

OUTSIDE IN
FINANCIAL STATEMENTS
Year Ended June 30, 2020

Outside In 

KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

**OUTSIDE IN
FINANCIAL STATEMENTS
Year Ended June 30, 2020**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Outside In
Portland, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Outside In (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We 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 Outside In as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Outside In

Other Matters

Other Reporting Requirement by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020, on our consideration of Outside In's 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 Outside In's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Outside In's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Outside In's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note B, the Organization adopted the provisions of Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ("ASU 2018-08"), for the year ended June 30, 2020. Our conclusion is not modified with respect to this matter.



Portland, Oregon
December 14, 2020

OUTSIDE IN

STATEMENT OF FINANCIAL POSITION

June 30, 2020

(With Comparative Totals as of June 30, 2019)

ASSETS

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,831,187	\$ 3,624,779
Grants and contracts receivable - net	2,272,352	2,289,865
Pledges receivable	368,260	326,250
Prepaid expenses and deposits	275,980	348,335
Prepaid lease payments	356,113	365,383
Property, equipment and leasehold improvements - net	<u>7,668,167</u>	<u>3,812,689</u>
Total assets	\$ <u>14,772,059</u>	\$ <u>10,767,301</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 473,231	\$ 668,371
Construction and retainage payable	894,451	-
Accrued payroll and related expenses	382,846	366,751
Accrued vacation	308,726	293,534
Construction loan Payable	889,531	-
Refundable Advance	1,974,120	-
Total liabilities	<u>4,922,905</u>	<u>1,328,656</u>
Net assets		
Without donor restrictions	4,457,842	5,186,726
With donor restrictions	<u>5,391,312</u>	<u>4,251,919</u>
Total net assets	<u>9,849,154</u>	<u>9,438,645</u>
Total liabilities and net assets	\$ <u>14,772,059</u>	\$ <u>10,767,301</u>

See notes to financial statements.

OUTSIDE IN

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

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

	Without Donor	With Donor	Total	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>2020</u>	<u>2019</u>
Revenues, gains, and other support				
Contributions and grants	\$ 1,275,223	\$ 479,569	\$ 1,754,792	\$ 1,517,884
Multnomah County	2,524,040	-	2,524,040	2,512,394
State of Oregon	443,494	-	443,494	446,315
Federal	4,311,244	-	4,311,244	4,441,398
Gifts in-kind	292,640	-	292,640	382,867
Interest and dividends	23,193	-	23,193	30,656
Social ventures	162,003	-	162,003	232,448
Service revenue	4,826,130	-	4,826,130	3,625,961
Other contracts and fees	721,377	-	721,377	625,762
	<u>14,579,344</u>	<u>479,569</u>	<u>15,058,913</u>	<u>13,815,685</u>
Net assets released from restriction	574,276	(574,276)	-	-
Total revenues, gains, and other support	<u>15,153,620</u>	<u>(94,707)</u>	<u>15,058,913</u>	<u>13,815,685</u>
Expenses				
Program services				
Clinic and Health Services	7,104,505	-	7,104,505	5,943,756
Behavioral Health Services	2,151,390	-	2,151,390	1,699,075
Homeless Youth Services	3,296,939	-	3,296,939	2,903,268
Social ventures	334,640	-	334,640	358,734
Total program services	<u>12,887,474</u>	<u>-</u>	<u>12,887,474</u>	<u>10,904,833</u>
Supporting services				
Management and general	2,459,882	-	2,459,882	2,398,855
Fundraising	535,148	-	535,148	255,109
Total expenses	<u>15,882,504</u>	<u>-</u>	<u>15,882,504</u>	<u>13,558,797</u>
Increase (decrease) in net assets before non-operating activities	<u>(728,884)</u>	<u>(94,707)</u>	<u>(823,591)</u>	<u>256,888</u>
Non-operating activities				
Federal grant for capital campaign	-	993,100	993,100	-
Capital campaign contributions and grants	-	241,000	241,000	40,000
Total non-operating activities	<u>-</u>	<u>1,234,100</u>	<u>1,234,100</u>	<u>40,000</u>
Change in net assets	<u>(728,884)</u>	<u>1,139,393</u>	<u>410,509</u>	<u>296,888</u>
Net assets, beginning of year	5,186,726	4,251,919	9,438,645	9,141,757
Net assets, end of year	<u>\$ 4,457,842</u>	<u>\$ 5,391,312</u>	<u>\$ 9,849,154</u>	<u>\$ 9,438,645</u>

See notes to financial statements.

