p:ear

Financial Statements

June 30, 2021

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DOUGALL CONRADIE LLC
CERTIFIED PUBLIC ACCOUNTANTS

Geoffrey Dougall, CPA
Heather Jackson, CPA
Monte Harrell, CPA
Lee Owen, CPA
Richard Winkel, CPA
Members of AICPA & OSCPA

Independent Auditors' Report

To the Board of Directors
p:ear
Portland, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of p:ear, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditor's 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.

PO Box 400, Beaverton, OR 97075 • 971 249 9920 • www.cpanw.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of p:ear 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.

Report on Summarized Comparative Information

We have previously audited p:ear's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 20, 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.

Dougall Conradie LLC

Portland, Oregon
June 20, 2022

P:EAR
STATEMENT OF FINANCIAL POSITION
June 30, 2021
(With Comparative Totals For June 30, 2020)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,338,619	$ 1,344,169
Accounts receivable, current portion	536,433	273,570
Investments	257,583	251,773
Deposits and prepaid expenses	46,294	35,947
Total current assets	3,178,929	1,905,459
Accounts receivable, long term, net of discount	231,255	-
Property and equipment, net	655,927	670,966
Total assets	$ 4,066,111	$ 2,576,425
LIABILITIES		
Current liabilities		
Accounts payable	$ 29,720	$ 22,921
Accrued payroll	87,339	7,744
Paycheck Protection Program loan	-	145,435
Total liabilities	117,059	176,100
NET ASSETS		
Without restrictions	2,042,767	1,612,917
With restrictions	1,906,285	787,408
Total net assets	3,949,052	2,400,325
Total liabilities and net assets	$ 4,066,111	$ 2,576,425

See the accompanying notes to these financial statements

P:EAR
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2021
(With Comparative Totals For the Year Ended June 30, 2020)

	2021			
	Without Restrictions	With Restrictions	Totals	Total 2020
Operating revenues and other support				
Grants and contributions	$ 840,167	$ 1,336,075	$ 2,176,242	$ 1,422,959
Event income	366,885	-	366,885	332,811
Contract services	64,695	-	64,695	-
In-kind contributions	149,333	-	149,333	293,417
Forgiveness of PPP loan	145,435	-	145,435	-
Other revenues	58,203	-	58,203	30,826
Net assets released from restrictions	217,198	(217,198)	-	-
Total revenues and other support	1,841,916	1,118,877	2,960,793	2,080,013
Operating expenses				
Program services	1,064,968	-	1,064,968	1,276,480
Management and general	116,780	-	116,780	114,637
Fundraising	230,318	-	230,318	195,904
Total operating expenses	1,412,066	-	1,412,066	1,587,021
Change in net assets	429,850	1,118,877	1,548,727	492,992
Net assets, Beginning of Year	1,612,917	787,408	2,400,325	1,907,333
Net assets, End of Year	$ 2,042,767	$ 1,906,285	$ 3,949,052	$ 2,400,325

See the accompanying notes to these financial statements

P:EAR
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021
(With Comparative Totals For the Year Ended June 30, 2020)

	2021				
	Program Services	Management and General	Fundraising	Total	Total 2020
Salaries, taxes, and benefits	$ 605,522	$ 45,903	$ 152,266	$ 803,691	$ 846,233
Contracted services	33,040	38,726	4,899	76,665	97,821
Program expenses	238,728	94	3,278	242,100	163,837
Occupancy	101,837	5,329	12,366	119,532	120,377
Event expenses	15,692	11	14,644	30,347	198,319
Office expenses	8,929	9,865	3,518	22,312	40,313
Advertising	5,187	-	8,318	13,505	7,218
Information technology	2,495	8	240	2,743	10,323
Meetings expense	186	243	60	489	1,836
Telecommunications	4,570	495	1,173	6,238	6,319
Printing	1,766	506	11,361	13,633	12,386
Postage and mailing	1,219	273	2,264	3,756	3,326
Bank charges	-	12,343	-	12,343	6,760
Licenses and fees	1,453	120	5,261	6,834	6,433
Parking and mileage	3,257	41	154	3,452	3,404
Insurance	12,448	851	3,168	16,467	24,274
Miscellaneous	17	-	4	21	100
Depreciation	28,622	1,972	7,344	37,938	37,741
Total expense	$ 1,064,968	$ 116,780	$ 230,318	$ 1,412,066	$ 1,587,021

See the accompanying notes to these financial statements.

