

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

**CONSOLIDATED AND COMBINED  
FINANCIAL STATEMENTS**

**Year Ended June 30, 2020**



**KERN ▲ THOMPSON**  
CERTIFIED PUBLIC ACCOUNTANTS

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

**Year Ended June 30, 2020**

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## Management Discussion & Analysis

Human Solutions has been an essential part of the housing and economic safety net in East Portland and East Multnomah County, Oregon, since 1988. Our programs have evolved since then to meet the changing needs of our community – and they continue to do so today. Increasingly, we are seeing the need intensify as a result of Oregon’s statewide housing crisis and concentrated poverty and residential displacement in our service area.

Human Solutions is a locally unique organization in that we are both a Community Development Corporation and a social services provider – we straddle multiple delivery systems and sectors. This combination enables us to deliver a broad spectrum of services – emergency shelters, rehousing assistance, affordable-housing development and operations, employment training and supports, rent and utility assistance, after-school programming, and more – that positively impact the housing and economic security of and justice for the diverse people and communities who call our service area home.

### **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.

Here we highlight some of our key accomplishments from the fiscal year – some of financial import, others important to the organization’s programmatic impact or long-term structure.

### **Our Strategic Priorities**

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In 2018 Human Solutions’ board of directors adopted a five-year Strategic and Equity Plan that has been actively guiding our work and intentionally expanding our focus to include deep racial-equity and systems-change work. This important effort draws on our three decades of experience helping people navigate the many broken systems – historic and ongoing – that make and keep people poor in Oregon and across the United States. Human Solutions will continue to play a key role in shoring up the safety net in East Portland and East Multnomah County, but we are also working upstream to prevent poverty and homelessness before they take root.



Our Strategic and Equity Plan has four top-line goals:

1. **Thriving individuals, families and communities.** The people and communities who partner with Human Solutions will experience long-term housing stability and economic security so they can seize opportunities to thrive.
2. **An inclusive, anti-racist organization delivering equitable results.** Human Solutions will recognize and counter the impacts of racism and other forms of systemic oppression by modeling and championing diversity, equity and inclusivity in our leadership, programs, outcomes, investments and operations.
3. **Public policies and systems that reduce poverty and help more people thrive.** Human Solutions will advocate with our community for policies and investments that expand housing and economic opportunity, eliminate wealth inequality and end poverty.
4. **A strong, capable and nimble organization.** Human Solutions will develop the resources, internal systems, staffing and capacity to achieve our mission.

The full plan is available here: [humansolutions.org/plan](https://humansolutions.org/plan)

## Meeting Our Strategic and Equity Plan Goals

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Because our work at Human Solutions is guided by our Strategic and Equity Plan, we are sharing some highlights for each goal that we achieved during the fiscal year:

**Goal 1. Thriving individuals, families and communities.** This is where our program and housing teams are working to continually improve and effectively integrate our many programs and affordable-housing development to best meet the community's needs. Some steps we took this year are:

- **We secured funds to expand our capacity to meet community needs.** We identified the need and secured funding to add five new positions to support families either living outdoors or who are newly housed. Programming includes “pre-engagement” work with families waiting to get into a shelter, sometimes even preventing a shelter stay by finding permanent housing first. We also added rapid rehousing capacity to help residents in our two adult shelters obtain housing and resources, a service we already provided for those in our family shelter. These additions fill program gaps in ways we believe will result in better outcomes, specifically reduced homelessness and housing insecurity.
- **We chartered a new Program Coordination Team** within Human Solutions that will bring an interdisciplinary, data-driven approach to plan and manage our continuum of housing and services to meet the long-term needs of our community. This intentional space to collaborate across the organization and do big-picture, systems thinking is how we plan to move toward our



vision of a just future with vibrant, healthy neighborhoods where all people can share in the security, hopes and advantages of a thriving, supportive community.

**Goal 2. An inclusive, anti-racist organization delivering equitable results.** Becoming an anti-racist organization means building intentionally on our past equity efforts in deep and meaningful ways that shift power and result in equitable program outcomes. This year, we continued to train staff and provide opportunities for discussion and intentionally planned for work we will continue into next year and over the long term:

- We continue to work actively with a racial-equity consulting firm **to educate our entire team and board toward fluency in our society’s past and ongoing structural racism and personal biases** as we begin to understand what it is to be anti-racist – as people and as a nonprofit organization.
- **Adding racial-justice leave and a holiday to mark the importance of Juneteenth in our nation’s history.** As a result of the spring and summer protests for racial justice in response to the murder by police of George Floyd, we added several days for paid bereavement leave for staff impacted by the intense events locally and around the nation. We also added an annual paid holiday on Juneteenth to ensure that Black and racist history is remembered and honored in addition to the many other occasions we mark in this way.
- An area of focus for us is **compensation equity**, which we are pursuing in two key ways:
  1. **Advocating to funders for more funds so we can pay staff more.** We are co-leading a local effort among our nonprofit partners to advocate for funding to increase compensation among our lowest-paid human services workforce, folks who across the sector are traditionally paid a non-livable wage. Compensation hierarchies are often derived from dominant white culture, which rewards credentials and educational degrees, often resulting in BIPOC staff occupying positions that earn the least. Human Solutions is no different, which is the impetus for this important collective effort. If successful, increased funding in our local contracts will enable us to raise compensation levels, with an emphasis on the lowest end of our pay scale.
  2. **Tiering pay increases and rewards to give more to those earning least.** When we make decisions related to pay adjustments like annual cost-of-living increases (COLAs), retirement savings opportunities and any bonuses, our anti-racist commitment means that we tier them to provide more to those earning less. For example, COLAs are tiered by pay grade, and retirement match is kept low to prevent a savings gap between the highest and lowest pay grades.
- Year after year, Human Solutions sees **high rates of success in our housing-stability programs.** We confirm with past participants after six and 12 months to assess long-term stability. In this year we found that 96% were still housed one year after moving in to permanent housing. When



disaggregated by race, we achieved equitable outcomes: 96% of Black/African American, 94% of White and 93% of Native American participants achieved the 12-month milestone.

- Our employment programs also show strong results given the many barriers job seekers face and the fact that many are required to participate – versus choosing to. Overall, 55% were employed upon exiting our programs, with similar rates across race: 40% of BIPOC and 41% of white participants were employed, with 39% not disclosing their race. In the mandatory program, just 32% of participants left employed, while in our voluntary programs 66% did. Of those who found employment, we saw a 247% increase in average income (about \$21,978 per person).

**Goal 3. Public policies and systems that reduce poverty and help more people thrive.** This work reflects our plan to focus not only on day-to-day solutions for people living in poverty and homelessness, but to apply our 33 years of direct service experience to upstream solutions in the systems that are putting and keeping people in poverty.

- After we received several grants last year to expand our capacity in this area, our full-time **grassroots organizer** is working collaboratively with the Oregon Housing Alliance, a statewide housing policy coalition, to bring the voices of those most impacted to the table to shape and advocate for effective solutions to our failed housing policies. She has also played an important role as we **develop and plan to start a Residents Advisory Council** that will bring resident voices into decisions around their own housing. This is one way that we create better programming by incorporating meaningful input from residents. It is also a way for affordable-housing residents to gain experience in community organizing that can propel them forward in that work more broadly.
- We also proudly and **actively participate in grassroots housing-advocacy efforts at the local and state levels**, mostly in coordination with partners. Our board of directors now routinely considers a slate of staff recommendations to endorse key ballot measures and legislation that positively impacts our work and community (within IRS limits for our sector). We are also active participants in local decision-making groups that affect program funding and design. We believe that service providers, like us, make critical contributions to these decisions, drawing from our years of on-the-ground experience. This year we were an active member of the local HereTogether coalition, which shaped and campaigned for a successful ballot measure in May 2020. That measure will deliver an estimated \$250 million annually to support expanded services to end homelessness in the Portland region.