OUTSIDE IN

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

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

	PROGRAM SERVICES					SUPPORTING SERVICES			Total	
	Clinic and Health Services	Behavioral Health Services	Homeless Youth Services	Social Ventures	Total Program Services	Management and General	Fundraising	2020	2019	
Personnel:										
Salaries and wages	\$ 3,842,956	\$ 1,143,533	\$ 1,751,208	\$ 195,306	\$ 6,933,003	\$ 1,566,224	\$ 342,486	\$ 8,841,713	\$ 7,375,487	
Payroll taxes	306,544	91,801	143,190	16,337	557,872	120,326	27,518	705,716	564,790	
Fringe benefits	529,846	176,330	333,540	30,256	1,069,972	196,895	50,319	1,317,186	1,149,220	
Services and fees:										
Insurance	27,543	7,474	15,848	2,501	53,366	8,587	2,150	64,103	56,983	
Lab fees	66,780	-	-	-	66,780	-	-	66,780	139,419	
Fees and charges	35,576	227	2,270	4,648	42,721	8,836	11,406	62,963	100,445	
Contract services	587,017	119,568	95,078	1,319	802,982	285,385	46,542	1,134,909	932,811	
In-kind services	80,326	-	3,819	-	84,145	58,992	-	143,137	250,066	
Interest expense	-	-	-	-	-	3,975	-	3,975	-	
Supplies:										
Office supplies	33,133	7,035	12,813	337	53,318	24,738	3,407	81,463	75,922	
Medical supplies	1,030,143	284	-	-	1,030,427	60	-	1,030,487	587,670	
Program supplies	59,271	4,076	69,828	3,598	136,773	7,378	3,936	148,087	108,534	
In-kind materials	725	-	143,366	-	144,091	5,413	-	149,504	132,802	
Other operations:										
Telecommunications	35,895	5,811	22,352	2,297	66,355	9,633	4,790	80,778	100,015	
Postage	7,083	871	1,829	-	9,783	1,033	11,822	22,638	27,755	
Equipment and maintenance	46,684	14,106	48,989	929	110,708	17,986	844	129,538	127,025	
Equipment depreciation	46,781	459	6,330	1,923	55,493	1,720	-	57,213	96,320	
Transportation	21,859	9,594	12,481	2,008	45,942	10,474	3,217	59,633	66,293	
Conferences and training	24,705	5,232	2,976	-	32,913	23,118	1,987	58,018	61,288	
Occupancy:										
Land lease	2,761	891	5,228	-	8,880	390	-	9,270	9,270	
Rent	102,456	-	45,160	45,900	193,516	45,580	8,628	247,724	245,224	
Utilities	61,636	6,085	56,363	12,710	136,794	13,863	2,768	153,425	135,789	
Building maintenance	87,405	13,419	99,491	5,544	205,859	34,446	4,545	244,850	199,774	
Building depreciation	55,776	16,215	64,052	-	136,043	4,713	-	140,756	130,698	
Printing:										
Printing and copying	5,301	418	3,070	9,027	17,816	1,422	1,825	21,063	14,345	
Advertising	310	-	120	-	430	8,695	6,958	16,083	7,213	
Other:										
Client assistance	5,993	527,961	357,538	-	891,492	-	-	891,492	863,639	
Total expenses	\$ 7,104,505	\$ 2,151,390	\$ 3,296,939	\$ 334,640	\$ 12,887,474	\$ 2,459,882	\$ 535,148	\$ 15,882,504	\$ 13,558,797	

See notes to financial statements.

OUTSIDE IN

STATEMENT OF CASH FLOWS

Year Ended June 30, 2020

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

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 410,509	\$ 296,888
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Capital campaign contributions and grants	(1,234,100)	(40,000)
Depreciation and amortization	197,969	227,019
(Gain) loss on disposal of equipment	9,007	-
Prepaid lease amortization	9,270	9,270
Changes in assets and liabilities:		
Grants and contracts receivable	17,513	1,141,830
Pledges receivable	(42,010)	(300,000)
Prepaid expenses and deposits	72,355	(155,405)
Accounts payable	(195,140)	303,012
Accrued payroll and related expenses	16,095	69,190
Accrued vacation	15,192	60,446
Refundable advances	1,974,120	-
Net cash provided by (used in) operating activities	1,250,780	1,612,250
Cash flows from investing activities:		
Additions to equipment and leasehold improvements	(2,278,472)	(181,185)
Net cash provided by (used in) investing activities	(2,278,472)	(181,185)
Cash flows from financing activities:		
Capital campaign contributions and grants	1,234,100	40,000
Net cash provided by (used in) financing activities	1,234,100	40,000
Net change in cash and cash equivalents	206,408	1,471,065
Cash and cash equivalents, beginning of year	3,624,779	2,153,714
Cash and cash equivalents, end of year	\$ 3,831,187	\$ 3,624,779
Supplemental disclosure of non-cash investing and financing activities:		
Additions to property funded by construction loan, construction and retainage payable	\$ 1,783,982	\$ -
Cash paid for interest	\$ 3,975	\$ -

See notes to financial statements.

