

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

**CONSOLIDATED AND COMBINED
FINANCIAL STATEMENTS**

Year Ended June 30, 2021



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CERTIFIED PUBLIC ACCOUNTANTS

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

Year Ended June 30, 2021

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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. The COVID pandemic has hit our community hard, because so many residents experience the inequities in our society that are exacerbated during such crises.

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

Our Mission:

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

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

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

Community Vision:

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

Organizational Vision:

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

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



Our Strategic Priorities

In 2018 Human Solutions' board of directors adopted a five-year Strategic and Equity Plan for our 2019-23 fiscal years 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, including our theory of change, core values, and commitment to equity, is available here: humansolutions.org/plan

Meeting Our Strategic and Equity Plan Goals

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. In this pandemic year, it took more energy than usual to simply maintain our normal operations, which we proudly did. Some steps we took this year are:

- **Our newly chartered internal Program Coordination Team is up and running.** This group is bringing an interdisciplinary, data-driven approach to plan and manage our continuum of housing and services to meet the long-term needs of our community. The team is intentionally comprised of racially diverse staff from a range of program areas and positions on our hierarchical structure (senior and middle managers as well as frontline staff). 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 made real progress with several initiatives we identified and planned last year:

- 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. This is ongoing work to continue our journey towards a more just future.
- **We hosted a successful virtual event about becoming an anti-racist.** On October 1, 2020 we hosted an impactful and well-attended online event featuring a conversation with two very special people: Professor Ibram X. Kendi, who wrote the book we highlighted, “How to be an Anti-Racist,” and Portland City Commissioner JoAnn Hardesty, who also serves on our Board of Directors. Nearly 3,100 people registered to attend, 10 times more than any other event we have held to date! The impact of their attendance continues to benefit the organization today, as we grew our email list by 64% and attendees who were new to the organization continue to support our work through financial contributions. While the event was not technically a fundraiser, 423 people donated, \$6,265 of which we passed on to a local Black-led organization as one way to meet our goal of sharing resources with smaller, BIPOC-led organizations in our community.
- We intentionally diversified our board of directors to include more people who identify as BIPOC because our service area, staff and program participants are approximately 50% BIPOC. **During this year BIPOC board membership jumped from 30 to 50%.** While this new percentage meets our goal of having our leadership teams reflect the community where we work, future additions are likely to continue this trend, as well as bringing in folks who live in our service area and/or have lived experience with poverty. These perspectives are essential to our work, especially our leadership positions.
- Year after year, Human Solutions sees **high rates of success in our housing-stability programs.** We confirm with newly housed participants after six and 12 months to assess long-term stability. This year we found that 97% were still housed one year after moving in to permanent housing. When disaggregated by race, which we do to assess whether our program results are equitable, we see some variability among BIPOC participants compared to whites: 98% of Black/African American, 92% of Latinx, 100% of Native American, and 96% of white participants achieved the 12-month milestone.



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 experiencing poverty and homelessness, but to apply our 34 years of direct service experience to upstream solutions in the systems that are putting and keeping people in poverty.

- We sought and received continued funding for our full-time **grassroots organizer**, who has been 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. While COVID has created some barriers to this work, the person in this position has nonetheless **launched a Residents Advisory Council** that is bringing resident voices into decisions around their own housing. Importantly, our second round of funding for this work expanded to include stipends for the residents whose time the council benefits from. This is an important way to value their time and boost their incomes.
- We also **actively participate in grassroots efforts to identify and support long-term solutions to homelessness and housing insecurity at the local and state levels**, mostly in coordination with partners. We are active participants in local decision-making groups that affect program funding and design, with a sharp focus on long-term systemic solutions. We believe that service providers like Human Solutions make critical contributions to these decisions, drawing from our years of on-the-ground experience.

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 received forgiveness for our Paycheck Protection Program loan that we received in FY 2020.** While we had anticipated achieving forgiveness from the federal government for this \$1,185,655 loan, it was not a given. We are pleased to report this accomplishment that supports our financial sustainability. 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 our community depends on, we applied and were approved in April 2020 for this loan to help Human Solutions keep its workforce employed during the pandemic.
- **We developed our organizational budget for this fiscal year with new budgeting software that we selected and began onboarding last year.** The onboarding process for this new system was a bit bumpy because COVID sent us to remote work in the midst of training and budget season. That said, we successfully loaded needed information into the system and trained relevant staff to work with it as they entered their budget numbers, reducing the finance team's workload, engaging program managers more directly in their individual budgets, and building a system that will enable us to do more robust analysis.



- **We selected a Human Resources Information System (HRIS) to accommodate a growing workforce.** We identified this need several years ago and look forward to onboarding ADP, a robust and well-supported system that: 1) enables staff to easily access and manage their own payroll and benefits information, 2) reduces the staff time needed to manage these processes, and 3) will grow with the organization over time. We will have better customer service at reduced cost to the organization. This step is part of an intentional approach to catch our internal systems up to our expanded programs and team.

Rebranding

This year we continued the work to rebrand our organization to more accurately reflect the direction we decided to move – toward a deep focus on racial equity and anti-racism – in our 2018-23 Strategic and Equity Plan. Last year we began the work to better understand our current brand’s strengths and limitations and, from there, identify future messaging and visuals. We also 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.

This year, we approved a new name and tag line and top-line messaging for the organization that we will announce to program participants and our wider community in 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

Remote Work and Staff Capacity. We pivoted very quickly to remote work in March 2020, and our administrative teams have continued to work remotely through this fiscal year as much as their jobs allow. Our frontline shelter staff continued to work on site 24/7 and, as a result, received increased hazard/hero pay through our county shelter operations contracts because of the risk to their health. 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. As vaccines became available, our other direct-service staff were able to connect in person with participants using masks in outdoor settings.

Despite our employees’ own pandemic challenges, which has understandably reduced our capacity to some degree, on the whole our team kept our programs humming and rose to meet the rapidly expanding needs of our community. We are really proud of the work we did during a very challenging time, meeting the needs of both our own team and our community. In some ways, we have identified new ways of partnering with participants that we will likely maintain because they work – such as phone calls, texts, social media messages and virtual meetings which can remove barriers like childcare and transportation. Despite some significant supply donations (masks, cleaning supplies), we have absorbed increased costs



to provide essential COVID-related paid leave and to purchase remote office equipment for staff home offices, Personal Protective Equipment (PPE), office cleaning supplies and signage.