**Goal 4. A strong, capable and nimble organization.** We took several important steps this year to invest in our team’s longevity and our internal financial systems. Attracting and keeping top talent is essential to our impact in the community. Especially in social services, relationships with participants and knowledge of safety-net programs are essential – and both take time to build.

- **We selected and implemented budgeting software this year to begin using for our next fiscal year (FY 2021) budget.** This new software enables us to track financial results by program level,



which will help us more closely track program spending throughout the year, assess cost-to-impact ratios and plan for future needs. The software integrates well with our existing accounting database.

- **We added a sabbatical program to reward longer-term employees and promote staff retention.** All employees who work for the organization for seven years – and every seven years thereafter – now earn a six-week paid sabbatical. We are proud to offer this unique and restorative time that we believe affirms the whole person and inspires longer-term commitment to the organization.
- **We pivoted quickly to remote operations with minimal program disruptions when COVID-19 hit in March 2020.** We provided all staff who could work remotely with the technology needed to operate effectively in a virtual setting, along with other supports to function effectively.

## Rebranding

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This year we initiated the work to rebrand our organization to more accurately reflect the direction we decided to move – toward a deep focus on anti-racism – in our 2018-23 Strategic and Equity Plan. We selected a communications firm to guide this work and, in August 2019, dove in to better understand our current brand’s strengths and limitations and, from that, identify future messaging and appearance.

We finalized a new mission, vision, theory of change, guiding principles and commitment to equity. All of these can be found online at [humansolutions.org/plan](https://humansolutions.org/plan). These base documents form the foundation of our continuing work to flush out the full brand. While we have been using these key documents and more intentional anti-racist language, we don’t anticipate launching the full new brand until our FY 2022. Our intent is for this updated brand to inspire our team, our volunteers and our donors; to spread the message of anti-racism into the community where we believe it is needed and that our voice matters; and to increase fundraising among those also committed to a more just future.

## COVID-19 Impacts

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**Paycheck Protection Program.** The pandemic brought great uncertainty with cash flow and, in turn, our ability to continue to administer our programs. To proactively ensure that we could continue to provide the safety-net services we are dependent on in our community, we applied and were approved in April 2020 for a \$1,185,655 loan from the Paycheck Protection Program to help Human Solutions keep its workforce employed during the crisis.

**Remote Work and Staff Capacity.** We pivoted very quickly to remote work after Governor Kate Brown’s initial stay-at-home order in March 2020, both to protect and support our team, many of whom have caregiving responsibilities at home, and to contribute to community health. We absorbed increased costs to provide essential COVID-19-related paid leave and to purchase remote office equipment for staff home offices, PPE, office cleaning supplies and signage. Our frontline shelter staff continued to work on site and received increased hazard pay because of the risk to their health while working on site and with vulnerable



populations. The new virtual workplace created challenges for our core work in many ways, especially in our direct service work where in-person contact with program participants is key. Despite our employees' own pandemic challenges that has reduced our capacity to some degree, on the whole our team rose to meet the rapidly expanding needs of our community and kept our programs humming.

**Community Needs Expanded and Evolved.** As the pandemic stretched on, participants in our programs began to experience significant economic impacts from job loss, school closures and illness. Our service area is among the hardest hit in Oregon due to its high poverty rate and concentration of BIPOC households, as these communities are more likely to work frontline jobs, lack access to quality health care and experience the trauma and adverse health impacts of systemic racism and intergenerational poverty. The twin health and economic crises continue to hit our community hard.

**Additional Resources Became Available.** With COVID-19 came both more and more flexible resources to support those who lost incomes or were otherwise impacted. Typically, general operating and administrative funds are in too short of supply, leaving our key support areas stretched. Helpfully during COVID-19, many funders took this opportunity to loosen their requirements, streamline applications, spend more now, and even shift previously awarded program funds to general operating support. We had to postpone our biggest fundraising event of the year, but thanks to a quick pivot to a mail and email fundraising campaign, we were able to replace most of that lost revenue from generous supporters.

**Digital Divide.** Long an issue, our nation's inequitable access to internet speed, equipment and literacy really showed up during COVID-19 when nearly everything went virtual. Activities from attending school to obtaining healthcare, ordering food to requesting unemployment compensation all happened online. For those with no internet service at home, intermittent cell service, inferior equipment and lack of expertise or experience, accessing services became difficult, and the divide between those who have access and those who don't widened.

### **Affordable Housing Portfolio**

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Human Solutions' housing portfolio includes 661 affordable rental apartments in 17 housing communities in East Portland, Fairview and Gresham. We are in the process of developing or acquiring 236 units, with openings at two new developments projected in spring 2021 and fall 2022. Twelve of our properties are wholly owned and consolidated into the primary financial statements of Human Solutions' core nonprofit. The five others are accounted for on the equity method. Our housing development team is strong and successfully managing multiple projects that will add much-needed affordable units to the community.

There are several key activities to share in this area:

- **We closed construction financing and started construction on The Nick Fish.** The Nick Fish, formerly known as Parkside 106, is Human Solutions' newest mixed-use project, located in the Gateway neighborhood of East Portland. We closed on the construction financing in August 2019,



and the project is scheduled to be completed in March 2021. The \$32,692,000 project will offer 75 units of affordable and market-rate housing, 11,000 square feet for Human Solutions' new anchor office and service center, and 11,000 square feet of ground-level, street facing retail that will be owned and managed by Prosper Portland, which will lease it to marginalized and local retailers through a community process that centers racial equity and community need. The housing side of the project will offer seven units for residents at 30% of area median income (AMI), 45 units at 60% AMI, and five units at 80% AMI, and 18 will be leased at market rates.

The project is an innovative public-private partnership that utilized a variety of financing sources from many private partners and public entities, including Metro, Multnomah County, Oregon Housing and Community Services, Portland Housing Bureau, and Prosper Portland. Human Solutions and our development partner, Edlen & Company, utilized both New Markets and Low-Income Housing Tax Credits in creative ways that enabled us to develop a single residential building with mixed-income units that have the same amenities and features. This in-building unit equity across incomes is an important value for us. The New Markets Tax Credit provided the equity for the commercial space and, together with a successful capital campaign and private funding, will allow Human Solutions to create a new, transit-oriented, trauma-informed anchor office and service center for participants and staff.

- **We secured \$17,762,500 in public funding to redevelop our former family shelter into affordable housing.** Our housing-development team has made tremendous strides to secure financing to redevelop our former family shelter site into 93 units of deeply affordable housing. We anticipate starting construction in spring 2021 and opening in 2022. Of the 93 units, one-third are for very-low-income families earning up to 30% of AMI, which in 2020 is equivalent to \$27,630 for a family of four. Sixteen of the units will receive Project Based Vouchers, so residents will contribute no more than 30% of their income to rent and will also receive supportive services through a unique partnership between Human Solutions and Lifeworks NW, an experienced local mental health services provider. This is the first partnership of its kind and we anticipate replicating it at future projects.

