisan Commons Phase I, LP	HSI-Glisan Commons, LLC
Fairview Arms, LP	Fairview GP, LLC
Lincoln Woods Housing, LP	
Lincoln Woods Developer, LLC	
Rockwood Housing, LP	Rockwood Building, LLC
Rosewood Plaza, LP	18155 NE Couch Street Associates, LLC
Whispering Winds Housing, LP	Arbor Glen GP, LLC

The Organization's share of affiliate earnings is included in the statement of activities.

All significant interorganizational investments, accounts and transactions have been eliminated.

Consolidated Entities:

Whispering Winds Housing Property

Arbor Glen GP, LLC – Arbor Glen GP, LLC, established in 2008, is a wholly-owned and controlled subsidiary of Human Solutions, Inc. On February 1, 2009, Human Solutions, Inc. assigned and transferred its 0.01% general partner interest and rights in Whispering Winds Housing, LP to Arbor Glen GP, LLC.

Ankeny Woods Property

HS Ankeny Woods, LLC – HS Ankeny Woods, LLC, established in December of 2013, is a wholly-owned and controlled subsidiary of Human Solutions, Inc. HS Ankeny Woods, LLC has a limited partnership interest in The Ankeny Arms, LP, an Oregon limited partnership formed in November 1995 to acquire, own, develop, construct, lease, manage and operate Ankeny Arms, LP, a low-income housing project. Human Solutions, Inc. serves as the general partner.

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Consolidation (Continued)

Consolidated Entities (Continued):

Ankeny Arms, LP – Human Solutions, Inc. is a general partner in Ankeny Arms, LP, a limited partnership and a Low-Income Housing Tax Credit (LIHTC) project. In January of 2014, the limited partners of Ankeny Arms Limited Partnership assigned and transferred their 99% limited partnership interest to Human Solutions, Inc. (through HS Ankeny Woods, LLC). Upon transfer, Human Solutions, Inc. (through HS Ankeny Woods, LLC) obtained a controlling interest in Ankeny Woods, LP.

Cascade Crossing Property

Cascade Crossing Development, LLC – Cascade Crossing Development, LLC was established in 2016 as a wholly-owned and controlled subsidiary of Human Solutions, Inc. In September 2016, the LLC purchased all assets of Cascade Crossing, LLC, and dissolved it shortly thereafter.

The Cedars Property

HS Cedars, LLC – HS Cedars, LLC, established in July of 2007, is a wholly-owned and controlled subsidiary of Human Solutions, Inc. HS Cedars, LLC has a limited partnership interest in The Cedars Housing, LP, an Oregon limited partnership formed in December 1992 to acquire, own, develop, construct, lease, manage and operate The Cedars, a low-income housing project. Human Solutions, Inc. served as the general partner. In March of 2016, Human Solutions, who was the general partner for The Cedars Housing, LP and HS Cedar Meadows, LP, transferred both properties and all other assets and liabilities to HS Cedars, LLC, and inactivated both partnerships and another wholly owned subsidiary connected to them.

Fairview Arms Property

Fairview GP, LLC – Fairview GP, LLC is a wholly-owned and controlled subsidiary of Human Solutions, Inc. The LLC serves as the general partner of the Fairview Arms, LP.

Glisan Commons Property

HSI Glisan Commons, LLC – HSI Glisan Commons, LLC, established in 2012, is a wholly-owned and controlled subsidiary of Human Solutions, Inc. The LLC serves as the general partner of the Glisan Commons Phase I, LP.

Park Vista Property

Park Vista Stark Development, LLC – Park Vista Stark Development, LLC, established in 2016, is a wholly-owned and controlled subsidiary of Human Solutions, Inc. Park Vista Stark Development, LLC has a limited partnership interest in Park Vista Stark, LP, an Oregon limited partnership formed in June 1999 to acquire, own, develop, construct, lease, manage and operate Park Vista Stark, LP, a low-income housing project. Human Solutions, Inc. serves as the general partner.

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Consolidation (Continued)

Consolidated Entities (Continued):

Park Vista Stark, LP – Human Solutions, Inc. is a general partner in Park Vista Stark, LP, a limited partnership and a Low-Income Housing Tax Credit (LIHTC) project. In April of 2016, the limited partners of Park Vista Stark Limited Partnership assigned and transferred their 99.9% limited partnership interest to Human Solutions, Inc. (through Park Vista Stark Development, LLC). Upon transfer, Human Solutions, Inc. (through Park Vista Stark Development, LLC) obtained a controlling interest in Park Vista Stark, LP.

Rockwood Property

Rockwood Building, LLC – Rockwood Building, LLC, established in 2008, is a wholly-owned and controlled subsidiary of Human Solutions, Inc. The LLC serves as the general partner of the Rockwood Housing, LP.

Rockwood MSC QALICB, Inc. – Rockwood MSC QALICB, Inc. was formed in July 2011 and is a non-profit corporation over which Human Solutions, Inc. has a controlling financial and economic interest.

Rosewood Property

Rosewood Commercial Condo, LLC – Rosewood Commercial Condo, LLC was established in 2017, as a wholly-owned and controlled subsidiary of Human Solutions, Inc. In 2017, Rosewood Plaza, LP sold its commercial unit condominium to Rosewood Commercial Condo, LLC.

18155 NE Couch Street Associates, LLC – 18155 NE Couch Street Associates, LLC, established in 2012, is a wholly-owned and controlled subsidiary of Human Solutions, Inc. The LLC serves as the general partner of the Rosewood Plaza LP.

Combined Entities:

Fairview Arms Housing, Inc. and The Pines Housing, Inc. are single purpose nonprofit organizations formed to own and operate two Department of Housing and Urban Development funded projects. These entities are under common management with Human Solutions, Inc. however, Human Solutions, Inc. does not have a controlling financial and economic interest.