Community Needs Expanding and Evolving. 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, with lower vaccine rates and access than other areas, as well.

Expanded Shelter Capacity. In July 2020 we partnered with Multnomah County to open a temporary emergency shelter in an East Portland motel to accommodate those experiencing homelessness who are also at high risk for COVID. This shelter allows 60 adults identifying as women, nonbinary or genderqueer to reside safely, comfortably and socially distant in their own rooms. We operate another shelter for this same population in Gresham and continue to operate Lilac Meadows, our Southeast Portland family shelter, bringing our capacity to 200 people every night, including about 60 children. Our dedicated shelter team has remained on-site 24/7 since the March 2020 shutdown, steadfastly managing the many twists of this pandemic while working with a vulnerable population. This team received “hero pay” through our county contracts to compensate for increased health risks. We are proud to have maintained these critical services without interruption, including successfully assisting residents in moving to permanent housing, a primary goal.

Affordable Housing Portfolio

Human Solutions’ housing portfolio includes 736 affordable rental apartments in 17 housing communities in East Portland, Fairview and Gresham. We opened a new housing community in March 2021, bringing 75 new apartments on line, and we are in the process of developing a 93-unit project scheduled to open in early 2023. During this fiscal year the housing development and operations team worked on two rehabilitation projects to upgrade two of our apartment communities with 110 units; we anticipate work beginning in November 2021. Eleven of our 17 properties are wholly owned and consolidated into the primary financial statements of Human Solutions’ core nonprofit. The six others are accounted for on the equity method and displayed on supplementary schedules at the end of the audited financial statements. Our housing development and operations team is strong and successfully managing multiple projects that will add much-needed affordable units to the community.

There are a handful of key activities to share in this area:

- **We completed construction and leased up a new apartment community, The Nick Fish.** Formerly known as Parkside 106, The Nick Fish is Human Solutions’ newest mixed-use project, located adjacent to Discovery Park in the Gateway neighborhood of East Portland. We closed on the construction financing in August 2019, and completed the project in March 2021. The \$32,692,000



LEED-gold project has 75 apartments, 11,000 square feet for Human Solutions' new anchor office and service center, and 11,000 square feet of ground-level, street facing retail owned and managed by Prosper Portland. Prosper plans to lease its space to BIPOC and locally-owned retailers through a community process that centers racial equity and community need. The Nick Fish, which is the name for the apartment community, has seven units for residents at 30% of area median income (AMI), 45 units at 60% AMI, five units at 80% AMI, and 18 are leased at market rates.

This project is an innovative public-private partnership with a variety of private and public financing sources, including Metro (our regional government), 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 adjacent office space and, together with a successful capital campaign and private funding, enables us to create a new, transit-oriented, trauma-informed anchor office and service center for participants and staff that we look forward to fully utilizing when it is COVID safe.

- **We broke ground in June 2021 on The Aurora, our newest affordable housing community, with 93 apartments.** One-third of the units are for very-low-income families earning up to 30% of AMI, which was equivalent to \$29,000 for a family of four in 2021. Sixteen of the units will receive Project Based Vouchers, so those residents will contribute no more than 30% of their income to rent. They will also receive supportive services through a unique partnership between Human Solutions and Lifeworks NW, an experienced local behavioral health services provider. This is the first partnership of its kind and we anticipate replicating it at future projects because the link between on-site support services and stable housing for people moving out of homelessness with very low incomes is clear.

Like most affordable housing development, this project is funded through a complex combination of public and private funding sources. In October 2019 (our prior fiscal year), Human Solutions was awarded \$13.95 million of inaugural Portland Housing Bond funds, which brought with it an operating subsidy of \$10,000 per unit for supportive services from the city-county Joint Office of Homeless Services and 16 Project Based Voucher units from Home Forward, the local public-housing authority. This combination of capital and service dollars is unique and important, as too often there are insufficient service dollars to adequately support residents. 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, enabled us to move ahead with this project.



- **Human Solutions began a partnership with Green Light Development to rehabilitate Aldercrest Apartments, a 68-unit project located off SE Stark Street and 217th Avenue in Gresham.** We received an award of 9% Low Income Housing Tax Credits from Oregon Housing and Community Services in September 2020 for both the purchase and rehabilitation, which we will begin in November 2021. This property had an expiring HUD Section 8 contract on 59 of the units, so our involvement as a Community Development Corporation means current residents won't lose their affordability, and that the affordability of those units can be preserved into the future. The HUD contract will be renewed and extended for another 20 years. In addition, the tax credit financing will restrict the nine currently market-rate units for tenants with incomes at or below 60% Area Median Income, so we are adding affordable units to the community.
- **Human Solutions received funding to rehabilitate Ankeny Woods, a 42-unit project in our portfolio located at SE Ankeny Street and 122nd Street in Portland** and built in 1997 Oregon Housing and Community Services awarded the funds in September 2020 through their General Housing Account Program (GHAP). We will get this rehabilitation project underway in November 2021, our next fiscal year.
- **We will undertake several capital projects at Arbor Glen, a 97-unit garden-style apartment community in our portfolio.** We received an award of \$1,587,405 from Portland Housing Bureau to upgrade the site by improving stormwater management, lighting and security.
- **We sold one of our affordable housing communities to reinvest in the financial health of the organization.** In July 2020 we closed on the \$4,600,000 sale of Park Vista, a 59-unit project in the Gateway neighborhood of East Portland in July 2020. Park Vista has affordability restrictions in place until 2061; ensuring ongoing affordability for current residents and the community was a key factor in this decision. This sale enables Human Solutions to put approximately \$1,000,000 in reserves for the whole organization, another \$1,000,000 in an Asset Management reserve to invest in our portfolio, and \$417,000 in a pre-development fund to support additional affordable housing development. Although we do not typically sell housing communities, this step enables us to raise funds to strengthen the balance sheet of the organization and to invest in the capital needs of our other housing communities.
- **Rent collection is down due to COVID's impacts on residents' ability to pay and local eviction moratoria.** The 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 2020 we began to see some struggle to pay their rent. Outstanding rental arrearages as of late June 2021 totalled approximately \$220,000. Our Resident Services team worked with property managers to help distribute almost \$500,000 of rental assistance through a variety of sources, including the Portland Housing Bureau, Home Forward and Oregon Housing and Community Services. We anticipate that this trend of higher than normal rent arrearages will continue into our next fiscal year as the pandemic continues. Our

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direct-service teams are working hard to help families remain securely housed by connecting them to rent assistance and other basic supplies like food boxes that can free up funds to pay rent.