Human Solutions has been awarded \$14.97 million of inaugural Portland Housing Bond funds, which brought with it an operating subsidy of \$10,000 per unit for supportive-service funding from the Joint Office of Homeless Services and 16 Project Based Voucher units from Home Forward, the local public-housing authority. In July 2020, Human Solutions received an additional allocation of \$3,812,500 in Local Innovation and Fast Track funding from Oregon Housing and Community Services. These two awards, coupled with grants from local foundations and Metro, enable us to move ahead with this project.

- **We completed an investor exit at Arbor Glen.** In June 2020, Human Solutions completed the investor exit at Arbor Glen, a 97-unit affordable-housing community owned by a partnership between Human Solutions and PNC Financial Services. As a result, we now wholly own the project



and are pleased to have accomplished this investor exit prior to the end of the 15-year compliance period. Looking ahead, Human Solutions plans to recapitalize the project and address deferred maintenance and necessary capital projects as soon as the 15-year compliance period ends in 2023.

- **Rent collection is down during the last quarter due to COVID-19's impacts on residents' ability to pay and local eviction moratoria.** The COVID-19 pandemic has been extremely difficult for the residents of our affordable-housing communities. Among those already rent-burdened and making difficult choices between paying rent and meeting other basic needs, starting in April we began to see some struggle to pay their rent. Rent collections from April, May and June 2020 averaged 93% across the portfolio, compared to a pre-pandemic average of 99% (calculated for January to March 2020 (March was the last normal month since pandemic impacts had been felt). Late payments and nonpayment varied across properties. We anticipate this trend worsening into our next fiscal year as the pandemic continues, and, thanks to our team's strong relationships in the community and excellent track record distributing rental assistance, we anticipate receiving funds to offset the decreased rental collection in the next fiscal year from several sources, including the City of Portland, Home Forward, the Oregon Health Authority and the State of Oregon.

As we look to the future here at Human Solutions – into the continuing pandemic and, eventually, beyond – we expect the need for our support services, our affordable-housing development and our advocacy for systemic, anti-racist change to grow. We plan to meet this growing need by focusing on our team, our financial foundation, racial equity, the effectiveness and integration of our programs, and advocacy for funding and systems that work better for the people and communities we are fortunate to partner with.

In closing, while there is no sign of a comprehensive national solution to our housing and income inequality crises, we are heartened by some local actions that could significantly increase our impact. Specifically, the success of a ballot measure to add significant resources to the homeless services system (Measure 26-210 in Clackamas, Multnomah and Washington Counties) is very promising; those dollars are expected to enter the system in summer 2021 and could be significant enough to make meaningful progress toward ending homelessness in our region. In the near term, our team continues to do the most with the resources we can access today to move closer to our vision of vibrant, healthy neighborhoods where *all* people can share in the security, hopes and advantages of a thriving, supportive community.

Thank you for your interest in Human Solutions and the wonderful community we call home. Onward!

A handwritten signature in black ink, appearing to read "Andy Miller".

Andy Miller, Executive Director

A handwritten signature in black ink, appearing to read "Bruce Whiting".

Bruce Whiting, Board Chair

**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 (nonprofit organizations), which comprise the statement of financial position as of June 30, 2020, 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 \$3,932,354 as of June 30, 2020, and total support and revenues of \$681,219 for the year then ended. These statements were 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, 2020, 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 Reporting Requirement by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2021, 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 the effectiveness of Human Solutions, Inc. and Other Entities' 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' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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 on pages 30-31 in 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 statement and, accordingly, we do not express an opinion or provide any assurance on it.



Portland, Oregon  
February 24, 2021

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

**June 30, 2020**  
(With Comparative Totals as of June 30, 2019)

	<b>ASSETS</b>	
	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 2,109,565	\$ 820,257
Accounts receivable	2,582,751	3,524,949
Contributions receivable	117,400	300,000
Prepaid expenses and other assets	310,898	275,792
Restricted deposits and funded reserves	6,732,251	2,294,715
Interest receivable from affiliated organizations	282,180	146,231
Receivables from affiliated organizations	10,669,783	4,615,814
Investments in affiliated organizations	42,645	253,593
Land, buildings and equipment, net	37,944,520	26,180,279
<b>Total assets</b>	<b>\$ 60,791,993</b>	<b>\$ 38,411,630</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 2,695,197	\$ 1,129,446
Line of credit	234,000	555,961
Accrued payroll and related expenses	794,263	371,266
Deferred revenue	73,713	12,121
Refundable advances	1,185,655	451,500
Tenant security deposits	204,994	167,075
Long-term debt	36,803,138	17,257,769
<b>Total liabilities</b>	<b>41,990,960</b>	<b>19,945,138</b>
<b>Net assets</b>		
Without donor restrictions		
Available for general operations and programs	10,321,636	6,146,712
Designated by Board for asset management	216,990	334,241
Designated by Board for housing predevelopment	81,994	81,994
Designated by Board for operating reserves	208,924	57,610
Restricted deposits and funded reserves	6,224,343	1,820,870
Net investment in capital assets and affiliated organizations	975,965	9,176,103
<b>Total without donor restrictions</b>	18,029,852	17,617,530
With donor restrictions	771,181	848,962
<b>Total net assets</b>	<b>18,801,033</b>	<b>18,466,492</b>
<b>Total liabilities and net assets</b>	<b>\$ 60,791,993</b>	<b>\$ 38,411,630</b>

See notes to consolidated and combined financial statements.

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

**Year Ended June 30, 2020**  
(With Comparative Totals for the Year Ended June 30, 2019)

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	
			<b>2020</b>	<b>2019</b>
<b>Operating revenues, gains and other support:</b>				
Government grants and contracts	\$ 11,291,267	\$ -	\$ 11,291,267	\$ 11,763,726
Private grants and contributions	1,152,196	371,690	1,523,886	1,163,604
Rental income	3,888,257	-	3,888,257	3,772,111
Development fees	463,260	-	463,260	1,197,678
Asset management and resident services fees	244,755	-	244,755	214,221
Investment income	182,131	-	182,131	88,727
Other income	592,245	-	592,245	563,593
	<u>17,814,111</u>	<u>371,690</u>	<u>18,185,801</u>	<u>18,763,660</u>
Net assets released from restrictions	414,471	(414,471)	-	-
<b>Total operating revenues, gains, and other support</b>	<b><u>18,228,582</u></b>	<b><u>(42,781)</u></b>	<b><u>18,185,801</u></b>	<b><u>18,763,660</u></b>
<b>Expenses</b>				
Program services				
Properties	4,570,940	-	4,570,940	4,493,315
Social services	9,507,404	-	9,507,404	10,053,361
Housing	2,310,926	-	2,310,926	1,510,290
Employment	1,065,738	-	1,065,738	989,341
<b>Total program services</b>	<b><u>17,455,008</u></b>	<b><u>-</u></b>	<b><u>17,455,008</u></b>	<b><u>17,046,307</u></b>
Supporting services				
Management and general	1,833,542	-	1,833,542	1,591,524
Fundraising	510,862	-	510,862	465,911
<b>Total expenses</b>	<b><u>19,799,412</u></b>	<b><u>-</u></b>	<b><u>19,799,412</u></b>	<b><u>19,103,742</u></b>
<b>Increase (decrease) in net assets before non-operating activities</b>	<b><u>(1,570,830)</u></b>	<b><u>(42,781)</u></b>	<b><u>(1,613,611)</u></b>	<b><u>(340,082)</u></b>
<b>Non-operating activities:</b>				
Grants for long-term investment in capital assets	-	-	-	146,394
Gain on forgiveness of debt	-	-	-	199,689
Transfer of assets to/from partnership	1,948,152	-	1,948,152	-
Net assets released from restrictions for capital purposes	35,000	(35,000)	-	-
<b>Total non-operating activities</b>	<b><u>1,983,152</u></b>	<b><u>(35,000)</u></b>	<b><u>1,948,152</u></b>	<b><u>346,083</u></b>
<b>Increase (decrease) in net assets</b>	<b><u>412,322</u></b>	<b><u>(77,781)</u></b>	<b><u>334,541</u></b>	<b><u>6,001</u></b>
<b>Net assets</b>				
Beginning of year	<u>17,617,530</u>	<u>848,962</u>	<u>18,466,492</u>	<u>18,460,491</u>
<b>End of year</b>	<b><u>\$ 18,029,852</u></b>	<b><u>\$ 771,181</u></b>	<b><u>\$ 18,801,033</u></b>	<b><u>\$ 18,466,492</u></b>