P:EAR
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021
(With Comparative Totals For the Year Ended June 30, 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	$ 1,548,727	$ 492,992
Adjustment to reconcile increase in net assets		
to net cash provided by (used in) operating activities		
Depreciation	37,938	37,741
Discount on long-term accounts receivable	11,745	-
Loss on sale of fixed assets	1,900	-
Investment income	(5,810)	(4,080)
Forgiveness of PPP Loan	(145,435)	
Change in:		
Accounts receivable	(505,863)	(230,209)
Deposits and prepaid expenses	(10,347)	(24,181)
Accounts payable	6,799	8,452
Accrued payroll	79,595	6,130
Net cash provided by operating activities	1,019,249	286,845
Cash flows from investing activities		
Proceeds from sale of certificate of deposit	-	260,712
Purchase of investments	-	(251,773)
Proceeds from sale of equipment	140	-
Purchase of property and equipment	(24,939)	(23,680)
Net cash used in investing activities	(24,799)	(14,741)
Cash flows from investing activities		
Receipt of PPP loan	-	145,435
Net cash provided by financing activities	-	145,435
Net change in cash and cash equivalents	994,450	417,539
Cash and cash equivalents, beginning of year	1,344,169	926,630
Cash and equivalents, end of year	$ 2,338,619	$ 1,344,169

See the accompanying notes to these financial statements

1. ORGANIZATION

p:ear (the Organization) is a nonprofit corporation that builds positive relationships with homeless and transitional youth through education, art, & recreation to affirm personal worth and create more meaningful and healthier lives. Each year p:ear programs serve almost 900 homeless and transitional young people ages 15 to 24. p:ear receives funding from grants and contributions and event income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization 's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Program Services

Program services consist of the following:

Safe Space

The Organization provides a safe space, which means having all the things that create stability in one’s life, from having stable mentors, to having food available, clothing, job training, counseling, as well as, mental and physical healthcare.

Education

The Organization provides educations programs that support youth pursuing their GED through individualized support, academic counseling and instruction, as well as, offer youth experiential learning of the core competencies through project learning.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Art
The Organization provides arts and culture programs that brings music, theater, and movement into the lives of the youth to help develop emotional, motor and cognitive skills through workshops, cultural events, and one on one instruction.

Recreation
The Organization provides a recreation program that offers cycling, hiking, cross-country skiing, and whitewater rafting trips that help promote trust, positive relationships, self-confidence, responsibility and critical thinking skills.

Barista School
The Organization provides an eight week training program to learn all the aspects of becoming a barista in today's market.

Cash and Cash Equivalents
The Organization considers all liquid investments with maturities of three months or less at the time of purchase to be cash equivalents. At June 30, 2021, $2,040,358 of cash balances were not covered by FDIC insurance limits.

Accounts, Contributions and Grants Receivable
Accounts, contributions and grants receivable which are expected to be received within one year are reported at net realizable value. Contributions and grants receivable that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions and grants revenue.

The allowance for uncollectible receivables is the Organization's best estimate of the amount of probable losses in existing receivables. The Organization determines the allowance based on historical write-off experience and current information. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Organization determined that no allowance is necessary for the year ended June 30, 2021.

Property and Equipment
Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair market value at the date of the donation. When assets are disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recorded in the statements of activities.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Furniture and equipment	3 – 7 years
Capital leasehold improvements	5 – 40 years
Vehicles	8 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions, Grants and Promises to Give

Contributions and grants are recognized in the period pledged as unrestricted contributions and grants if specified for the current period and there are no donor-imposed restrictions. Contributions and grants specified for future periods or with donor-imposed restrictions are recognized in the period pledged as restricted contributions. When a restriction expires (either when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. If a donor-imposed restriction has been met in the same reporting period in which the contribution was received, the contribution is reported as support without restrictions.

Unconditional promises to give are recognized as revenues and contributions and grants receivable in the period the promise is made. Promises to give without donor-imposed restrictions are recorded without restrictions if specified for the current period. Promises to give with donor-imposed restrictions or specified for future periods are recorded as restricted. Conditional promises to give are only recognized when the conditions upon which they depend are substantially met and the promises become unconditional.

Investments

Investments are reflected on the statement of financial position at fair value with changes in unrealized gains and losses resulting from changes in fair value reflected in the statement of activities. Interest income is reported as earned.