As we look to the future here at Human Solutions and in the East Portland/East Multnomah County community we call home, 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 or local solution to our housing and income inequality crises, we do our best work every day to build a strong organization for our community and a more just future with 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!



Andy Miller, Executive Director



Verlea G. Briggs, 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 (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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 \$3,835,392 as of June 30, 2021, and total support and revenues of \$823,063 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, 2021, 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 April 8, 2022, 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' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 24, 2021. 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 29-32 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
April 8, 2022

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

June 30, 2021
(With Comparative Totals as of June 30, 2020)

	ASSETS	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,145,497	\$ 2,109,565
Grants and accounts receivable	3,577,920	2,582,751
Contributions receivable	-	117,400
Prepaid expenses and other assets	693,364	310,898
Restricted deposits and funded reserves	4,320,427	6,732,251
Interest receivable from affiliated organizations	224,141	282,180
Receivables from affiliated organizations	10,784,251	10,669,783
Investments in affiliated organizations	66,590	42,645
Land, buildings and equipment, net	<u>35,754,820</u>	<u>37,944,520</u>
Total assets	<u>\$ 56,567,010</u>	<u>\$ 60,791,993</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 1,498,601	\$ 2,695,197
Line of credit	-	234,000
Accrued payroll and related expenses	1,084,168	794,263
Refundable advances - conditional grants	73,970	73,713
Refundable advances - PPP funding	-	1,185,655
Tenant security deposits	185,867	204,994
Long-term debt	<u>34,293,705</u>	<u>36,803,138</u>
Total liabilities	<u>37,136,311</u>	<u>41,990,960</u>
Net assets		
Without donor restrictions		
Available for general operations and programs	13,066,963	10,321,636
Designated by Board for asset management	1,080,584	216,990
Designated by Board for housing predevelopment	39,155	81,994
Designated by Board for operating reserves	1,211,563	208,924
Restricted deposits and funded reserves	1,989,125	6,224,343
Net investment in capital assets and affiliated organizations	<u>1,128,133</u>	<u>975,965</u>
Total without donor restrictions	18,515,523	18,029,852
With donor restrictions	<u>915,176</u>	<u>771,181</u>
Total net assets	<u>19,430,699</u>	<u>18,801,033</u>
Total liabilities and net assets	<u>\$ 56,567,010</u>	<u>\$ 60,791,993</u>

See notes to consolidated and combined financial statements.

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

Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
Operating revenues, gains and other support:				
Government grants and contracts	\$ 15,601,813	\$ -	\$ 15,601,813	\$ 11,291,267
Private grants and contributions	828,500	548,955	1,377,455	1,523,886
Rental income	4,851,091	-	4,851,091	3,888,257
Development fees	450,000	-	450,000	463,260
Asset management and resident services fees	226,407	-	226,407	244,755
Investment income	192,602	-	192,602	182,131
PPP forgiveness	1,185,655	-	1,185,655	-
Other income	675,536	-	675,536	592,245
	24,011,604	548,955	24,560,559	18,185,801
Net assets released from restrictions	404,960	(404,960)	-	-
Total operating revenues, gains, and other support	24,416,564	143,995	24,560,559	18,185,801
Expenses				
Program services				
Properties	6,904,439	-	6,904,439	5,140,665
Housing & development	2,581,722	-	2,581,722	1,741,201
Shelter services	3,892,500	-	3,892,500	3,335,291
Community programs	7,920,079	-	7,920,079	6,172,113
Career & economic development	1,004,808	-	1,004,808	1,065,738
Total program services	22,303,548	-	22,303,548	17,455,008
Supporting services				
Management and general	2,012,272	-	2,012,272	1,833,542
Fundraising	1,028,513	-	1,028,513	510,862
Total expenses	25,344,333	-	25,344,333	19,799,412
Increase (decrease) in net assets before non-operating activities	(927,769)	143,995	(783,774)	(1,613,611)
Non-operating activities:				
Sale of property	1,150,999	-	1,150,999	-
Transfer of assets to/from partnership	262,441	-	262,441	1,948,152
Total non-operating activities	1,413,440	-	1,413,440	1,948,152
Increase (decrease) in net assets	485,671	143,995	629,666	334,541
Net assets				
Beginning of year	18,029,852	771,181	18,801,033	18,466,492
End of year	\$ 18,515,523	\$ 915,176	\$ 19,430,699	\$ 18,801,033