OUTSIDE IN
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE A – DESCRIPTION OF OUTSIDE IN

Outside In was established and incorporated in 1968. Outside In is a nonprofit corporation whose purpose is to provide health care, transitional housing, employment, emergency services, and AIDS prevention for low-income adults and homeless youth.

➤ **Mission Statement**

Helping homeless youth and other marginalized people move towards improved health and self-sufficiency.

Program Services

Clinic and Health Services – Our clinic is a Federally Qualified Health Center providing primary health care and prevention to everyone, at our main and East county clinics, through mobile medical outreach, and a school-based health center. Services include primary care as a patient-centered primary care home (PCPCH), naturopathic care, integrated behavioral health, dental care, and substance abuse support. Our IDU Health Services protects intravenous drug users from HIV and other diseases, and treatment and referral for services aimed at decreasing and ending their dependence on drugs. Acupuncture and Chinese herbal medicine, chiropractic care, and tattoo removal services were discontinued in March 2020.

Behavioral Health Services – We offer intensive specialty mental health and substance abuse services for young adults experiencing homelessness. Our treatment is trauma-informed which means we understand past trauma and how it affects health. The services are offer through a harm reduction approach to teach skills to reduce negative health consequences associated with substance abuse and risky behaviors. Services include medication management, behavioral and cognitive therapy, skills building, case management and service coordination, and community housing and employment support.

Homeless Youth Services – We provide services geared to help diverse populations of homeless youth achieve self-sufficiency: Supportive engagement and crisis services, basic needs resources, nutritious meals, healthy activities, case management, alternative high school and college support, employment training and placement, and housing provide the tools they need to become self-sufficient. Focused services exist for sexual minority and gender variant youth who make up a significant percentage of homeless youth.

Social Ventures – We offer direct employment training opportunities for homeless youth in need of job skills. Virginia Woof Dog Daycare is a hands-on learning environments. Virginia Woof is a service to the public who board their dogs for day or overnight stays. Homeless youth work with regular staff to serve clients and dogs. Virginia Woof program was closed in March 2020. Job skills training opportunities are available for homeless youth with community partners.

OUTSIDE IN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncement

During the fiscal year ended June 30, 2020, one new accounting pronouncement became effective for the Organization: *Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (“ASU 2018-08”)*.

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

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

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.

OUTSIDE IN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor 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.

Donated assets are capitalized and recorded as support at their fair value at the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies restricted net assets to unrestricted net assets at that time. When donor stipulations specify a restricted use period, Outside In reports expirations of donor restrictions over the restricted use time period.

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 \$2,987,963 that have not been recognized at June 30, 2020 because performance requirements and/or qualifying expenditures have not yet been incurred. The following table summarizes the performance requirements that must be met in order to receive the cost-reimbursable grants at June 30, 2020:

Qualifying expenses only	\$ 2,389,410
Qualifying expenses and specified outcomes	465,222
Qualifying expenses and matching funds	<u>133,331</u>
	<u>\$ 2,987,963</u>

OUTSIDE IN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

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

Cash and Cash Equivalents

Outside In considers all unrestricted, highly-liquid investments to be cash equivalents, provided that they are readily convertible to cash with insignificant penalties. At June 30, 2020, cash and cash equivalents held at high quality financial institutions or brokerages totaled \$3,831,187, of which \$1,340,558 is FDIC insured.

Grants and Contracts Receivable

Accounts receivable are stated at the amount management expects to collect and are not collateralized. They consist primarily of uncollected government grants and contracts and uncollected service fees from customers and third party insurance payors.

Management provides an allowance for an estimated uncollectible portion for clinic insurance contractual write-offs at the time revenues are recognized. The account is adjusted as needed to provide a reasonable allowance based on the volume and certainty of the receivables, and was \$83,425 at June 30, 2020.

Revenue from the clinic and health services programs accounted for approximately 28% of the Organization's total revenue for the year ended June 30, 2020. Due to the complexity of the regulations which govern these programs, management believes it has taken a conservative approach in calculating the accounts receivable from the State of Oregon and third party payors. However, it is reasonably possible that the recorded estimates could change in the near term in an amount that would be material.