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, 2020**

(With Comparative Totals for the Year Ended June 30, 2019)

	PROGRAM SERVICES					SUPPORTING SERVICES		Total	
	Properties	Social Services	Housing	Employment	Total	Management and General	Fund-Raising	2020	2019
Salaries and benefits	\$ 186,680	\$ 3,569,904	\$ 1,096,970	\$ 840,626	\$ 5,694,180	\$ 1,217,453	\$ 371,222	\$ 7,282,855	\$ 6,310,211
Rent and client assistance	-	4,328,009	30,873	91,162	4,450,044	-	-	4,450,044	5,055,877
Phone and internet	24,913	68,131	16,553	16,311	125,908	19,103	5,500	150,511	142,307
Dues, subscriptions and other	66,736	4,414	10,425	2,955	84,530	19,520	23,365	127,415	98,224
Event expense	-	293	1,320	2,930	4,543	-	36,823	41,366	51,519
Gas and mileage	-	22,469	3,386	6,218	32,073	1,087	284	33,444	45,056
Grants awarded	9,980	-	2,000	-	11,980	-	-	11,980	111,230
In-kind services and supplies	-	342,464	2,360	-	344,824	-	2,891	347,715	350,477
Insurance	161,142	30,637	16,224	6,261	214,264	7,240	1,997	223,501	247,259
Interest expense	637,302	-	32,904	-	670,206	6,745	-	676,951	681,395
Occupancy	640,455	303,454	50,226	36,557	1,030,692	62,527	17,661	1,110,880	1,014,771
Office supplies	20,027	100,226	22,426	23,257	165,936	29,625	7,899	203,460	143,299
Permits, licenses and fees	89,157	137	10,829	38	100,161	6,374	3,138	109,673	158,291
Professional assistance	34,457	13,550	399,976	-	447,983	194,560	24,697	667,240	755,337
Program expense	-	192,216	36,547	6,528	235,291	10,271	2,820	248,382	234,838
Property maintenance	949,724	-	480	-	950,204	-	-	950,204	1,034,257
Property management fees	488,999	-	-	-	488,999	-	-	488,999	404,896
Staff recruitment and training	5,031	13,983	7,694	1,059	27,767	37,234	716	65,717	68,362
Subcontractors	-	517,472	-	31,825	549,297	-	11,849	561,146	617,485
Software support	-	45	8	11	64	212,867	-	212,931	80,041
Total operating expenses	<u>3,314,603</u>	<u>9,507,404</u>	<u>1,741,201</u>	<u>1,065,738</u>	<u>15,628,946</u>	<u>1,824,606</u>	<u>510,862</u>	<u>17,964,414</u>	<u>17,605,132</u>
Depreciation and amortization	<u>1,256,337</u>	<u>-</u>	<u>569,725</u>	<u>-</u>	<u>1,826,062</u>	<u>8,936</u>	<u>-</u>	<u>1,834,998</u>	<u>1,498,610</u>
<b>Total expenses</b>	<b><u>\$ 4,570,940</u></b>	<b><u>\$ 9,507,404</u></b>	<b><u>\$ 2,310,926</u></b>	<b><u>\$ 1,065,738</u></b>	<b><u>\$ 17,455,008</u></b>	<b><u>\$ 1,833,542</u></b>	<b><u>\$ 510,862</u></b>	<b><u>\$ 19,799,412</u></b>	<b><u>\$ 19,103,742</u></b>

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, 2020**  
(With Comparative Totals for the Year Ended June 30, 2019)

	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Cash received from tenants, contractors, grantors and donors	\$ 20,873,516	\$ 17,476,442
Cash paid to employees and suppliers	(15,416,465)	(16,788,009)
Interest income received	182,131	88,727
Interest paid	(676,951)	(681,395)
<b>Net cash provided by (used in) operating activities</b>	<b>4,962,231</b>	<b>95,765</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(6,960,875)	(2,140,182)
Loans made to affiliated organizations	(6,133,363)	(53,522)
Capital contributions made to affiliate organizations	(136,627)	-
<b>Net cash provided (used) in investing activities</b>	<b>(13,230,865)</b>	<b>(2,193,704)</b>
<b>Cash flows from financing activities:</b>		
Grants restricted to long-term investment in capital assets	-	146,394
Repayment / proceeds from line of credit	(321,961)	555,961
Proceeds on the issuance of long-term debt	15,756,502	4,097,864
Repayment of long-term debt principal	(1,439,063)	(2,279,149)
<b>Net cash provided by (used in) financing activities</b>	<b>13,995,478</b>	<b>2,521,070</b>
<b>Net increase in cash and cash equivalents</b>	<b>5,726,844</b>	<b>423,131</b>
Cash and cash equivalents at beginning of year	3,114,972	2,691,841
<b>Cash and cash equivalents at end of year</b>	<b>\$ 8,841,816</b>	<b>\$ 3,114,972</b>
<b>Supplementary disclosures of cash flow information:</b>		
Cash and cash equivalents	\$ 2,109,565	\$ 820,257
Cash restricted for funded reserves	6,732,251	2,294,715
	<b>\$ 8,841,816</b>	<b>\$ 3,114,972</b>

See notes to consolidated and combined financial statements.

## HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

June 30, 2020

#### NOTE A – DESCRIPTION OF ORGANIZATION

Human Solutions, Inc. (the organization) has been working for 32 years in East Portland, Gresham and East Multnomah County, Oregon to help families experiencing poverty and homelessness have the housing and economic security we believe everyone deserves. In addition to helping people navigate to stable housing today, we are also focusing on upstream solutions to inequitable housing and economic policies that will prevent poverty and homelessness tomorrow. Everything we do is through a racial justice lens, because there is no housing and economic justice without racial justice.

##### **Our Community Vision:**

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

##### **Our Organizational Vision:**

Human Solutions operates as a nimble, financially strong organization driven by our passion, strategic goals and guiding principles.

##### **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 their 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.

##### **THEORY OF CHANGE: The reason we do what we do.**

**The problem we tackle: intergenerational poverty:** Human Solutions defines poverty as a lack of power, choice and control over circumstances, typically caused by a lack of income, assets and resources at a personal and community level. People and communities who experience poverty typically inherit it as a product of deep structural inequality caused by adverse systemic forces like racism, misogyny, ableism, and mass incarceration. As a result of historic, ongoing and intentional policies that concentrate wealth and power, far too many people – especially people of color - continue to experience intergenerational poverty.