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, 2021

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

	PROGRAM SERVICES						SUPPORTING SERVICES			Total	
	Properties	Housing & Development	Shelter Services	Community Programs	Career & Economic Development	Total	Management and General	Fund-Raising	2021	2020	
Salaries and benefits	\$ 136,668	\$ 1,271,041	\$ 2,312,465	\$ 2,420,696	\$ 748,142	\$ 6,889,012	\$ 1,265,259	\$ 810,025	\$ 8,964,296	\$ 7,282,855	
Rent and client assistance	6,863	468,500	381,991	4,681,061	133,754	5,672,169	750	-	5,672,919	4,450,044	
Phone and internet	27,773	28,438	27,750	81,753	20,016	185,730	24,192	12,672	222,594	150,511	
Dues, subscriptions and other	151,414	4,892	3,138	2,168	410	162,022	26,779	13,655	202,456	127,415	
Event expense	-	-	7,665	-	125	7,790	-	-	7,790	41,366	
Gas and mileage	-	2,504	3,358	11,944	1,876	19,682	2,553	1,068	23,303	33,444	
Grants awarded	2,418	208,313	-	-	1,400	212,131	-	6,534	218,665	11,980	
In-kind services and supplies	-	-	263,033	-	-	263,033	-	42,877	305,910	347,715	
Insurance	259,015	5,182	9,742	8,968	2,523	285,430	3,208	1,630	290,268	223,501	
Interest expense	1,246,516	68,381	-	-	-	1,314,897	8,048	-	1,322,945	676,951	
Occupancy	824,929	58,446	187,471	149,331	33,411	1,253,588	19,810	29,517	1,302,915	1,110,880	
Office supplies	13,327	13,735	52,138	43,837	7,808	130,845	24,552	8,498	163,895	203,460	
Permits, licenses and fees	224,268	5,515	3	77	18	229,881	14,346	5,281	249,508	109,673	
Professional assistance	275,835	354,769	5,500	1,369	-	637,473	227,693	74,056	939,222	667,240	
Program expense	-	74,383	552,150	23,392	5,141	655,066	10,004	4,450	669,520	248,382	
Property maintenance	1,387,511	5,315	-	-	-	1,392,826	-	-	1,392,826	950,204	
Property management fees	603,046	-	-	-	-	603,046	-	-	603,046	488,999	
Staff recruitment and training	6,792	12,014	3,647	3,371	378	26,202	34,174	3,463	63,839	65,717	
Subcontractors	-	-	70,142	492,112	49,806	612,060	-	-	612,060	561,146	
Software support	-	294	12,307	-	-	12,601	340,871	14,787	368,259	212,931	
Total operating expenses	5,166,375	2,581,722	3,892,500	7,920,079	1,004,808	20,565,484	2,002,239	1,028,513	23,596,236	17,964,414	
Depreciation and amortization	1,738,064	-	-	-	-	1,738,064	10,033	-	1,748,097	1,834,998	
Total expenses	\$ 6,904,439	\$ 2,581,722	\$ 3,892,500	\$ 7,920,079	\$ 1,004,808	\$ 22,303,548	\$ 2,012,272	\$ 1,028,513	\$ 25,344,333	\$ 19,799,412	

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, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	2021	2020
Cash flows from operating activities:		
Cash received from tenants, contractors, grantors and donors	\$ 21,980,393	\$ 20,873,516
Cash paid to employees and suppliers	(23,199,109)	(15,416,465)
Interest income received	192,602	182,131
Interest paid	(1,322,945)	(676,951)
Net cash provided by (used in) operating activities	(2,349,059)	4,962,231
Cash flows from investing activities:		
Capital expenditures	(4,295,190)	(6,960,875)
Loans made to affiliated organizations	(119,413)	(6,133,363)
Capital contributions made to affiliate organizations	(19,000)	(136,627)
Proceeds from sale of property	2,417,351	-
Net cash provided (used) in investing activities	(2,016,252)	(13,230,865)
Cash flows from financing activities:		
<Repayment> / proceeds from line of credit	(234,000)	(321,961)
Proceeds on the issuance of long-term debt	5,963,495	15,756,502
Repayment of long-term debt principal	(4,740,076)	(1,439,063)
Net cash provided by (used in) financing activities	989,419	13,995,478
Net (decrease) in cash and cash equivalents	(3,375,892)	5,726,844
Cash and cash equivalents at beginning of year	8,841,816	3,114,972
Cash and cash equivalents at end of year	\$ 5,465,924	\$ 8,841,816
Supplementary disclosures of cash flow information:		
Cash and cash equivalents	\$ 1,145,497	\$ 2,109,565
Cash restricted for funded reserves	4,320,427	6,732,251
	\$ 5,465,924	\$ 8,841,816

See notes to consolidated and combined financial statements.

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

June 30, 2021

NOTE A – DESCRIPTION OF ORGANIZATION

Human Solutions, Inc. (the organization) has been working for nearly 34 years in East Portland, Gresham and wider 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, 2021

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 fiscal year ended June 30, 2021, the organization provided services in our three core program areas: affordable housing, social services and employment. Due to the COVID-19 global pandemic, we operated many of our programs virtually and added new services to meet new needs (such as distributing food boxes and government cash cards). Our emergency shelter teams remained on site 24/7 throughout the pandemic, ensuring that those needing emergency shelter could still have access to it.

AFFORDABLE HOUSING DEVELOPMENT and PROGRAMMING – 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 736 units of affordable rental housing in 17 apartment communities, with 93 more in the pipeline (to open in early 2023). The four components of our Housing Team are:

1. **Asset Management** oversees the maintenance, resident policies and property management companies charged with day-to-day oversight of the 736 apartments and three commercial units.
2. **Real Estate Development** staff plan and oversee new real estate investments, including housing development, purchase and rehabilitation projects. Rehabilitation funds are key to maintaining the quality of affordable housing in our portfolio and community.

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE A – DESCRIPTION OF ORGANIZATION (CONTINUED)

AFFORDABLE HOUSING DEVELOPMENT and PROGRAMMING (Continued)

3. **Resident Services** coordinators worked virtually and, when essential and safe, on-site at our affordable housing communities to provide information and referral, eviction prevention services, client assistance funds, and food boxes, as well as support classes, community building and children's activities for the residents in our 736 affordable apartments.
4. **LearnLinks Academic Support & Mentoring** – Our creative team supported 93 youth in grades K-8 to succeed academically and gain the social and emotional skills they will need to set and reach their life goals. Students in this program live in affordable housing communities and Lilac Meadows, our emergency shelter for families experiencing homelessness. While much of our programming was virtual, our team also delivered much-needed IT equipment (to bridge the digital divide), activity kits and culturally-specific food boxes to student doorsteps. Creative engagement was the theme!

SHELTER SERVICES – On any given night, Human Solutions provided shelter and/or housing to an average of 840 unhoused or formerly unhoused people from 310 households. The emergency shelters for families and adults who identify as women/non-binary/genderqueer depend on in-kind 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 for residents at all three emergency shelters, which was more needed during COVID when volunteering decreased.