In November 2017, substantially all assets of Fairview Arms Housing, Inc. were sold to Fairview Arms, LP, and Fairview Arms Housing, Inc. dissolved shortly thereafter. In conjunction with this transaction, Human Solutions, Inc. received a note receivable.

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Financial statement presentation follows the requirements of accounting principles generally accepted in the United States of America (GAAP). Under these provisions, all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Unrestricted Net Assets** – Net assets not subject to donor-imposed stipulations.
- **Temporarily Restricted Net Assets** – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated time period has elapsed) are reported as net assets released from restrictions.

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.

Contributions

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions of Long-Lived Assets

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire property and equipment with donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of being placed in service of such long-lived assets.

In-Kind Contributions

A number of unpaid volunteers have made significant contributions of their time to develop and implement the Organization's programs. In accordance with GAAP, significant services received which create or enhance a nonfinancial asset or require specialized skills that the Organization would have purchased if not donated are recognized in the statement of activities.

In-kind contributions of equipment and other materials are also recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of the Organization's activities.

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Capital Assets and Depreciation

Land, buildings, and equipment are carried at cost, and at market value when acquired by gift. The Organization capitalizes assets individually greater than \$5,000. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets as follows

Buildings	30 years
Improvements	10 years
Furniture and equipment	3-5 years

Development Properties

Properties acquired and held for development are recorded at acquisition cost, plus all costs associated with repair and rehabilitation of the property and other amounts incurred to make the properties ready for their intended use. In addition, certain indirect costs associated with the acquisition of properties are capitalized and allocated to the properties to which the costs relate, including interest expense which is capitalized in accordance with GAAP. (As of June 30, 2018, capitalized interest costs were immaterial.) Costs incurred for such items after the property has been substantially completed and made ready for its intended use, and indirect costs that do not relate to the property acquired, including general and administrative expenses, are charged to expense as incurred. Depreciation is recorded on all completed and occupied properties.

Debt Issuance Costs

Loan costs are capitalized and netted with the related debt and are being amortized over the term of the related debt using the effective yield method.

Revenue Recognition

All contributions and grants are considered available for the unrestricted general operations of the Organization unless specifically restricted by a donor. Revenues for services are recognized at the time the services are provided and the revenues are earned.

Limitation on Certain Unrestricted Net Assets

A certain portion of the Organization's unrestricted net assets is limited by contract to use within the program from which it was generated. In these cases, surplus funds are not refundable or payable to the contractor, but are generally limited to providing an extension or continuation of specific program services. The net assets of consolidated and combined entities totaling \$2,812,981 as of June 30, 2018 are generally not available to the parent organization due to limitations that have been imposed by external grantors and contractors.

Advertising Expense

Advertising costs are charged to expense as they are incurred.

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

➤ **Cash and Cash Equivalents**

Cash and cash equivalents include bank deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurable limits. The Organization makes such deposits with high credit quality entities and has not incurred any credit related losses.

➤ **Receivables**

Accounts and contributions receivable are uncollateralized and stated at the amount management expects to collect from outstanding balances. Receivables from affiliated organizations are substantially secured by real estate. When necessary, receivables are reported net of an allowance for uncollectible accounts.

Income Taxes

The Organization 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. The Organization does not believe it has unrelated trade or business income in excess of \$1,000.

HS Ankeny Woods, LLC, Arbor Glen GP, LLC, Cascade Crossing Development, LLC, Fairview GP, LLC, HSI Glisan Commons, LLC, HS Cedars, LLC, Park Vista Stark Development, LLC, Rockwood Building, LLC, Rosewood Commercial Condo, LLC, and 18155 NE Couch Street Associates, LLC are single member limited liability corporations controlled by Human Solutions, Inc., and considered disregarded entities for tax purposes.

Functional Allocation of Expenses

The costs of providing the various programs and activities of the Organization have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

Expenses by natural classification are presented in the consolidated statement of functional expenses.

Prior Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE C – RELATED PARTIES

Cascade Crossing, LLC

Until September 2017, Human Solutions, Inc. was the member manager and owner of record of Cascade Crossing, LLC, a 74-unit LIHTC apartment complex. The Organization's interest was 1.0%, and it shared in residual profits and losses to that extent.

Fairview Arms, LP

Human Solutions, Inc. is a general partner in Fairview Arms, LP (through Fairview GP, LLC) that operates the Fairview Arms Apartments, a 45-unit low-income housing project. The Organization's ownership interest is .01% and it will share in residual profits and losses to that extent. The Organization has guaranteed funding of any operating deficits, the completion of development, and is a guarantor on loans to the Fairview Arms, LP. No amounts were payable under this guarantee during the year ended June 30, 2018.

Glisan Commons Phase I, LP

Human Solutions, Inc. is a general partner in Glisan Commons Phase I, LP (through HSI Glisan Commons, LLC), a limited partnership that will operate the Glisan Commons workforce units apartment project. The Organization's ownership interest is .01% and it will share in residual profits and losses to that extent. The Organization has guaranteed funding of any operating deficits and is a guarantor on loans to Glisan Commons Phase I, LP, in addition to guaranteeing all other obligations on the HSI Glisan Commons, LLC in its capacity as General Partner of the Glisan Commons Phase I, LP.

Lincoln Woods Developer, LLC

Human Solutions, Inc. is a member of Lincoln Woods Developer, LLC which was established to develop and construct a multi-family LIHTC affordable housing project. The Organization's interest is 25%, and it will share in residual profits and losses to that extent.

Lincoln Woods Housing, LP

Human Solutions, Inc. is the general partner in Lincoln Woods Housing, LP, a limited partnership and a LIHTC project. The Organization's ownership interest is .01%, and it will share in residual profits and losses to that extent. The Organization has guaranteed funding of any operating deficits. No amounts were payable under this guarantee during the year ended June 30, 2018.