In-Kind Contributions and Expenses

Donations of goods are recorded at their estimated fair value at the date of donation. Such donations are reported as unrestricted unless the donor has restricted the donated goods to a specific purpose. Donated materials were $121,337 for the year ended June 30, 2021.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services are recorded as unrestricted support at their estimated fair value at the date of service. Donated services consisted of wages and contract services and were $27,996 for the year ended June 30, 2021.

Income Taxes

Income taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to taxable unrelated business income tax. The Organization has not recognized any uncertain tax positions nor accrued interest and penalties associated with uncertain tax positions.

The Organization’s federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the federal and state income tax returns have a three year statute of limitations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional expense basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that were allocated include the following:

Salaries and benefits	Time and effort
Occupancy	Square footage
Professional services	Time and effort
Office expenses	Time and effort
Insurance	Time and effort

Fair Value Instruments

The carrying value of the Organization's cash and cash equivalents, accounts receivable, contributions and grants receivable, accounts payable, and accrued expenses approximate market value as of June 30, 2021 due to the short-term nature of the instruments.

Summarized Financial Information for 2020

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. 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.

3. AVAILABILITY AND LIQUIDITY

The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. The Organization's cash needs are expected to be met on a monthly basis from regular revenue sources. In general, the Organization maintains sufficient financial assets on hand to meet normal operating expenditures and to reserve for future needs.

3. AVAILABILITY AND LIQUIDITY (Continued)

The following represents the Organization's financial assets at June 30, 2021:

Financial assets at year end:		
Cash and cash equivalents	$	2,338,619
Accounts receivable		767,688
Total financial assets		3,106,307
Less amounts not available to be used within one year:		
Net assets with donor restrictions		1,906,285
Financial assets available to meet general expenditures over the next twelve months	$	1,200,022

4. RECEIVABLES

Receivable balances as of June 30, 2021 are as follows:

Accounts receivable	$	402
Grants receivable		767,286
	$	767,688

Grants receivable will be received as follows:

Year ended June 30:		
2022	$	536,031
2023		128,000
2024		95,000
2025		20,000
		779,031
Less discount		(11,745)
Total		767,286
Less current portion		(536,031)
Long term grants receivable	$	231,255

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 3.25%.

5. PROPERTY AND EQUIPMENT

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

Furniture and equipment	$	113,783
Capital improvements		848,149
		961,932
Less accumulated depreciation		(306,006)
	$	655,926

Depreciation expense for the year ended June 30, 2021 was $37,938.

6. INVESTMENTS

ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, maximizes the use of observable inputs, and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent resources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level I:	Observable inputs such as quoted prices in active markets for identical assets or liabilities.
Level II:	Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
Level III:	Unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The Organization invested in an annuity classified as a Level II investment with a fair value of $251,773 at June 30, 2021. The annuity matures on June 8, 2023 and pays interest at 2.05%.

7. PAYCHECK PROTECTION PROGRAM LOAN

On April 13, 2021, the Organization was granted a loan from Heritage Bank in the aggregate amount of $145,435, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2021.

The proceeds of the PPP Loans have been and are expected to be used for payroll costs but may also be used for other permitted purposes under the CARES Act, including rent or utility costs. Under the terms of the CARES Act, each borrower can apply for forgiveness for all or a portion of the PPP Loan and, as described below, the Organization did apply for forgiveness during the year ended June 30, 2021. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds in accordance with the terms of the CARES Act during the 24-week period after loan origination and the maintenance or achievement of certain employee levels.

During the year ended June 30, 2021, the Organization was notified that the PPP loan had been forgiven in full and recorded $145,436 of revenue.

8. NET ASSETS WITH RESTRICTIONS

Net assets with restrictions consist of $1,906,285 related to grants subject to future use restrictions as of June 30, 2021.

9. OPERATING LEASE

The Organization has an operating lease for office space that requires monthly rent payments and expires in June 2025. Total rent expense under the terms of this lease was $91,933 during the year ended June 30, 2021. Subsequent to year end the Organization purchased the building and the lease was terminated.

Subsequent to year end the Organization entered into a new operating lease for a building that requires monthly rent payments and expires in December 2026. Future minimum lease payments for the years ending June 30 are:

Year ended June 30,		
2022	$	17,916
2023		109,110
2024		112,386
2025		115,752
2026		119,220
2027		60,492
	$	534,876

10. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 20, 2022, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2021.

In September 2021 the Organization exercised a purchase option on the property that they currently lease for $1,500,000. The Organization partially funded the purchase with a bank loan $300,000. The bank loan will require monthly payments of $2,396 including interest at 5.09% and matures in September 2036. As part of the purchase the operating lease on this property was terminated.