In their home of East Portland and East Multnomah County, people and communities experiencing poverty typically reside in neighborhoods that have experienced years of disinvestment and lack basic amenities like healthy food, safe streets and welcoming places to gather and play. Entrenched, intergenerational poverty and a landscape of disinvestment leave people and whole communities vulnerable to poverty's compounding conditions: powerlessness, residential displacement, lack of educational and economic opportunity, and the recurring trauma of hopelessness and homelessness.

## HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

#### NOTE A – DESCRIPTION OF ORGANIZATION (CONTINUED)

**Our approach: invest in transformation and long-term success:** Human Solutions works to counter the forces that keep people and communities in poverty. We partner with individuals, families and communities to support their long-term success and transcendence from the conditions of poverty. Here's how:

- We provide trauma-informed programs that offer hope, support and a pathway to stability and opportunity to our community's most vulnerable families and individuals.
- We develop and maintain healthy, high-quality affordable and supportive housing that responds to the needs and desires of people experiencing housing insecurity and homelessness.
- We offer employment training and career coaching to help people build skills that lead to higher incomes and greater economic opportunity.
- We partner to strengthen poverty-concentrated neighborhoods by developing housing, resources and community amenities that support the success of future generations.
- We advocate for public policies and investments that expand housing and economic opportunity, eliminate wealth inequality, and end poverty.

We believe we can counter structural causes of poverty by sharing and aligning our influence, resources, programs, investments and expertise with individuals and communities so they can build wealth, power, security and influence.

#### PROGRAM AREAS

During the year ended June 30, 2020, the organization provided services in three core program areas: affordable housing, social services and employment.

**AFFORDABLE HOUSING** – Human Solutions develops and operates affordable housing communities for low-income and unhoused families throughout outer East Portland and East Multnomah County. Human Solutions owns and operates 661 units of affordable rental housing in 17 apartment communities, with 236 more in the pipeline (to open in 2021 and 2022). The three components of the Housing Department are:

1. **Asset Management** managers oversee the maintenance, resident policies and property management companies charged with day-to-day oversight of the 661 permanent, affordable housing units and one commercial unit.
2. **Real Estate Development** staff plan and oversee new real estate investments, including housing development, purchase and rehabilitation projects. In August 2019, we closed on our construction financing and began construction on a mixed-use, mixed-income housing and anchor office/service center development in East Portland that will open in spring 2021. Another East Portland site is in pre-development with 93 units of deeply affordable apartments, with 15 units set aside for permanent supportive housing. It is scheduled to open in 2022.
3. **Resident Services** coordinators work on site at our affordable housing communities to provide information and referral, eviction prevention services, client assistance funds, as well as support classes, community building and children's activities for the residents in our 661 affordable apartments.

## HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

#### NOTE A – DESCRIPTION OF ORGANIZATION (CONTINUED)

**SOCIAL SERVICES** – The organization’s direct service team provides housing and economic stability services to families with who are unhoused and/or have low/no incomes who entered a wide variety of shelter, housing and skill building programs that Human Solutions operates.

**1. Emergency Shelter & Rehousing**

On any given night, Human Solutions provided shelter and/or housing to an average of 748 unhoused or formerly unhoused people from 286 households. The emergency shelters for families and adults who identify as women/non-binary/genderqueer depend on contributions from the community, such as donated clothing, blankets, household goods, and food that the organization distributed to participants at no charge. The organization raised funds to provide food and other needed items for residents at Lilac Meadows, our emergency shelter for unhoused families.

**2. Preventing Homelessness**

The organization also prevented homelessness with short-term rent assistance programs so that 419 families (with 724 adults and 681 children) could remain in their housing. It is the organization’s goal to support people who are unhoused and housing insecure as they work to get into and maintain stable, healthy housing.

**3. Utility Assistance**

The organization also provided utility bill assistance to 4,248 households, keeping the lights and heat on for 10,456 individuals. This program also helps families stay housed, as utility shutoffs often lead to eviction and frees up scarce funds to pay rent.

**4. Life Skills Classes**

The organization offers families and individuals life-skill classes such as Rent Well to remove barriers to rental housing, trauma recovery empowerment groups (TREM), Incredible Years parenting classes, and other relevant learning opportunities to support short- and long-term wellbeing.

**5. Information & Referral**

During the year ended June 30, 2020, the organization responded with information and referrals to 26,413 calls and walk-ins from people seeking assistance.

#### **EMPLOYMENT SERVICES**

The organization provided employment, job search and training services to 1,306 people. Of those, 30% were either unhoused or at risk of becoming unhoused when they enrolled. 55% obtained jobs with an average starting wage of \$14.85/hour, \$3.60 more than the state’s minimum wage. Partnerships with the City of Gresham, the City of Portland/Prosper Portland, 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 help people leave the Temporary Assistance to Needy Families (“TANF”) program by obtaining jobs with wages sufficient to support their families.

## HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

#### NOTE A – DESCRIPTION OF ORGANIZATION (CONTINUED)

##### **VOLUNTEERING ACROSS PROGRAMS**

Community members are an essential part of our work in the community, and while the way they can engage has had to change due to COVID in the last quarter of our fiscal year, their engagement remained robust, especially providing home-cooked meals for residents in our shelters. This year, volunteers invested more than 12,000 hours to help our programs reach more people in different ways, from our annual Holiday Toy Drive & Store to our LearnLinks after-school and summer programming and emergency shelters – cooking and serving food, teaching classes (sewing, yoga) and assisting residents in other ways. We couldn't do what we do without them, and firmly believe that volunteers gain as much from participating as program participants do! Building connected communities is an important part of our vision for more vibrant future.

#### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Adoption of New Accounting Pronouncements**

During the fiscal year ended June 30, 2020, three new accounting pronouncements became effective for the Organization: *Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”)*, *Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (“ASU 2018-08”)*, and *Accounting Standards Update No. 2016-18, Restricted Cash*.

Management of the Organization has analyzed the provisions of ASU 2016-18, and has concluded that only changes to the statement of cash flows are necessary to conform with the new standard, the implementation of ASU 2016-18 had no impact on beginning net assets or revenues.

Management of the Organization has analyzed the provisions of ASU 2014-09, and has concluded that no changes are necessary to conform with the new standard, therefore the implementation of ASU 2014-09 had no impact on beginning net assets or revenues.

ASU 2018-08 clarifies and improves guidance for contributions received and contributions made. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle resulting from ASU 2018-08 was adopted on a modified prospective basis for the year ended June 30, 2020. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of June 30, 2019.

##### **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, 2020

#### 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.

The Organization's share of affiliate earnings is included in the statement of activities. All significant interorganizational investments, accounts and transactions have been eliminated.

Unless otherwise noted, the Organization wholly owns and controls the consolidated entity.

<u>Property</u>	<u>Consolidated Entities</u>	<u>Notes</u>
Ankeny Woods	HS Ankeny Woods, LLC	
Ankeny Woods	Ankeny Arms, LP	
Cascade Crossing	Cascade Crossing Development, LLC	
The Cedars	HS Cedars, LLC	
Fairview Arms	Fairview GP, LLC	
Glisan Commons	HSI Glisan Commons, LLC	
Park Vista	Park Vista Stark Development, LLC	
Park Vista	Park Vista Stark, LP	
Rockwood	Rockwood Building, LLC	
Rockwood	Rockwood MSC QALICB, Inc.	501(c)(3) with economic interest and control
Rosewood	Rosewood Commercial Condo, LLC	
Rosewood	18155 NE Couch Street Associates, LLC	
The Nick Fish	Gateway QALICB, Inc.	501(c)(3) with economic interest and control
The Nick Fish	Gateway GP, LLC	
Whispering Winds	Whispering Winds Housing, LP	
Whispering Winds	Arbor Glen GP, LLC	

##### Combined Entity:

The Pines Housing, Inc. is a single purpose nonprofit organization formed to own and operate a Department of Housing and Urban Development funded project. The entity is under common management with Human Solutions, Inc. however, Human Solutions, Inc. does not have a controlling financial and economic interest.