COMMUNITY PROGRAMS for SOCIAL JUSTICE – This direct-service team provides housing and economic stability services for families who are unhoused/insecurely housed and/or have low/no incomes. They engage with our wide variety of shelter, housing and skill building programs, including:

1. **Preventing Homelessness** – The organization also prevented homelessness with short-term rent assistance programs so that 747 families (with 958 adults and 914 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 maintain stable, healthy housing and avoid the trauma of homelessness.
2. **Utility Assistance** – The organization also provided utility bill assistance to 2,856 households, keeping the lights and heat on for 6,916 individuals. This program also helps families stay housed, as utility shutoffs often lead to eviction and frees up scarce funds to pay rent.
3. **Life Skills Classes** – In typical years, the organization offers families and individuals life-skill classes such as Rent Well to remove barriers to rental housing, and other relevant learning opportunities to support short- and long-term wellbeing. This year due to COVID limitations and other urgent pandemic related work, we offered Rent Well but no others. We look forward to adding this programming back in when the pandemic wanes.
4. **Information & Referral** – During the year ended June 30, 2021, the organization responded with information and referrals to 8,294 calls from people seeking assistance (in most years we also have people walking in for referrals, but because our offices were closed for safety we did not).

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE A – DESCRIPTION OF ORGANIZATION (CONTINUED)

CAREER AND ECONOMIC DEVELOPMENT SERVICES – The organization provided employment, job search and training services to 1,105 people during this year. Of those, 55% were either unhoused or at risk of becoming unhoused when they enrolled, and 53% obtained jobs with an average starting wage of \$15.66/hour – \$2.41 more than our metro area’s minimum wage (which was \$13.25 as of July 1, 2020). 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. Another was designed to help people leave the Temporary Assistance to Needy Families (“TANF”) program by obtaining jobs with wages sufficient to support their families. We operate the latter in a collaborative with several other organizations and the state Department of Human Services.

Another successful employment program that we implement is Health Careers Northwest. This year, our team worked with 41 people to complete this program, and 41% of them secured their first ever job in the health care industry with an average wage of \$19.61.

VOLUNTEERING ACROSS PROGRAMS – Community members are an essential part of our work and, while the ways they can engage has had to change due to COVID, their engagement has remained robust, especially providing home-cooked meals for residents in our shelters and driving to collect and deliver donations. This year, volunteers invested fewer hours than prior years due to COVID restrictions, but still 225 wonderful volunteers gave approximately 1,000 hours to help our programs meet the needs of participants. We couldn’t do what we do without them and firmly believe that volunteers gain as much from participating as program participants do! We look forward to inviting more volunteers back into our work when it is safe to do so. Building connected communities is an important part of our vision for more just future.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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.

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Consolidation (Continued)

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	
Rockwood	Rockwood Building, LLC	
Rockwood	Rockwood MSC QALICB, Inc.	501(c)(3) with economic interest and control
Rosewood Plaza	Rosewood Commercial Condo, LLC	
Rosewood Plaza	18155 NE Couch Street Associates, LLC	
Rosewood Stark	Rosewood Stark GP, 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.

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.

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Affiliated Entities – Equity Method: (Continued)

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
Rockwood Housing, LP	Rockwood Building, LLC	2010
Rosewood Plaza, LP	18155 NE Couch Street Associates, LLC	2015
Rosewood Stark, LP	Rosewood Stark GP, LLC	2021

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, 2021

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 \$494,495 that have not been recognized at June 30, 2021, 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, 2021

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, 2021, 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

- **Payroll Protection Program**

On April 18, 2020, the Organization received a Paycheck Protection Program (PPP) forgivable loan for \$1,185,655. PPP loans are funded by the Small Business Administration and may be forgiven if used to cover salaries and other personnel costs, facility rent, and communications expenses. Under guidance of Accounting Standards Codification (ASC) 958-605, the PPP loan represents, in substance, a conditional grant and was therefore recorded as a refundable advance on the 2020 statement of financial position. The Organization complied with all forgiveness criteria, applied for loan forgiveness in April 2021, and the loan and interest was forgiven on August 9, 2021. The full amount of the forgiveness has been recognized as of June 30, 2021 as the conditions were met at that time.

- **Conditional Grant Advances**

For 2021, 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, 2021

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 \$1,917,805 as of June 30, 2021 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. The allowance was \$90,000 as of June 30, 2021.

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, Rockwood Building, LLC, Rosewood Commercial Condo, LLC, Rosewood Stark GP, 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, 2021

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, 2020, 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, 2020, the date of the most recent financial statements or tax return, except for Rosewood Stark, LP which is as of June 30, 2021, consists of the following:

	Fairview Arms, LP	Gateway Halsey, LP	Glisan Commons Phase I, LP	Lincoln Woods Housing, LP
Property, net	\$ 10,802,638	\$ 13,015,936	\$ 9,653,086	\$ 5,714,478
Required reserves	486,844	7,685	437,105	193,249
Other assets	421,902	-	506,463	59,025
Total assets	\$ 11,711,384	\$ 13,023,621	\$ 10,596,654	\$ 5,966,752
Long-term debt	\$ 4,735,544	\$ 10,246,919	\$ 4,141,776	\$ 2,851,243
Other liabilities	258,871	1,867,840	63,224	693,360
Partners' equity (deficit)	6,716,969	908,862	6,391,654	2,422,149
Total liabilities and partners' equity	\$ 11,711,384	\$ 13,023,621	\$ 10,596,654	\$ 5,966,752
Revenues	\$ 691,942	\$ -	\$ 496,801	\$ 694,503
Expenses	926,274	-	766,442	959,594
Net income (loss)	\$ (234,332)	\$ -	\$ (269,641)	\$ (265,091)

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE C – RELATED PARTIES (CONTINUED)

Summarized Information (Continued)

	<u>Rockwood Housing, LP</u>	<u>Rosewood Plaza, LP</u>	<u>Rosewood Stark, LP</u>
Property, net	\$ 8,171,280	\$ 2,948,541	\$ 4,570,366
Required reserves	325,084	223,948	-
Other assets	<u>164,125</u>	<u>157,714</u>	<u>62,931</u>
Total assets	<u>\$ 8,660,489</u>	<u>\$ 3,330,203</u>	<u>\$ 4,633,297</u>
Long-term debt	\$ 6,126,845	\$ 1,977,895	\$ 3,399,980
Other liabilities	181,372	128,328	-
Partners' equity (deficit)	<u>2,352,272</u>	<u>1,223,980</u>	<u>1,233,317</u>
Total liabilities and partners' equity	<u>\$ 8,660,489</u>	<u>\$ 3,330,203</u>	<u>\$ 4,633,297</u>
Revenues	\$ 448,884	\$ 393,085	
Expenses	<u>677,527</u>	<u>7,262,629</u>	
Net income (loss)	<u>\$ (228,643)</u>	<u>\$ (6,869,544)</u>	