Rockwood Housing, LP

Human Solutions, Inc. is a general partner in Rockwood Housing, LP (through Rockwood Building LLC), a limited partnership that will operate the Rockwood Building Apartments LIHTC project. The Organization's ownership interest is .01% and it will share in residual profits and losses to that extent. The Organization has guaranteed funding of any operating deficits and is a guarantor on the loan to Rockwood Housing, LP, in addition to guaranteeing all other obligations on the Rockwood Building, LLC in its capacity as General Partner of the Rockwood Housing, LP

Rosewood Plaza, LP

Human Solutions, Inc. is a general partner in Rosewood Plaza LP formed in 2016 (through 18155 NE Couch Street Associates, LLC) that will operate the Rosewood Plaza multifamily residential project. The Organization's ownership interest is .01% and it will share in residential profits and losses to that extent.

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE C – RELATED PARTIES (CONTINUED)

The Organization has guaranteed funding of any operating deficits and is a guarantor on loans to the Rosewood Plaza, LP, in addition to guaranteeing all other obligations on the 18155 NE Couch Street Associates, LLC in its capacity as General Partner of the Rosewood Plaza, LP.

Whispering Winds Housing, LP

Human Solutions, Inc. is a general partner in Whispering Winds Housing, LP (through Arbor Glen GP, LLC), a limited partnership that operates the Arbor Glen Apartments LIHTC project. The Organization's ownership interest is .01%, and it will share in residual profits and losses to that extent.

Summarized Information

Summarized financial information of substantially all the limited liability companies and limited partnerships at December 31, 2017, the date of the most recent financial statements, consists of the following:

	<u>Fairview Arms, LP</u>	<u>Glisan Commons Phase I, LP</u>	<u>Lincoln Woods Housing, LP</u>
Property, net	\$ 3,247,732	\$ 11,075,229	\$ 6,483,818
Required reserves	978,805	344,335	221,059
Other assets	65,012	270,681	55,605
Total assets	<u>\$ 4,291,549</u>	<u>\$ 11,690,245</u>	<u>\$ 6,760,482</u>
Long-term debt	\$ 2,484,172	\$ 4,340,371	\$ 3,290,210
Other liabilities	434,858	77,332	120,112
Partners' equity (deficit)	1,372,519	7,272,542	3,350,160
Total liabilities and partners' equity	<u>\$ 4,291,549</u>	<u>\$ 11,690,245</u>	<u>\$ 6,760,482</u>
Revenues	\$ 41,118	\$ 456,872	\$ 661,221
Expenses	49,688	699,538	958,714
Net income (loss)	<u>\$ (8,570)</u>	<u>\$ (242,666)</u>	<u>\$ (297,493)</u>
	<u>Rockwood Housing, LP</u>	<u>Rosewood Plaza, LP</u>	<u>Whispering Winds Housing, LP</u>
Property, net	\$ 9,028,059	\$ 10,365,636	\$ 8,326,411
Required reserves	268,325	210,067	292,768
Other assets	92,325	129,307	76,786
Total assets	<u>\$ 9,388,709</u>	<u>\$ 10,705,010</u>	<u>\$ 8,695,965</u>
Long-term debt	\$ 6,304,221	\$ 2,097,763	\$ 6,432,609
Other liabilities	34,553	55,854	390,393
Partners' equity (deficit)	3,049,935	8,551,393	1,872,963
Total liabilities and partners' equity	<u>\$ 9,388,709</u>	<u>\$ 10,705,010</u>	<u>\$ 8,695,965</u>
Revenues	\$ 421,357	\$ 362,903	\$ 1,004,061
Expenses	672,018	678,012	1,107,971
Net income (loss)	<u>\$ (250,661)</u>	<u>\$ (315,109)</u>	<u>\$ (103,910)</u>

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE D – ACCOUNTS RECEIVABLE

At June 30, 2018, the following accounts receivable were outstanding:

Government grants and contract payments receivable	\$ 1,718,565
Other receivables	<u>718,201</u>
	<u>\$ 2,436,766</u>

NOTE E – RESTRICTED DEPOSITS AND FUNDED RESERVES

In accordance with the requirements of various agreements with funders, at June 30, 2018, the Organization maintains \$2,064,231 in total restricted deposits, including security deposits of \$169,572 and mortgage escrows of \$45,724, and funded reserves for the renewal and replacement of specific property and related capital improvements.

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE F – RECEIVABLES FROM AFFILIATED ORGANIZATIONS

Receivables from affiliates at June 30, 2018 consist of the following:

Fairview Arms, LP - Long-term note receivable; interest at 2.6%; principal payable from gross cash receipts; balance due December 2072.	\$ 1,984,172
Glisan Commons Phase I LP - Long-term note receivable, non-interest bearing, principal payable from gross cash receipts, due December 2067.	5,764
Lincoln Woods Housing, LP - Long-term note receivable; interest at 1.5%; developer fee; due December 2048.	271,862
Rockwood Housing, LP - Long-term note receivable; interest at 0%; principal payable from gross cash receipts; balance due October 2065.	1,410,125
Rosewood Plaza, LP - Long-term note receivable; interest at 0%; principal payable from gross cash receipts; balance due January 2076.	694,192
Rosewood Plaza, LP - note receivable; interest at 0%, remaining principal payable from gross cash receipts, due 2030.	155,138
Whispering Winds Housing, LP - Guarantee fees totaling \$206,546; assets assigned to the Organization totaling \$817,465, less an allowance for uncollectible amounts of \$983,138.	<u>40,873</u>
	<u>\$ 4,562,126</u>

Interest receivable from the affiliates at June 30, 2018 consists of the following:

Fairview Arms, LP	\$ 4,644
Lincoln Woods Housing, LP	36,146
Whispering Winds Housing, LP	28,270
Others	<u>7,242</u>
	<u>\$ 76,302</u>

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE G – INVESTMENTS IN AFFILIATED ORGANIZATIONS

The Organization is the sponsor and general partner of the following limited partnerships and limited liability corporations:

	Ownership Interest		Investment		Equity in Earnings (Losses) of Affiliates
Cascade Crossing, LLC	1%	\$	-	\$	(515)
Fairview Arms, LP	0.01%		99		99
Glisan Commons Phase I, LP	0.01%		(58,483)		(58,402)
Lincoln Woods Developer, LLC	25%		50,405		(30)
Lincoln Woods Housing, LP	0.01%		-		-
Rockwood Housing, LP	0.01%		(130)		(25)
Rosewood Plaza, LP	0.01%		27		(32)
Whispering Winds Housing, LP	0.01%		261,841		(10)
		\$	253,759	\$	(58,915)

Each of the entities listed above was formed under the laws of the State of Oregon for the purpose of rehabilitating, constructing, operating, and/or investing in LIHTC projects.

NOTE H – LAND, BUILDING, AND EQUIPMENT

A summary of the land, buildings and equipment at June 30, 2018 is as follows:

Land and improvements	\$ 4,402,805
Buildings and building improvements	34,572,615
Furnishings and equipment	1,272,494
Construction in progress	1,240,088
	41,488,002
Less accumulated depreciation	(15,949,295)
	\$ 25,538,707

Several housing projects funded by restricted grants and contracts are represented in the above categories of land and buildings. In accordance with contract stipulations, these properties must remain available to eligible low-income households in accordance with the Low Income Housing Preservation and Resident Homeownership Act and other standards. Failure to retain this housing exclusively for eligible low-income families and individuals could result in revocation of the grants and the return of all funds received plus interest since the date of the first advance.

As of June 30, 2018, the Organization has complied with all asset restrictions referred to above, and has the intention and ability to continue to comply with those restrictions. Accordingly, no restricted net assets or liability have been recorded on the accompanying financial statements as the Organization considers it remote the restrictions will not be met.

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE I – LINE OF CREDIT AND OTHER AVAILABLE CREDIT

The Organization has a secured revolving line of credit with Columbia State Bank for borrowings of up to \$1,000,000. The line matures in June 2019, and provides interest at the greater of the Columbia Bank Base Rate Index plus 1.5% or a floor rate of 5.5%. The Index is the Prime Rate set by the Bank. The interest rate at June 30, 2018 was 6.5%. There was no balance due at June 30, 2018. As of the report date, no amounts were outstanding.

The Organization has unsecured credit cards with available limits of \$306,000. Approximately \$61,030 was outstanding and included in accounts payable at June 30, 2018.

NOTE J – LONG-TERM DEBT

The acquisition and rehabilitation of the Organization's properties include costs financed through loans received from various parties. The following obligations, all secured by property and associated trust deeds unless noted otherwise, were outstanding at June 30, 2018:

Ankeny Woods

Note payable to the City of Portland (through the Portland Development Commission); interest at 3.0%; all unpaid principal and interest due in June 2027; debt service payments due in monthly installments of \$1,989 only if, and to the extent of, 50% of the positive net cash flows generated. \$ 104,292

Note payable to the City of Portland (through the Portland Development Commission); interest at 1%; all unpaid principal and interest due on December 31, 2027; debt service payments due in monthly installments only if, and to the extent of, 50% of the positive net cash flows generated. 353,474

Note payable to The Community Development Trust, LP; interest at 7.67%; principal and interest due in monthly installments of \$6,764 through January 2028. 549,657

Briarwood East

Note payable to the City of Portland (through the Portland Housing Bureau); interest at 4.25%; principal and interest due in monthly installments of \$8,911 through October 2031. 1,084,153

Note payable to the City of Portland (through the Portland Housing Bureau); interest 0%; payable from excess cash flow; unpaid principal due September 2041. 740,891

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE J – LONG-TERM DEBT (CONTINUED)

Carolyn Gardens

Note payable to Clackamas County Bank; interest at 3.95%;
due in monthly amortizing installments of \$3,189 through 2021. 365,956

Note payable to Clackamas County Bank; interest at 7.75%;
due in monthly amortizing installments of \$345 through 2021. 4,930

Cascade Crossing

Note payable to Walker & Dunlop, LLC; interest 3.81% per annum;
principal and interest due in monthly installments of \$17,961;
unpaid principal and interest due at the earlier of maturity date
of October 1, 2023; structured as a defeased loan with
prepayment premiums under certain conditions. 3,735,040

Cedars

Notes payable to Columbia Bank; interest at 4.210%; due in
monthly installments of \$8,153; with a final payment of
\$1,401,970 due at maturity date of April 2019. 1,423,436

Douglas Meadows

Note payable to Clackamas County Bank; interest at 7.75%; due
in monthly amortizing installments of \$610 through July 2023
with a balloon payment for the outstanding balance as of July 2023. 63,834

Note payable to Clackamas County Bank; interest at 2.87%; due
in amortizing monthly installments of \$1,626 through July 2023,
with a balloon payment for the outstanding balance as of July 2023. 239,024

Greentree Court

Note payable to Clackamas County Bank; Fixed At 5.99% until
June 2023, then variable interest at Federal Home Loan Bank
of Des Moines Five Year Advance Rate index plus 3.0%,
due on demand, or if no demand is made, in monthly amortizing
installments of \$2,517 through June 2028, with a balloon payment
for the outstanding balance as of June 2028. 251,461

Note payable to City of Portland; interest at 6.0%; due in
semi-annual installments of \$662 through July 2018. 570

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE J – LONG-TERM DEBT (CONTINUED)