##### Affiliated Entities – Equity Method:

Accounting Standards Codification (ASC) 810 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.

## HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

#### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Affiliated Entities – Equity Method (Continued):

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>	<u>Year Formed</u>
Fairview Arms, LP	Fairview GP, LLC	2017
Gateway Halsey, LP	Gateway GP, LLC	2019
Glisan Commons Phase I, LP	HSI-Glisan Commons, LLC	2012
Lincoln Woods Housing, LP		2003
Lincoln Woods Developer, LLC		2005
Rockwood Housing, LP	Rockwood Building, LLC	2010
Rosewood Plaza, LP	18155 NE Couch Street Associates, LLC	2015

##### Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

##### Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. 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 met. Contributions received with both donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

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

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2020**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Conditional Promises to Give**

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions or has met the performance requirements. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization has cost-reimbursable grants of \$782,362 that have not been recognized at June 30, 2020, because performance requirements and/or qualifying expenditures have not yet been incurred.

**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 at their estimated fair value.

**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

## HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

#### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 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, 2020, 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.

##### Refundable Advances

###### ➤ Paycheck Protection Program Loan

For 2020, in response to the global economic impact caused by the coronavirus pandemic, the US Small Business Administration (SBA) created the Paycheck Protection Program (PPP) “forgivable loan” to assist nonprofit organizations and for-profit enterprises with eligible payroll and certain specified operating costs. The loans are funded by the SBA through participating banks and are subject to specific conditions, which if met, will result in forgiveness of all or part of the loan. The Organization qualified for and received a PPP loan for \$1,185,655 on April 18, 2020. The terms of the PPP loan include interest at 1% and maturity on April 18, 2022.

The Organization has concluded that although the legal form of the PPP is a loan, it believes the conditional criteria will be met and the SBA will approve its forgiveness application within the next fiscal year. Accordingly, the PPP loan represents, in substance, a conditional grant and has therefore been recorded as a refundable advance under the accounting guidance of ASC 958-605.

###### ➤ Conditional Grant Advances

For 2019, refundable advances result primarily from conditional grant payments received prior to the incurrence of allowable grant expenditures, and are refundable to the grantor if not used for grant purposes.

##### Revenue Recognition

Revenue streams applicable to the Organization that qualify as exchange transactions with “customers” (primarily rental income, development fees, and other service fees) are recognized at a single point upon receipt when all risks and rewards transfer, or in the case of development fees, when contractual milestones are reached. Amounts received from customers in advance, such as deposits for reserved future services and events, are recorded as deferred revenue until the Organization’s performance obligations are satisfied.

## HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

#### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 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 \$1,959,021 as of June 30, 2020 are generally not available to the parent organization due to limitations that have been imposed by external grantors and contractors.

##### 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, Gateway 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 programs and supporting services have been summarized in the statement of activities. Directly identifiable expenses are charged to programs and supporting services when incurred. Certain costs, including office expense, occupancy, leases and utilities have been allocated among the programs and supporting services benefited based primarily on estimates of time and effort.

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

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2020

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2019, from which the summarized information was derived.

**NOTE C – RELATED PARTIES**

The Organization's investments in affiliates' share of residential profits and losses is in accordance with its ownership percentage, and they generally guarantee operating deficits and certain loans and obligations of the affiliates.

**Summarized Information**

Summarized financial information of substantially all the limited liability companies and limited partnerships at December 31, 2019, the date of the most recent financial statements with the exception of Gateway Halsey, LP which is as of June 30, 2020, consists of the following:

	Fairview Arms, LP	Glisan Commons Phase I, LP	Lincoln Woods Housing, LP
Property, net	\$ 11,104,252	\$ 9,992,492	\$ 5,953,832
Required reserves	464,355	413,984	192,645
Other assets	388,779	505,532	17,532
Total assets	<u>\$ 11,957,386</u>	<u>\$ 10,912,008</u>	<u>\$ 6,164,009</u>
Long-term debt	\$ 4,895,900	\$ 4,186,096	\$ 2,818,764
Other liabilities	110,185	64,617	658,005
Partners' equity (deficit)	6,951,301	6,661,295	2,687,240
Total liabilities and partners' equity	<u>\$ 11,957,386</u>	<u>\$ 10,912,008</u>	<u>\$ 6,164,009</u>
Revenues	\$ 571,958	\$ 527,132	\$ 680,282
Expenses	999,587	870,923	989,949
Net income (loss)	<u>\$ (427,629)</u>	<u>\$ (343,791)</u>	<u>\$ (309,667)</u>

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

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2020**

**NOTE C – RELATED PARTIES (CONTINUED)**

**Summarized Information (Continued)**

	<u>Rockwood Housing, LP</u>	<u>Rosewood Plaza, LP</u>	<u>Gateway Halsey, LP</u>
Property, net	\$ 8,456,873	\$ 9,798,063	\$ 8,483,313
Required reserves	327,888	287,940	-
Other assets	97,070	84,349	-
Total assets	<u>\$ 8,881,831</u>	<u>\$ 10,170,352</u>	<u>\$ 8,483,313</u>
Long-term debt	\$ 6,162,387	\$ 1,853,671	\$ 5,262,527
Other liabilities	157,529	223,157	2,311,924
Partners' equity (deficit)	2,561,915	8,093,524	908,862
Total liabilities and partners' equity	<u>\$ 8,881,831</u>	<u>\$ 10,170,352</u>	<u>\$ 8,483,313</u>
Revenues	\$ 443,410	\$ 387,569	\$ -
Expenses	715,246	650,541	-
Net income (loss)	<u>\$ (271,836)</u>	<u>\$ (262,972)</u>	<u>\$ -</u>

**NOTE D – ACCOUNTS RECEIVABLE**

At June 30, the following accounts receivable were outstanding:

	<u>2020</u>	<u>2019</u>
Government grants and contract payments receivable	\$ 1,528,486	\$ 1,415,833
Other receivables	1,054,265	911,438
Developer fee	-	1,197,678
	<u>\$ 2,582,751</u>	<u>\$ 3,524,949</u>

**NOTE E – RESTRICTED DEPOSITS AND FUNDED RESERVES**

In accordance with the requirements of various agreements with funders, at June 30, 2020, the Organization maintains \$6,732,251 in total restricted deposits, including security deposits of \$204,975 and mortgage escrows of \$127,401, 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, 2020

NOTE F – RECEIVABLES FROM AFFILIATED ORGANIZATIONS

Receivables from affiliates at June 30, 2020 consist of the following:

DV-Halsey 106 QEI, LLC - Long term note receivable, interest at 2.1176% payable quarterly, principal payable quarterly starting March 2026, balance due December 2055.	\$ 6,161,800
Fairview Arms, LP - Long-term note receivable; interest at 2.6%; principal payable from gross cash receipts; balance due December 2072.	1,922,980
Fairview Arms, LP - Long-term note receivable; interest at 0%; balance due December 2072.	33,867
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.	1,429,944
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.	<u>155,138</u>
	<u>\$ 10,669,783</u>

Interest receivable from the affiliates at June 30, 2020 consists of the following:

Fairview Arms, LP	\$ 132,403
Gateway Halsey, LP	110,185
Lincoln Woods Housing, LP	<u>39,592</u>
	<u>\$ 282,180</u>

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

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2020**

**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
Fairview Arms, LP	0.01%	\$ 57	\$ (43)
Gateway Halsey, LP	0.01%	100	-
Glisan Commons Phase I, LP	0.01%	(50,177)	8,333
Lincoln Woods Developer, LLC	25%	713	-
Lincoln Woods Housing, LP	0.01%	49,626	(31)
Rockwood Housing, LP	0.01%	42,344	(27)
Rosewood Plaza, LP	0.01%	(18)	(26)
		\$ 42,645	\$ 8,206

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, 2020 is as follows:

Land and improvements	\$ 6,494,123
Buildings and building improvements	46,342,069
Furnishings and equipment	1,876,366
Construction in progress	7,388,716
	62,101,274
Less accumulated depreciation	(24,156,754)
	\$ 37,944,520

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, 2020, 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, 2020**

**NOTE I – LINE OF CREDIT AND OTHER AVAILABLE CREDIT**

In September 2020, the Organization renewed its secured revolving line of credit with Columbia State Bank for borrowings of up to \$1,000,000. The line matures in June 2021, and provides interest at the greater of the Columbia Bank Base Rate Index plus 0.75% or a floor rate of 4.0%. The Index is the Prime Rate set by the Bank. The interest rate at June 30, 2020 was 4.5% (before renewal). \$234,000 was outstanding at June 30, 2020.

**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, 2020:

**Ankeny Woods**

Note payable to the City of Portland (through the Portland Housing Bureau); 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. \$ 46,642

Note payable to the City of Portland (through the Portland Housing Bureau); 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. 465,722

**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. 958,931

Note payable to the City of Portland (through the Portland Housing Bureau); interest 0%; payable from excess cash flow; unpaid principal due September 2041. 733,044

## HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

#### NOTE J – LONG-TERM DEBT (CONTINUED)

##### Carolyn Gardens

Loan payable to Heritage Bank of \$1,650,000 (financed with bonds through the Oregon Facilities Authority SNAP Revenue Note, 2019 Series A, issued by the Authority.) Principal and interest payments of \$9,378 are due monthly beginning August 2019 through reset date, reamortized thereafter. Current interest rate is 4.65% until 2 reset dates, July 1, 2029 and July 1, 2039. Reset rates will adjust to FHLB rate at that date plus 2.75% margin multiplied by 0.8088. The loan matures July 2044, and is callable by both lender and borrower at each reset date.

\$ 1,619,169

Less unamortized debt issuance costs

(56,757)

\$ 1,562,412

Note payable to the City of Portland (through the Portland Housing Bureau); interest 0%; debt service payments are due annually only if, and to the extent of, 50% of excess cash flows; unpaid principal due September 2079.

150,000

##### 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.

3,587,530

##### Cedars

Notes payable to Beneficial State Bank; interest at floor rate of 4.55%; due in monthly amortizing installments of \$8,715 for 60 months. Beginning July 2024, the interest rate will be calculated at LIBOR plus a margin of 2.25%; maturity July 2049.

1,670,813

##### 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.

58,160

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.

214,632

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

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2020**

**NOTE J – LONG-TERM DEBT (CONTINUED)**

**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. \$ 220,135

**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. 685,403

Note payable to the Key Bank; interest at 8.69%; due on September 1, 2021 and payable in monthly installments of \$4,660. 380,149

**Park Vista (Continued)**

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. 813,405

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. 68,985

**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. 1,855,863

Less unamortized debt issuance costs (194,367)

**1,661,496**

**Rockwood MSC**

Note payable to the City of Gresham; principal and interest at 2.81% due quarterly beginning August 2018; maturity date August 2030. 1,021,276

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

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. \$ 559,790

**Family Center on Stark Street**

Note payable to HDC Community Fund LLC; interest at 4.5% per annum; principal principal and interest due in monthly installments of \$5,000; unpaid principal and interest due at the earlier of maturity date of June 30, 2021 or two years after the end of the approved operation contract for the property with Multnomah County. The Family Center stopped operations in February 2018. 601,607

Note payable to the City of Portland (through the Portland Housing Bureau); interest at 0%; unpaid principal balance due at the earlier of January 1, 2022 or upon disbursement of funds under a construction loan, or permanent financing. Up to \$1,000,000 available. 435,670

**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. 13,037

**The Nick Fish**

Note payable to the City of Portland (through Prosper Portland); interest at 2.5%; debt service payments are due annually only if, and to the extent of, 100% of excess cash flows beginning May 1, 2022 through May 1, 2025 then beginning May 1, 2026 80% of excess cash flows; unpaid principal due August 1, 2059. 4,044,737

Note payable to the City of Portland (through Prosper Portland); interest at 4% beginning November 1, 2021; principal and interest due in quarterly installments of \$21,180 starting January 2022; unpaid principal due September 1, 2026. 1,592,063

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE J – LONG-TERM DEBT (CONTINUED)

Notes payable to DVCI CDE XXXIX, LLC. Pursuant to the DVCI CDE XXXIX Loan Agreement, DVCI CDE XXXIX made loans to the Organization in the amounts of \$151,000 ("Loan A"), \$4,044,737 ("Loan B"), \$2,942,200 ("Loan C"), and \$1,592,063 ("Loan D"), (collectively, the "DVCI CDE XXXIX Loans"); interest accrues on the outstanding principal balance of the DVCI CDE XXXIX Loans at a fixed rate of 1.4946%. Payments of interest only are due and payable quarterly commencing on December 1, 2019, and continuing through December 1, 2025. On March 1, 2026 and continuing through December 1, 2055, the maturity date, payments of principal and interest on the DVCI CDE XXXIX Loans are due and payable in quarterly installments of \$75,214. On September 30, 2026, the organization shall make a principal payment on Loan D in the amount of \$1,483,657.	\$ 8,730,000
Note payable to DVCI CDE XXXV, LLC; interest accrues on the outstanding principal of the DVCI CDE XXXV loan at a fixed rate of 5.5%; payments of interest only are due and payable quarterly commencing on December 1, 2019, and continuing through December 1, 2025. On December 21, 2025, the maturity date, the Organization shall pay all unpaid interest and outstanding principal.	943,982
The DVCI CDE XXXIX Loans and DVCI CDE XXXV Loan are intended to constitute qualified low-income community investments ("QLICs") and, for such purpose, the organization must be and remain a QALICB, as such terms are defined in Section 45D of the Internal Revenue Code for the entire 7 year New Markets Tax Credit ("MNTC") compliance period.	
Note payable to Prosper Portland, the assumed business name of the Portland Development Commission; interest accrues on the outstanding principal balance at a fixed rate of 0.00% during construction and 4.00% per annum, commencing on November 1, 2021. On November 1, 2021 and continuing on the first day of each month through September 1, 2026, the maturity date, payments of principal and interest of \$1,496 are due and payable. Up to \$337,975 is available.	6,207
Note payable to Low Income Investment Fund ("LIIF"); interest accrues on the outstanding principal balance at a fixed rate of 5.49%; commencing on June 10, 2020, the Organization shall pay interest only through June 10, 2021, on July 10, 2021 and continuing through September 1, 2026, the maturity date, payments of principal and interest are due and payable, equal to the amounts identified in the loan agreement. Up to \$1,300,000 is available.	3,843