NOTE D – GRANTS AND ACCOUNTS RECEIVABLE

At June 30, the following grants and accounts receivable were outstanding:

	<u>2021</u>	<u>2020</u>
Government grants and contract payments receivable	\$ 2,273,203	\$ 1,528,486
Other receivables	<u>1,304,717</u>	<u>1,054,265</u>
	<u>\$ 3,577,920</u>	<u>\$ 2,582,751</u>

NOTE E – RESTRICTED DEPOSITS AND FUNDED RESERVES

In accordance with the requirements of various agreements with funders, at June 30, 2021, the Organization maintains \$4,320,427 in total restricted deposits, including security deposits of \$183,348, 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, 2021

NOTE F – RECEIVABLES FROM AFFILIATED ORGANIZATIONS

Receivables from affiliates at June 30, 2021 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.	1,817,448
Fairview Arms, LP - Long-term note receivable; interest at 0%; balance due December 2072.	33,867
Gateway Halsey, LP - Long-term note receivable; interest at 3%; principal payable from gross cash receipts; due December 2074.	220,000
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>\$ 10,784,251</u>

Interest receivable from the affiliates at June 30, 2021 consists of the following:

Fairview Arms, LP	\$ 182,250
Lincoln Woods Housing, LP	<u>41,891</u>
	<u>\$ 224,141</u>

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

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%	\$ 34	\$ (23)
Gateway Halsey, LP	0.01%	100	-
Glisan Commons Phase I, LP	0.01%	(44,009)	6,168
Lincoln Woods Housing, LP	0.01%	49,749	123
Rockwood Housing, LP	0.01%	61,321	(23)
Rosewood Plaza, LP	0.01%	(705)	(687)
Rosewood Stark, LP	0.01%	100	-
		\$ 66,590	\$ 5,558

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, 2021 is as follows:

Land and improvements	\$ 5,004,147
Buildings and building improvements	49,594,545
Furnishings and equipment	1,798,696
Construction in progress	483,402
	56,880,790
Less accumulated depreciation	(21,125,970)
	\$ 35,754,820

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, 2021, 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, 2021

NOTE I – LINE OF CREDIT AND OTHER AVAILABLE CREDIT

The Organization has a secured revolving line of credit with Columbia State Bank for borrowings of up to \$1,000,000. The line matures in June 2022, and provides interest at the greater of the Columbia Bank Base Rate Index plus 0.75% or a floor rate of 3.25%. The Index is the Prime Rate set by the Bank. The interest rate at June 30, 2021 was 4.0%. \$0 was outstanding at June 30, 2021.

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, 2021:

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. \$ 16,260

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. 418,633

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. 892,222

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, 2021

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.

\$ 1,587,824

Less unamortized debt issuance costs

(52,199)

\$ 1,535,625

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.

3,509,207

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.

1,642,721

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.

55,163

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.

200,034

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.

202,844

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE J – LONG-TERM DEBT (CONTINUED)

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.

\$ 1,838,162

Less unamortized debt issuance costs

(188,632)

\$ 1,649,530

Rockwood MSC

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

984,215

Rosewood Commercial Condo LLC

Note payable to Columbia Bank; interest at 5.26% until December 2021, then 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.

545,375

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

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.

20,550

Less unamortized debt issuance costs

(110,960)

5,546,390

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

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

Less unamortized debt issuance costs

(496,374)

\$ 9,177,608

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 seven year New Markets Tax Credit ("MNTC") compliance period.

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 of \$7,975 are due and payable, equal to the amounts identified in the loan agreement. Up to \$1,300,000 is available.

1,183,887

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

(2,505)

\$ 137,495

Note payable to Beneficial State Bank; interest initially at 3.75%; payment of interest only through July 2021, \$25,525 principal and interest at 3.75% from August 2021 through July 2025, then principal and interest at LIBOR six month plus 2.5% through June 2050. All remaining principal and interest due July 2051. The interest rate floor is 3.75%, and the ceiling 9.75%. Note payable contains financial covenants for which a bank waiver has been obtained.

5,376,442

Less unamortized debt issuance costs

(29,501)

5,346,941

\$ 34,293,705

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

June 30, 2021

NOTE J – LONG-TERM DEBT (CONTINUED)

Future maturities of notes payable consist of the following:

Year Ending June 30,		
2022	\$	552,546
2023		540,819
2024		596,852
2025		626,567
2026		1,600,948
2027 and thereafter		30,375,973
	\$	34,293,705

NOTE K – RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

At June 30, 2021, 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		515,176
	\$	915,176
Board designated asset management reserve - used to make unanticipated investments in the maintenance and operation of the Organization housing portfolio.	\$	1,080,584
Board designated operating reserve - consists of funds in excess of the current anticipated cashflow needs		1,211,563
Board designated predevelopment reserve - to fund due diligence activities to determine project feasibility		39,155
	\$	2,331,302

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE L – NET ASSETS RELEASED FROM RESTRICTIONS

During the year ended June 30, 2021, 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	\$ <u>404,960</u>
	\$ <u><u>404,960</u></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, 2021.

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.

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE N – COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES (CONTINUED)

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 (September 2021), in which one-twelfth of the base rent for the applicable Lease Year shall be paid to Lessor.

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

<u>Year Ending June 30,</u>	
2021	\$ 19,120
2022	23,514
2023	24,218
2024	24,946
2025	25,698
Thereafter	<u>12,567,140</u>
Total	<u>\$ 12,684,636</u>

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

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, 2021:

Financial assets at year-end	
Cash and cash equivalents	\$ 1,145,497
Accounts receivable	3,577,920
Restricted deposits and funded reserves	4,320,427
Notes and interest receivables from affiliated organizations	<u>11,008,392</u>
 Total financial assets	 <u>20,052,236</u>
 Less amounts unavailable for general expenditure within one year:	
Contractual or donor-imposed restrictions:	
Restricted by donor	915,176
Restricted deposits and funded reserves	1,989,125
Notes and interest receivables from affiliated organizations	<u>11,008,392</u>
Board designations:	
Board-designated asset management reserve	1,080,584
Board-designated operating reserve	1,211,563
Board-designated predevelopment reserve	<u>39,155</u>
 Total unavailable financial assets	 <u>16,243,995</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 3,808,241</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.