Park Vista

Note payable to the Key Bank; interest at 4.89%; due on September 1, 2021 and payable in monthly installments of \$6,680; the interest rate on the note is 8.69%, however the interest rate has been reduced by 3.8% provided the Project qualifies for the Oregon Affordable Housing Tax Credit Program and maintains such qualification. 776,503

Note payable to the Key Bank; interest at 8.69%; due on September 1, 2021 and payable in monthly installments of \$4,660. 437,154

Note payable to The City of Portland through the Portland Housing Bureau; interest at 1% per annum; all unpaid principal and interest due on August 1, 2051; debt service payments due in annual installments only if, and to the extent of, 50% of the excess cash flow; security subject to prior liens. 805,508

Notes payable to City of Portland through the Portland Housing Bureau; interest at 3% per annum; due on August 1, 2031 and is payable in monthly installments of \$577; additional annual payments are due to the extent of 50% of the excess cash flow after priority distributions as defined in the loan agreement with PHB; security subject to prior liens. 76,024

The Pines Housing, Inc.

Note payable to Huntoon Hastings, Inc.; interest at 6.25%; provides for borrowings up to \$1,955,000; interest only payments through April 2013; thereafter monthly principal and interest payments of \$11,099; maturity April 2053. 1,888,122

Less unamortized debt issuance costs (205,523) 1,682,599

Rockwood MSC

Note payable to the City of Gresham; interest due quarterly until August 2018 at various fixed rates from 1.77% to 3.36%, principal and interest due quarterly beginning August 2018; maturity date August 2030. 1,111,928

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE J – LONG-TERM DEBT (CONTINUED)

Rosewood Commercial Condo LLC

Note payable to Columbia Bank; interest at 5.26% until December 2021, than at the greater of the Federal Home Loan Bank of Des Moines Five Year Advance Rate index plus 3.0% or 5.26% floor; principal and interest due in monthly installments of \$3,660; unpaid principal and interest due at maturity December 2031. 587,169

Stark Shelter

Note payable to HDC Community Fund LLC; interest at 4.5% per annum; principal and interest due in monthly installments of \$5,000; unpaid principal and interest due at the earlier of maturity date of November 1, 2020 or two years after the end of the approved operation contract for the property with Multnomah County. 630,281

Note payable to Multnomah County; interest 0%; note forgiveness of \$50,000 a year based on performance covenant of operating the shelter; all remaining unpaid principal is due at maturity date of February 1, 2022 or on the second anniversary after shelter closing, if earlier; secured by second position real property. 199,689

Gateway

Note payable to City of Portland through the Portland Housing Bureau; interest 0%; provides for borrowings up to \$1,000,000; unpaid principal balance due at the earlier of maturity date of May 2019 or upon disbursement of funds under a construction loan. 402,136

SE 133rd

Note payable to Multnomah County; interest 0%; note forgiveness of principal at maturity date of March 2064 unless an event of default occurs. 13,034

\$ 15,638,743

Future maturities of notes payable consist of the following:

Year Ending June 30,	
2019	\$ 2,541,548
2020	508,527
2021	1,351,832
2022	1,436,118
2023	380,764
2024 and thereafter	<u>9,419,954</u>
	<u>\$ 15,638,743</u>

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE K – RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

At June 30, 2018, temporarily restricted net assets are available for the following purposes:

For timing and specific purpose:	
Capital projects	\$ 400,000
For specific purposes:	
Capital projects	20,056
Other programs	<u>117,000</u>
	<u>\$ 537,056</u>

NOTE L – NET ASSETS RELEASED FROM RESTRICTIONS

During the year ended June 30, 2018, net assets as follows were released from restrictions by incurring expenses in satisfaction of the restricted purposes specified by the Organization's donors, or by the occurrence of other events specified by donors:

Net assets released from restrictions:	
For operating purposes	\$ 161,901
For capital purposes	<u>58,135</u>
	<u>\$ 220,036</u>

NOTE M – CONTINGENT LIABILITIES

Human Solutions, Inc. has entered into several "cash flow" financing agreements with the Portland Housing Bureau ("PHB") for the financing of certain property, whereby if the properties are sold, transferred, refinanced or changed as to use, the outstanding balance of the financing must be reported immediately to PHB and be subject to potential repayment. In addition, if the operation of any of the properties demonstrates surplus revenue in excess of 1.15 times annual debt service in any single year of its operation, the excess must be shared equally with PHB. No material amounts were received under such "cash flow" financing agreements and were payable to PHB during the year ending June 30, 2018.

Human Solutions, Inc. also has entered into a \$75,000 forgivable 0% loan with Multnomah County. The agreement has no payment due and will be forgiven in 2027 as long as the terms of the loan are complied with.

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE N – CONTINGENCIES

Human Solutions, Inc. is the general partner in several LIHTC partnerships established for the purpose of developing and managing various LIHTC projects. The partnership agreements provide for various obligations of the general partner including, in certain cases, a requirement to provide funds for any operating deficits. Human Solutions, Inc. also guarantees the payment of outstanding loans incurred for these projects in the event of default by the partnerships. The financial statements do not include any adjustment for potential losses if these partnerships are unable to continue as going concerns or require other infusions of cash.

Other claims arising in the normal course of operations have been filed against the Organization. Certain claims are covered by insurance and have been tendered to the Organization's public liability insurer. In management's opinion, these claims will not result in material losses to the Organization.

In addition, certain amounts received or receivable under the Organization's contracts with the City of Portland, the City of Gresham, Multnomah County, the U.S. Department of Housing and Urban Development, the U.S. Department of Health and Human Services, the State of Oregon, and others are subject to audit and adjustment by those contracting agencies and others. Any expenditures or claims disallowed as a result of such audits would become a liability of the Organization's unrestricted fund. In the opinion of the Organization's management, any adjustments that might result from such audits would not be material to the Organization's overall financial statements.