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

**June 30, 2020**

**NOTE J – LONG-TERM DEBT (CONTINUED)**

**Whispering Winds**

Note payable to the City of Portland (through the Portland Housing Bureau); interest 0%; all unpaid principal and interest due in December 1, 2070	\$	140,000	
Less unamortized debt issuance costs		<u>(2,505)</u>	\$ 137,495
Note payable to Oregon Housing and Community Services; interest at 6.15%; monthly payment of \$34,232; all unpaid principal and interest due October 2044.		5,215,898	
Less unamortized debt issuance costs		<u>(133,400)</u>	<u>5,082,498</u>
			<u>\$ 36,803,138</u>

Future maturities of notes payable consist of the following:

Year Ending June 30,			
2021	\$	1,056,020	
2022		621,760	
2023		1,219,681	
2024		662,857	
2025		699,048	
2026 and thereafter		<u>32,543,772</u>	
			<u>\$ 36,803,138</u>

**HUMAN SOLUTIONS, INC. AND OTHER ENTITIES**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2020**

**NOTE K – RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES**

At June 30, 2020, net assets with donor restrictions are available for the following purposes:

For timing and specific purpose:		
Capital projects	\$	400,000
For specific purposes:		
Other programs		<u>371,181</u>
	\$	<u>771,181</u>
Board designated asset management reserve - used to make unanticipated investments in the maintenance and operation of the Organization housing portfolio.	\$	216,990
Board designated operating reserve - consists of funds in excess of the current anticipated cashflow needs		208,924
Board designated predevelopment reserve - to fund due diligence activities to determine project feasibility		<u>81,994</u>
	\$	<u>507,908</u>

**NOTE L – NET ASSETS RELEASED FROM RESTRICTIONS**

During the year ended June 30, 2020, 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	\$	414,471
For capital purposes		<u>35,000</u>
	\$	<u>449,471</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, 2020.

## HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

#### NOTE M – CONTINGENT LIABILITIES (CONTINUED)

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.

#### NOTE N – COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

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.

Beginning in March 2020, an outbreak of a coronavirus necessitated that many employees work from home and provided for social distancing measure. The effects of these events may continue for some time, including disruptions to or restrictions on employees' ability to work and on the ability of funders and members to fully participate in programs and continue their current level of financial support to the Organization. At the present time, the ultimate future effects of these issues are unknown.

#### Land Lease

On August 27, 2019 (the "Commencement Date"), the Organization entered into a Lease with Gateway Halsey Limited Partnership (the "Lessor"), whereby the Organization leased land underlying Unit 2 and Unit 3 (the "Property"), from the Lessor. The term of the lease is from the Commencement Date to August 27, 2118. The base rent for the first two years of the lease, as further defined in the Lease, is prepaid on the Commencement Date in the amount of \$43,897. The base rent of the Property is \$21,624 for the initial year and increasing by 3% annually thereafter. The Payment will be made on the first day of the first calendar month of the third Lease Year, in which one-twelfth of the base rent for the applicable Lease Year shall be paid to Lessor.

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

**June 30, 2020**

**NOTE N – CONTINGENCIES AND UNCERTAINTIES (CONTINUED)**

Future annual base rent payment under the Lease due from the Organization are as follow:

Year Ending December 31,		
2020	\$	0
2021		7,648
2022		23,172
2023		23,864
2024		24,580
Thereafter		<u>12,605,372</u>
Total	\$	<u><u>12,684,636</u></u>

**NOTE O – LIQUIDITY**

The following represents the Organization's financial assets available to meet cash needs for general expenditures within one year of June 30, 2020:

Financial assets at year-end		
Cash and cash equivalents	\$	2,109,565
Accounts receivable		2,582,751
Contributions receivable		117,400
Restricted deposits and funded reserves		6,732,251
Notes and interest receivables from affiliated organizations		<u>10,951,963</u>
Total financial assets		<u>22,493,930</u>
Less amounts unavailable for general expenditure within one year:		
Contractual or donor-imposed restrictions:		
Restricted by donor		771,181
Restricted deposits and funded reserves		6,258,406
Notes and interest receivables from affiliated organizations		<u>10,951,963</u>
Board designations:		
Board-designated asset management reserve		216,990
Board-designated operating reserve		208,924
Board-designated predevelopment reserve		<u>81,994</u>
Total unavailable financial assets		<u>18,489,458</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>4,004,472</u></u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2020**

**NOTE P – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through February 24, 2021, which is the date the financial statements were available to be issued.

In October 2020, the Organization received a revised Bond Opportunity Solicitation Award of \$14,926,500 to redevelop the Family Center on Stark Street into 93 units of affordable housing. The Award is pending negotiations and underwriting of the project and does not constitute a reservation of funds. The award expires on June 30, 2021.

In July 2020, the Organization sold Park Vista, a 59-unit affordable housing complex in the Gateway neighborhood and wholly-owned by the Organization. Total sale price was \$4,600,000 and the Organization recognized a gain of \$1,162,417 of sale price greater than the net book value of the asset. At the time of sale, net book value of the fixed assets were \$3,393,247 and the value of liabilities was \$2,095,487. Under current restrictions, the property will remain affordable until 2060 and the new owner will need to maintain compliance with Portland Housing Bureau and Oregon Housing and Community Services requirements. The new owner will not be able to convert the property to market rate housing, thus securing the long-term affordability for tenants.

## **OTHER INFORMATION**

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

**PROPERTIES OWNERSHIP SCHEDULE**

**Year Ended June 30, 2020**

**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:**

The Pines Housing, Inc.

**Equity Investments and Consolidated Subsidiaries:**

<b>Property</b>	<b>Ownership Entity (OE)</b>	<b>OE Owners</b>	<b>%</b>	<b>HSI Accounting Method for OE Owners</b>
Ankeny Arms	Ankeny Arms, LP	● 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	● GP-HSI through Fairview GP, LLC ● LP-external investors	0.01% 99.99%	In consolidation Equity
Glisan Commons	Glisan Commons Phase I, LP	● GP-HSI through HSI Glisan Commons, LLC ● LP-external investors	0.01% 99.99%	In consolidation Equity
Lincoln Woods	Lincoln Woods Housing, LP	● GP-HSI ● LP-external investors	0.01% 99.99%	In consolidation Equity
Park Vista	Park Vista Stark, LP	● GP-HSI ● GP-HSI through Park Vista Stark Development, LLC	0.01% 99.99%	In consolidation In consolidation
The Nick Fish-residential	Gateway Halsey, LP	● GP-HSI through Gateway GP, LLC ● LP - external investors	0.01% 99.99%	In consolidation Equity
The Nick Fish-commercial	Gateway QALICB, Inc.	● HSI controls this 501(c)(3)	NA	In consolidation
Rockwood - residential	Rockwood Housing, LP	● 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 consolidation
Rosewood - residential	Rosewood Plaza, LP	● 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	● GP-HSI through Arbor Glen GP, LLC ● LP-HSI	0.01% 99.99%	In consolidation In consolidation

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

**HUMAN SOLUTIONS, INC.**

**GOVERNING BOARD AND MANAGEMENT**

**Year Ended June 30, 2020**

**Board of Directors:**

Bruce Whiting, **Chair**  
KeyBank

Jo Ann Hardesty, **Vice Chair**  
City Commissioner, City of Portland  
Hardesty Consulting

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

Paul Warr-King, **Treasurer**  
Former City Councilor for  
City of Gresham

Chris Brox  
Providence

Verlea Briggs  
Portland General Electric

Lydia Gray-Holfield  
Community Member

Jon 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

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Director of Employment and Economic  
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