NOTE P – SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 8, 2022, which is the date the financial statements were available to be issued.

Aldercrest Gresham, LP – In November 2021, the Limited Partnership, of which the Organization is the General Partner, purchased Aldercrest Apartments, a 68-unit multifamily affordable housing complex in Gresham, Oregon. Simultaneously the Limited Partnership closed on construction financing of \$17,750,000 from JP Morgan Chase. The Organization is the guarantor of the entity's obligations. The renovation of the project will be completed by the Organization and with Green Light Development, a for profit development firm that is serving as project consultant. Approximately, \$8,513,000 was outstanding on the construction loan as of the report date.

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE P – SUBSEQUENT EVENTS (CONTINUED)

Hazelwood Ankeny, LP – In November 2021, Ankeny Arms, LP, a consolidated subsidiary of the Organization, sold its real property to a newly formed entity Hazelwood Ankeny, LP, of which the Organization is the General Partner and includes an outside Limited Partner. In this transaction, the net book value of the building and land of \$1.48M was sold and debt of \$788K was transferred. The Limited Partnership closed on the financing of \$7,800,000 from Banner Bank for an acquisition and rehabilitation of Ankeny Woods, a 42-unit multifamily affordable housing complex in Portland, Oregon. The Organization is the guarantor of the entity's obligations. Approximately, \$1,110,000 was outstanding on the construction loan as of the evaluation date of subsequent events.

Lincoln Woods, LP – In January 2022, the Limited Partnership Agreement was amended to allow the Limited Partners to withdraw from the agreement and to admit a wholly owned LLC as the Limited Partner. The Lincoln Woods entity will be consolidated going forward as the Organization now has a controlling interest. Lincoln Woods has approximately \$1.5M of assets including an estimated impairment adjustment of \$4.2M on its real property, and \$3.6M of liabilities as of December 31, 2021.

In September 2021, the Organization closed on the financing for a loan from the Portland Housing Bureau for its Arbor Glen property in the amount of \$1,587,405. The Organization will be using the funds to provide critical site upgrades and other capital items.

OTHER INFORMATION

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

PROPERTIES OWNERSHIP SCHEDULE

Year Ended June 30, 2021

**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:

Property	Ownership Entity (OE)	OE Owners	%	HSI Accounting Method for OE Owners
Ankeny Arms	Ankeny Arms, LP	<ul style="list-style-type: none"> ● GP-HSI ● LP-HS Ankeny Woods, LLC 	1% 99%	In consolidation In consolidation
Cascade Crossing	Cascade Crossing Development, LLC	● HSI	100%	In consolidation
The Cedars	HS Cedars, LLC	● HSI	100%	In consolidation
Fairview Arms	Fairview Arms, LP	<ul style="list-style-type: none"> ● GP-HSI through Fairview GP, LLC ● LP-external investors 	0.01% 99.99%	In consolidation Equity
Glisan Commons	Glisan Commons Phase I, LP	<ul style="list-style-type: none"> ● GP-HSI through HSI Glisan Commons, LLC ● LP-external investors 	0.01% 99.99%	In consolidation Equity
Lincoln Woods	Lincoln Woods Housing, LP	<ul style="list-style-type: none"> ● GP-HSI ● LP-external investors 	0.01% 99.99%	In consolidation Equity
The Nick Fish-residential	Gateway Halsey, LP	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● GP-HSI through Rockwood Building, LLC ● LP-external investors 	0.01% 99.99%	In consolidation Equity
Rockwood - commercial	Rockwood MSC QALICB, Inc.	● HSI controls this 501(c)(3)	NA	In consolidation
Rosewood - residential	Rosewood Plaza, LP	<ul style="list-style-type: none"> ● GP-HSI through 18155 NE Couch Street Associates, LLC ● LP-external investors 	0.01% 99.99%	In consolidation Equity
Rosewood - commercial	Rosewood Commercial Condo, LLC	● HSI	100%	In consolidation
Rosewood Stark	Rosewood Stark, LP	<ul style="list-style-type: none"> ● GP-HSI through Rosewood Stark GP, LLC ● LP-external investors 	0.01% 99.99%	In consolidation Equity
Whispering Winds	Whispering Winds Housing, LP	<ul style="list-style-type: none"> ● 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. AND OTHER ENTITIES

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

June 30, 2021

ASSETS

	Affiliated Entities at December 31, 2020							Total Affiliated Entities	Total
	HSI and Combined Entities	Fairview Arms, LP	Gateway Halsey, LP	Glisan Commons, LP	Lincoln Woods Housing, LP	Rockwood Housing, LP	Rosewood Plaza, LP		
Cash and cash equivalents	\$ 1,145,497	\$ 347,986	\$ 7,685	\$ 30,470	\$ 24,770	\$ 65,727	\$ 33,627	\$ 510,265	\$ 1,655,762
Grants and accounts receivable	3,577,920	6,103	-	55,246	30,433	54,181	57,904	203,867	3,781,787
Prepaid expenses and other assets	693,364	20,379	-	389,016	1,292	18,908	22,009	451,604	1,144,968
Restricted deposits and funded reserves	4,320,427	486,844	-	437,105	193,249	325,084	223,948	1,666,230	5,986,657
Interest receivable from affiliated organizations	224,141	-	-	-	-	7,480	5,372	12,852	236,993
Receivables from affiliated organizations	10,784,251	-	-	-	-	-	-	-	10,784,251
Investments in affiliated organizations	66,590	-	-	-	-	-	-	-	66,590
Deferred financing costs, net	-	47,434	-	31,731	2,530	17,829	38,802	138,326	138,326
Land, buildings, and equipment, net	35,754,820	10,802,638	13,015,936	9,653,086	5,714,478	8,171,280	2,948,541	50,305,959	86,060,779
Total assets	\$ 56,567,010	\$ 11,711,384	\$ 13,023,621	\$ 10,596,654	\$ 5,966,752	\$ 8,660,489	\$ 3,330,203	\$ 53,289,103	\$ 109,856,113