NOTE O – STATEMENT OF CASH FLOW RECONCILIATION

The following presents a reconciliation of the change in net assets (as reported on the consolidated statement of activities) to net cash provided by operating activities (as reported on the consolidated statement of cash flows).

Change in net assets	\$ 1,447,537
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,417,292
Amortization of financing costs	29,000
Grants restricted for long term investment in capital assets	(73,191)
Forgiveness of long-term debt	(1,369,918)
Transfer of assets to partnership	(1,059,239)
Net changes in:	
Accounts and contributions receivable	(166,642)
Prepaid expenses and other assets	(16,391)
Interest receivable from affiliated organizations	(12,520)
Accounts payable and accrued expenses	83,564
Accrued payroll and related expenses	(67,911)
Deferred revenue	(45,957)
Net cash provided by operating activities	\$ <u>165,624</u>

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE P – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 6, 2018, which is the date the financial statements were available to be issued.

In August 2018, the Organization secured new financing for its Carolyn Gardens property. Both loans with Clackamas County Bank were paid off, and three new loans with various funders were obtained. The new loans have a borrowing limit of \$1,800,000, and as of the date above, \$431,557 was outstanding.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Human Solutions, Inc. and Other Entities
Portland, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Human Solutions, Inc. and Other Entities (a nonprofit 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, and have issued our report thereon dated December 6, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Human Solutions, Inc. and Other Entities' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors
Human Solutions, Inc. and Other Entities

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Portland, Oregon
December 6, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Human Solutions, Inc.
Portland, Oregon

Report on Compliance for Each Major Federal Program

We have audited Human Solutions, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Human Solutions, Inc.'s major federal programs for the year ended June 30, 2018. Human Solutions, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Human Solutions, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Human Solutions, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Human Solutions, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Human Solutions, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

To the Board of Directors
Human Solutions, Inc.

Report on Internal Control Over Compliance

Management of Human Solutions, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Human Solutions, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Human Solutions, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Portland, Oregon
December 6, 2018

HUMAN SOLUTIONS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

<u>Federal Grantor/Passed through Grantor/Program Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal CFDA Number</u>	<u>CFDA Subtotal</u>	<u>Expenditures of Federal Awards</u>	<u>Pass-Through to Sub-recipients</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Community Development Block Grants/Entitlement Grants Cluster:					
Pass-through Multnomah County, Oregon	4400003654	14.218	\$ 22,479		
Pass-through City of Gresham, Oregon	6804, 6811, 6808	14.218	289,759		
Pass-through Worksystems, Inc.	16-60100	14.218	<u>126,356</u>		
Total Community Development Block Grants/Entitlement Grants Cluster				\$ 438,594	
HOME Investment Partnerships Program:					
Pass-through City of Gresham, Oregon	6811	14.239		150,950	
Direct award: Continuum of Care Program OR0017LOE011506, OR0017LOE011607 OR0030LOE011609, OR0145LOE011504 OR0145LOE011605, OR0168LOE011503 OR0195LOE011501, OR0024LOE11609 OR0195LOE011602		14.267		2,754,942	\$ 559,134
Pass-through Multnomah County, Oregon: Emergency Solutions Grants	4400002662	14.231		<u>113,784</u>	
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				<u>3,458,270</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:					
ACA Health Professions Opportunity Grant					
Pass-through Worksystems, Inc.	16-60106	93.093		89,273	
Low Income Home Energy Assistance:					
Pass-through Metropolitan Family Service	46-00002576-1	93.568		103,849	
Community Services Block Grant:					
Pass-through Metropolitan Family Service	46-00002576-1	93.569		<u>128,645</u>	
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>321,767</u>	
U.S. DEPARTMENT OF LABOR:					
Pass-through Worksystems, Inc. Title 1B-WIA/WIOA Adult	16-60107, 16-60111 16-60110	17.258	56,318		
Pass-through Worksystems, Inc. Title 1B-WIA/WIOA Dislocated Workers Formula	16-60107, 16-60111 16-60110	17.278	<u>44,978</u>		
Total WIOA cluster				<u>101,296</u>	
TOTAL U.S. DEPARTMENT OF LABOR				<u>101,296</u>	
				<u>\$ 3,881,333</u>	

See Notes to Schedule of Expenditures of Federal Awards.

HUMAN SOLUTIONS, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2018

SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Human Solutions, Inc. and is presented on the accrual basis of accounting and in accordance with the requirements Title 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Accordingly, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CATALOG OF FEDERAL DOMESTIC ASSISTANCE

CFDA numbers reported in the accompanying Schedule of Expenditures of Federal Awards are based on the June 2018 *Catalog of Federal Domestic Assistance*.

INDIRECT COST RATE

Human Solutions, Inc. has not used the 10% de minimis indirect cost rate under the Uniform Guidance.

HUMAN SOLUTIONS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

Section 1 – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued – **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified: _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor’s report issued on compliance for major programs – **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200.516(a) _____ Yes X No

Identification of Major Programs

➤ **Continuum of Care** – CFDA No. 14.267

1. Dollar threshold used to distinguish between Type A and Type B programs – **\$750,000.**
2. Is the auditee qualified as a low-risk auditee under the Uniform Guidance – Yes

Section 2 – Financial Statement Findings

None

Section 3 – Federal Award Findings and Questioned Costs

None

HUMAN SOLUTIONS, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

None.

OTHER INFORMATION

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

PROPERTIES OWNERSHIP SCHEDULE

Year Ended June 30, 2018

**Properties Owned Directly by
Human Solutions, Inc.:**

Briarwood East
Carolyn Gardens
Columbia View
Douglas Meadows
Greentree Court
Ivon Court

**Combined Entities: Low Income Housing
Preservation and Resident Homeownership
Act Projects:**

Fairview Arms Housing, Inc. (through November 2017)
The Pines Housing, Inc.