For government grants and contracts, receivables past due more than 90 days are considered delinquent. For clinic and health service fees, receivables are considered past due from 120 days up to 18 months, depending upon the insurance carriers' timely filing limits.

OUTSIDE IN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

Pledges receivable are stated at the amount expected to be received and are expected to be paid within one year, except for \$172,000 which is due in the year ending June 30, 2022. An allowance for uncollectible pledges receivable may be provided based upon management's judgment, including such factors as prior collection history, the type of contribution, and the nature of the fund-raising activity. Management has not recorded an allowance for doubtful pledges as they believe they are fully collectable.

Income Taxes

Outside In has been approved as a tax-exempt organization under the Internal Revenue Code 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. Outside In does not believe it has unrelated trade or business income in excess of \$1,000.

Property, Equipment and Leasehold Improvements

Property, equipment, and leasehold improvements individually exceeding \$5,000 are stated at cost when purchased or estimated fair value when donated, and are depreciated and amortized using the straight-line method over the following useful lives:

Equipment	5 years
Leasehold improvements	Duration of lease (5 years)
Medical vans	7 years
Building	40 years

Maintenance and repairs are expensed when incurred. Betterments and renewals are capitalized.

Refundable Advances – Paycheck Protection Program Loan

In response to the global economic impact caused by the coronavirus pandemic, the US Small Business Administration (SBA) created the Paycheck Protection Program (PPP) "forgivable loan" to assist nonprofit organizations and for-profit enterprises with eligible payroll and certain specified operating costs. The loans are funded by the SBA through participating banks and are subject to specific conditions, which if met, will result in forgiveness of all or part of the loan. The Organization qualified for and received a PPP loan for \$1,974,120 on April 10, 2020. The terms of the PPP loan include interest at 1% and maturity on April 10, 2022.

OUTSIDE IN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Refundable Advances – Paycheck Protection Program Loan (Continued)

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

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 and square-footage usage estimates.

Prior Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or 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 Outside In's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

OUTSIDE IN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE C – GRANTS AND CONTRACTS RECEIVABLE

Medicaid, Medicare, and Other Insurance Revenue	\$ 1,396,388
Multnomah County	352,491
Federal	319,523
Clackamas County	49,713
HUD (Old Town Collaborative)	45,149
State of Oregon	41,021
Janus Youth Programs	20,292
Transitions Projects	18,896
Home Forward	12,567
New Avenues for Youth	8,449
Safeway (340b)	6,863
Other	<u>1,000</u>
Total grants and contracts receivable	<u>\$ 2,272,352</u>

NOTE D – PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Building	\$ 5,267,555
Equipment	1,023,825
Leasehold improvements	249,892
Construction in progress including land	<u>4,542,750</u>
	11,084,022
Less accumulated depreciation and amortization	<u>(3,415,855)</u>
	<u>\$ 7,668,167</u>

NOTE E – CONSTRUCTION AND RETAINAGE PAYABLE

Outside In has entered a contract for the construction of the Eastside Outside In facility. The total amount of the contract is \$3,477,343. A portion of the construction is being funded by a construction loan (see Note F). At June 30, 2020, \$894,451 of construction and retainage was payable on the contract which was paid by a draw on the construction loan subsequent to year end.

OUTSIDE IN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE F – CONSTRUCTION LOAN PAYABLE

During the fiscal year ended June 30, 2020, Outside In entered into a construction loan agreement secured by the project to fund a portion of the construction of the Eastside Outside In facility. The total amount available under the construction loan is \$1,981,000. The total amount drawn on the loan as of June 30, 2020 is \$889,531. The loan accrues interest at LIBOR plus 2.75% and is payable in monthly installments of interest only beginning April 1, 2020 through the maturity date of February 20, 2021. The interest rate was 2.93% at June 30, 2020 and \$3,975 of interest was incurred on the loan during the year ended June 30, 2020. Outside In intends to convert the construction loan into a long-term mortgage at maturity.

NOTE G – BORROWINGS

The Organization has unsecured credit cards with available limits of \$135,000 with approximately \$4,759 outstanding at June 30, 2020, which was paid the following month.