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 1,498,601	\$ 236,965	\$ 1,867,840	\$ 29,510	\$ 645,630	\$ 152,861	\$ 255,552	\$ 3,188,358	\$ 4,686,959
Accrued payroll and related expenses	1,084,168	-	-	6,431	-	-	-	6,431	1,090,599
Deferred revenue	73,970	8,650	-	2,277	18,240	13,259	7,444	49,870	123,840
Tenant security deposits	185,867	13,256	-	25,006	29,490	15,252	20,471	103,475	289,342
Long-term debt	34,293,705	4,735,544	10,246,919	4,141,776	2,851,243	6,126,845	1,822,756	29,925,083	64,218,788
Total liabilities	37,136,311	4,994,415	12,114,759	4,205,000	3,544,603	6,308,217	2,106,223	33,273,217	70,409,528
Net assets									
Without donor restrictions	18,515,523	6,716,969	908,862	6,391,654	2,422,149	2,352,272	1,223,980	20,015,886	38,531,409
With donor restrictions	915,176	-	-	-	-	-	-	-	915,176
Total net assets	19,430,699	6,716,969	908,862	6,391,654	2,422,149	2,352,272	1,223,980	20,015,886	39,446,585
Total liabilities and net assets	\$ 56,567,010	\$ 11,711,384	\$ 13,023,621	\$ 10,596,654	\$ 5,966,752	\$ 8,660,489	\$ 3,330,203	\$ 53,289,103	\$ 109,856,113

HUMAN SOLUTIONS, INC. AND OTHER ENTITIES

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

June 30, 2021

	Affiliated Entities at December 31, 2020							Total Affiliated Entities	Total
	HSI and Combined Entities	Fairview Arms, LP	Gateway Halsey, LP	Glisan Commons, LP	Lincoln Woods Housing, LP	Rockwood Housing, LP	Rosewood Plaza, LP		
Operating revenues, gains, and other support									
Government grants and contracts	\$ 15,601,813	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,601,813
Private grants and contributions	1,377,455	-	-	-	-	-	-	-	1,377,455
Rental income	4,851,091	681,263	-	462,184	690,649	437,115	379,039	2,650,250	7,501,341
Development fees	450,000	-	-	-	-	-	-	-	450,000
Management fees	226,407	-	-	-	-	-	-	-	226,407
Program income	192,602	-	-	-	-	-	-	-	192,602
Investment income	1,185,655	-	-	-	-	-	-	-	1,185,655
Other income	675,536	10,679	-	34,617	3,854	17,519	14,046	80,715	756,251
Total operating revenues, gains, and other support	24,560,559	691,942	-	496,801	694,503	454,634	393,085	2,730,965	27,291,524
Expenses									
Program services									
Properties	6,904,439	926,274	-	766,442	959,594	683,277	530,866	3,866,453	10,770,892
Housing & development	2,581,722	-	-	-	-	-	-	-	2,581,722
Shelter services	3,892,500	-	-	-	-	-	-	-	3,892,500
Community programs	7,920,079	-	-	-	-	-	-	-	7,920,079
Career & economic development	1,004,808	-	-	-	-	-	-	-	1,004,808
Total program services	22,303,548	926,274	-	766,442	959,594	683,277	530,866	3,866,453	26,170,001
Supporting services									
Management and general	2,012,272	-	-	-	-	-	-	-	2,012,272
Fundraising	1,028,513	-	-	-	-	-	-	-	1,028,513
Total expenses	25,344,333	926,274	-	766,442	959,594	683,277	530,866	3,866,453	29,210,786
Increase (decrease) in net assets before non-operating transactions	(783,774)	(234,332)	-	(269,641)	(265,091)	(228,643)	(137,781)	(1,135,488)	(1,919,262)
Non-operating activities:									
Impairment loss	-	-	-	-	-	-	(6,731,763)	(6,731,763)	(6,731,763)
Sale of property	1,150,999	-	-	-	-	-	-	-	1,150,999
Transfer of assets to/from partnership	262,441	-	-	-	-	-	-	-	262,441
Total non-operating activities	1,413,440	-	-	-	-	-	(6,731,763)	(6,731,763)	(5,318,323)
Increase (decrease) in net assets	629,666	(234,332)	-	(269,641)	(265,091)	(228,643)	(6,869,544)	(7,867,251)	(7,237,585)
Net assets beginning of year	18,801,033	6,951,301	908,862	6,661,295	2,687,240	2,561,915	8,093,524	27,864,137	46,665,170
Capital contribution	-	-	-	-	-	19,000	-	19,000	19,000
Net assets at end of year	\$ 19,430,699	\$ 6,716,969	\$ 908,862	\$ 6,391,654	\$ 2,422,149	\$ 2,352,272	\$ 1,223,980	\$ 20,015,886	\$ 39,446,585

HUMAN SOLUTIONS, INC.

GOVERNING BOARD AND MANAGEMENT

Year Ended June 30, 2021

Board of Directors:

Bruce Whiting, **President**
KeyBank

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

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

Adam Abplanalp, CPA, Treasurer
Cobalt P.C.

Chris Brox
Providence

Verlea Briggs
Portland General Electric

Lydia Gray-Holifield
Community Member

Jon Stride, Attorney
Tonkon Torp

Amy Setzer
Community Member

Cathy Sherick
Administrative Analyst
Clackamas County

Dawn Bush
Kaiser Permanente

Dave Dyk
Gresham Community Volunteer

Hugh Harris
East County Rising

JR Lilly
East Portland Action Plan Advocate

Ashton Simpson
Oregon Walks

Andrea Valderrama
Representative - District 57
Oregon State Legislature

Management:

Andy Miller
Executive Director

Tanja Lux
Chief Financial Officer

Hillary Houck
Chief Program Officer

Sarah Schubert
Director of Housing

Ricardo Lopez
Director of Employment and Economic
Development

Lisa Frack
Director of Development

Marisa Messina
Human Resource Manager

INQUIRIES AND OTHER INFORMATION

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