Equity Investments and Consolidated Subsidiaries:

Property	Ownership Entity (OE)	OE Owners	%	HSI Accounting Method for Owner Entity
Ankeny Arms	Ankeny Arms, LP	<ul style="list-style-type: none"> ● GP-HSI ● LP-HS Ankeny Woods, LLC 	1% 99%	In consolidation In consolidation
Cascade Crossing	Cascade Crossing Development, LLC	● HSI	100%	In consolidation
The Cedars	HS Cedars, LLC	● HSI	100%	In consolidation
Fairview Arms	Fairview Arms, LP	<ul style="list-style-type: none"> ● GP-HSI through Fairview GP, LLC ● LP-external investors 	0.01% 99.99%	Was in combination, then equity after 11/17 sale to OE
Glisan Commons	Glisan Commons Phase I, LP	<ul style="list-style-type: none"> ● GP-HSI through HSI Glisan Commons, LLC ● LP-external investors 	0.01% 99.99%	In consolidation Equity
Lincoln Woods	Lincoln Woods Housing, LP	<ul style="list-style-type: none"> ● GP-HSI ● LP-external investors 	0.01% 99.99%	In consolidation Equity
Park Vista	Park Vista Stark, LP	<ul style="list-style-type: none"> ● GP-HSI ● GP-HSI through Park Vista Stark Development, LLC 	0.01% 99.99%	In consolidation In consolidation
Rockwood - residential	Rockwood Housing, LP	<ul style="list-style-type: none"> ● GP-HSI through Rockwood Building, LLC ● LP-external investors 	0.01% 99.99%	In consolidation Equity
Rockwood - commercial	Rockwood MSC QALICB, Inc.	● HSI controls this 501(c)(3)	NA	In combination
Rosewood - residential	Rosewood Plaza, LP	<ul style="list-style-type: none"> ● GP-HSI through 18155 NE Couch Street Associates, LLC ● LP-external investors 	0.01% 99.99%	In consolidation Equity
Rosewood - commercial	Rosewood Commercial Condo, LLC	● HSI	100%	In consolidation
Whispering Winds	Whispering Winds Housing, LP	<ul style="list-style-type: none"> ● GP-HSI through Arbor Glen GP, LLC LP-external investors 	0.01% 99.99%	In consolidation Equity

NOTE: All LLCs above are 100% owned by HSI.

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

PROPERTIES AND AFFILIATED ENTITIES SCHEDULE OF ASSETS, LIABILITIES, AND NET ASSETS (UNAUDITED)

June 30, 2018

ASSETS

	Affiliated Entities at December 31, 2017							Total Affiliated Entities	Total
	HSI and Combined Entities	Fairview Arms, LP	Glisan Commons, LP	Lincoln Woods Housing, LP	Rockwood Housing, LP	Rosewood Plaza, LP	Whispering Winds Housing, LP		
Cash and cash equivalents	\$ 627,610	\$ 19,506	\$ 196,778	\$ 681	\$ 21,374	\$ 23,974	\$ 1,774	\$ 264,087	\$ 891,697
Accounts receivable	2,436,766	33,853	3,650	11,836	5,910	15,147	9,806	80,202	2,516,968
Prepaid expenses and other assets	215,372	11,653	26,485	32,983	37,021	90,186	56,311	254,639	470,011
Restricted deposits and funded reserves	2,064,231	978,805	344,335	221,059	268,325	210,067	292,768	2,315,359	4,379,590
Interest receivable from affiliated organizations	76,302	-	-	-	-	-	-	-	76,302
Receivables from affiliated organizations	4,562,126	-	-	-	612	-	-	612	4,562,738
Investments in affiliated organizations	253,759	-	-	-	-	-	-	-	253,759
Deferred financing costs, net	-	-	43,768	10,105	27,408	-	8,895	90,176	90,176
Land, buildings, and equipment, net	25,453,713	3,247,732	11,075,229	6,483,818	9,028,059	10,365,636	8,326,411	48,526,885	73,980,598
Total assets	\$ 35,689,879	\$ 4,291,549	\$ 11,690,245	\$ 6,760,482	\$ 9,388,709	\$ 10,705,010	\$ 8,695,965	\$ 51,531,960	\$ 87,221,839

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 1,010,153	\$ 405,228	\$ 54,718	\$ 273,788	\$ 65,755	\$ 222,609	\$ 1,060,422	\$ 2,082,520	\$ 3,092,673
Accrued payroll and related expenses	352,629	-	-	-	-	-	-	-	352,629
Deferred revenue	143,580	17,977	382	-	-	-	2,022	20,381	163,961
Tenant security deposits	169,277	11,653	25,885	29,933	16,666	17,535	49,272	150,944	320,221
Long-term debt	15,553,749	2,484,172	4,336,718	3,106,601	6,256,353	1,913,473	5,711,286	23,808,603	39,362,352
Total liabilities	17,229,388	2,919,030	4,417,703	3,410,322	6,338,774	2,153,617	6,823,002	26,062,448	43,291,836
Net assets									
Unrestricted	17,923,435	1,372,519	7,272,542	3,350,160	3,049,935	8,551,393	1,872,963	25,469,512	43,392,947
Temporarily restricted	537,056	-	-	-	-	-	-	-	537,056
Total net assets	18,460,491	1,372,519	7,272,542	3,350,160	3,049,935	8,551,393	1,872,963	25,469,512	43,930,003
Total liabilities and net assets	\$ 35,689,879	\$ 4,291,549	\$ 11,690,245	\$ 6,760,482	\$ 9,388,709	\$ 10,705,010	\$ 8,695,965	\$ 51,531,960	\$ 87,221,839

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

PROPERTIES AND AFFILIATED ENTITIES SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (UNAUDITED)