NOTE H – RESTRICTIONS ON NET ASSETS

The Organization's net assets with donor restrictions are subject to the following purpose or time restrictions:

Subject to purpose restrictions:	
Building use period and purpose (see Note H)	\$ 2,627,609
Capital campaign for Eastside Outside In	2,130,276
General	22,862
Behavioral Health Services	25,320
Clinic and Health Services	71,083
Youth Services	<u>514,162</u>
Total net assets with donor restrictions	\$ <u><u>5,391,312</u></u>

OUTSIDE IN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE I – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by satisfying the following restrictions:

	<u>Purpose</u>
Building release	\$ (121,973)
Behavioral Health Services	(11,854)
Clinic and Health Services	(135,926)
Youth Services	(301,948)
Social ventures	<u>(2,575)</u>
	\$ <u><u>(574,276)</u></u>

Outside In received a grant from the Portland Development Commission for \$1,540,000 in 2001 and another \$231,000 in 2002 to complete construction of the facility. The grant is subject to Outside In maintaining a minimum of thirty beds for the next forty years ending January 1, 2042 for occupants earning less than or equal to 30% of the area median income. If the requirements are not met during the forty-year term, Outside In may have to repay all or a portion of the original grant amount plus any accrued interest. During the year ended June 30, 2020, \$121,973 was released from restriction associated with this grant and other grants restricted to the facility construction.

NOTE J – PENSION PLAN

The Organization initiated an ERISA 403(b) plan during the year effective as of July 1, 2018, covering essentially all employees. Under the plan, employees are immediately eligible to contribute. To be eligible for employer contributions you must be at least 21 years of age and have completed a year of service defined as completing at least 1,000 hours during the first 12-month period immediately following the date of hire or at least 1,000 hours during any plan year. Under the plan employer contributions are at the sole discretion of the Organization. Total pension expense incurred was \$272,992 for the year ended June 30, 2020.

NOTE K – LAND LEASE AMORTIZATION

During the year ended June 30, 2001, Outside In entered into a lease with First Unitarian Church. The land lease is for 60 years for \$570,000. The unamortized portion of prepaid lease payments on June 30, 2020 was \$356,113. Land lease expense amounted to \$9,270 for the year ended June 30, 2020.

OUTSIDE IN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE L – OPERATING LEASES

Outside In has entered into agreements to lease facilities from unrelated parties. One lease is for space at the Jeffrey Building for employment and education services and was renewed through July 2023. Two leases with the First Unitarian Church run through June 2022. A sub-lease for clinic and meeting space runs through May 2024, and another lease for medical van parking runs through June 2022.

Future minimum lease payments on the sites for the years ending June 30 are as follows:

2021	\$ 206,358
2022	214,309
2023	159,837
2024	<u>102,096</u>
Total future minimum lease payments	<u>\$ 682,600</u>

Total rent expense for all sites for the year ended June 30, 2020 was \$237,775.

NOTE M – IN-KIND CONTRIBUTIONS

Outside In records donated services that create or enhance a non-financial asset or require specialized skills that Outside In would have purchased if not donated as support in the statement of activities. In-kind contributions of materials are recorded when there is an objective basis upon which to value these contributions and where the contributions are an essential part of Outside In's activities.

Professional services	\$ 143,137
Program supplies	11,525
Client assistance	<u>137,978</u>
	<u>\$ 292,640</u>

Additional donated services have not been reflected in the accompanying financial statements because volunteer work in the Day Program, at Virginia Woof, and for other programs at Outside In, did not require a skill recognized as meeting the criteria for recognition under U.S. GAAP. Nevertheless, approximately 248 volunteers have donated significant amounts of time to Outside In's program services.

OUTSIDE IN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE N – CONTINGENCIES, CONCENTRATIONS AND UNCERTAINTIES

Amounts received or receivable from various contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of Outside In if so determined in the future. It is management's belief that no material amounts received or receivable will be required to be returned in the future which have not already been properly reflected in these financial statements.

Concentration of Risk – Union – Approximately 77% of the Organization's employees are in a union.

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.

NOTE O – LIQUIDITY

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

Financial assets at year-end*	
Cash and cash equivalents	\$ 3,831,187
Pledges receivable	368,260
Other receivables	<u>2,272,352</u>
Total financial assets	<u>6,471,799</u>
Less amounts unavailable for general expenditures within one year:	
Contractual or donor-imposed restrictions:	
Pledge receivable due beyond one year	172,000
Restricted by donors with timing and /or purpose restriction	<u>5,219,312</u>
Total unavailable financial assets	<u>5,391,312</u>
Financial assets available to meet cash needs general expenditures within one year	<u>\$ 1,080,487</u>

* Total assets, less nonfinancial assets (e.g. property and equipment, prepaid expenses)

OUTSIDE IN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE O – LIQUIDITY (CONTINUED)

As part of its liquidity management, the Organization's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Organization invests cash in excess of current requirements in short-term investments.

NOTE P – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 14, 2020, which is the date the financial statements were available to be issued.