June 30, 2018

	Affiliated Entities at December 31, 2017							Total Affiliated Entities	Total
	HSI and Combined Entities	Fairview Arms, LP	Glisan Commons, LP	Lincoln Woods Housing, LP	Rockwood Housing, LP	Rosewood Plaza, LP	Whispering Winds Housing, LP		
Operating revenues, gains, and other support									
Government grants and contracts	\$ 14,716,406	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,716,406
Private grants and contributions	623,722	41,118	-	-	-	-	-	41,118	664,840
Rental income	3,816,886	-	442,934	655,400	408,220	337,485	968,468	2,812,507	6,629,393
Development fees	350,000	-	-	-	-	-	-	-	350,000
Management fees	1,559	-	-	-	-	-	-	-	1,559
Program income	164,983	-	-	-	-	-	-	-	164,983
Investment income	25,137	-	239	35	199	-	378	851	25,988
Other income	534,620	-	13,699	5,786	12,938	25,418	35,215	93,056	627,676
	<u>20,233,313</u>	<u>41,118</u>	<u>456,872</u>	<u>661,221</u>	<u>421,357</u>	<u>362,903</u>	<u>1,004,061</u>	<u>2,947,532</u>	<u>23,180,845</u>
Less pass-through revenue	(1,074,514)	-	-	-	-	-	-	-	(1,074,514)
Total operating revenues, gains, and other support	<u>19,158,799</u>	<u>41,118</u>	<u>456,872</u>	<u>661,221</u>	<u>421,357</u>	<u>362,903</u>	<u>1,004,061</u>	<u>2,947,532</u>	<u>22,106,331</u>
Expenses									
Program services									
Properties	4,486,334	49,688	699,538	958,714	672,018	678,012	1,107,971	4,165,941	8,652,275
Social services	11,621,163	-	-	-	-	-	-	-	11,621,163
Housing	1,279,015	-	-	-	-	-	-	-	1,279,015
Employment	824,608	-	-	-	-	-	-	-	824,608
Total program services	<u>18,211,120</u>	<u>49,688</u>	<u>699,538</u>	<u>958,714</u>	<u>672,018</u>	<u>678,012</u>	<u>1,107,971</u>	<u>4,165,941</u>	<u>22,377,061</u>
Supporting services									
Management and general	1,615,916	-	-	-	-	-	-	-	1,615,916
Fundraising	386,574	-	-	-	-	-	-	-	386,574
Total expenses	<u>20,213,610</u>	<u>49,688</u>	<u>699,538</u>	<u>958,714</u>	<u>672,018</u>	<u>678,012</u>	<u>1,107,971</u>	<u>4,165,941</u>	<u>24,379,551</u>
Increase (decrease) in net assets before non-operating transactions	<u>(1,054,811)</u>	<u>(8,570)</u>	<u>(242,666)</u>	<u>(297,493)</u>	<u>(250,661)</u>	<u>(315,109)</u>	<u>(103,910)</u>	<u>(1,218,409)</u>	<u>(2,273,220)</u>
Non-operating activities:									
Grants for long-term investment in capital assets	73,191	-	-	-	-	-	-	-	73,191
Gain on forgiveness of debt	1,369,918	-	-	-	-	-	-	-	1,369,918
Transfer of assets to/from partnership	1,059,239	-	-	-	-	-	-	-	1,059,239
Total non-operating activities	<u>2,502,348</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,502,348</u>
Increase (decrease) in net assets	<u>1,447,537</u>	<u>(8,570)</u>	<u>(242,666)</u>	<u>(297,493)</u>	<u>(250,661)</u>	<u>(315,109)</u>	<u>(103,910)</u>	<u>(1,218,409)</u>	<u>229,128</u>
Net assets beginning of year	17,012,954	-	7,515,208	3,647,653	3,300,596	8,339,601	1,976,873	24,779,931	41,792,885
Capital contribution	-	1,381,089	-	-	-	526,901	-	1,907,990	1,907,990
Net assets at end of year	<u>\$ 18,460,491</u>	<u>\$ 1,372,519</u>	<u>7,272,542</u>	<u>\$ 3,350,160</u>	<u>\$ 3,049,935</u>	<u>\$ 8,551,393</u>	<u>\$ 1,872,963</u>	<u>\$ 25,469,512</u>	<u>\$ 43,930,003</u>

HUMAN SOLUTIONS, INC.
GOVERNING BOARD AND MANAGEMENT
Year Ended June 30, 2018

Board of Directors:

Bruce Whiting, **Chair**
Key Bank

Jo Ann Hardesty, **Vice Chair**
Hardesty Consulting

Chief Carla Piluso, **Secretary**
Representative- District 50
Oregon State Legislature
Police Chief (Retired) Gresham

Chris Brox, **Treasurer**
Providence

Verlea Briggs
Portland General Electric

Paul Warr-King
Former City Councilor for
City of Gresham

Lydia Gray-Holifield
Community Member

Jim McConnell
McConnell and Associates

Andre Moreno
District Manager
Columbia Gorge District
Wells Fargo Bank

Board of Directors (Continued):

John Stride
Attorney
Tonkon Torp

Amy Setzer
Community Member

Cathy Sherick
Administrative Analyst
Clackamas County

Management:

Andy Miller
Executive Director

Tanja Lux
Chief Financial Officer

Hillary Houck
Chief Program Officer

Sarah Schubert
Director of Housing

Lisa Frack
Director of Development

Marisa Messina
Human Resource Manager

HUMAN SOLUTIONS, INC.
INQUIRIES AND OTHER INFORMATION
Year Ended June 30, 2018

Administrative Offices:

HUMAN SOLUTIONS, INC.
12350 S.E. Powell Blvd.
Portland, Oregon 97236

(503) 548-0200
(503) 548-0292 (Fax)

Website:

www.humansolutions.org