

**OUTSIDE IN**  
**FINANCIAL STATEMENTS**  
**Year Ended June 30, 2022**

Outside In 

**KERN ▲ THOMPSON**  
CERTIFIED PUBLIC ACCOUNTANTS

**OUTSIDE IN  
FINANCIAL STATEMENTS  
Year Ended June 30, 2022**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Outside In  
Portland, Oregon

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of Outside In (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Outside In as of June 30, 2022, 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.

#### Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Outside In and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Outside In's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors  
Outside In

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Outside In's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Outside In's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022, on our consideration of the 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 the 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 the Outside In's internal control over financial reporting and compliance.

**Report on Summarized Comparative Information**

We have previously audited the Outside Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 16, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Portland, Oregon  
December 22, 2022

**OUTSIDE IN**  
**STATEMENT OF FINANCIAL POSITION**

**June 30, 2022**  
(With Comparative Totals as of June 30, 2021)

**ASSETS**

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 8,363,596	\$ 8,457,039
Investments	835,773	410,947
Grants and contracts receivable - net	2,336,787	2,787,440
Pledges receivable	717,000	358,000
Prepaid expenses and deposits	117,245	169,645
Prepaid lease payments	337,573	346,843
Property, equipment and leasehold improvements - net	7,849,096	7,893,439
<b>Total assets</b>	<b>\$ 20,557,070</b>	<b>\$ 20,423,353</b>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 233,702	\$ 361,348
Accrued payroll and related expenses	846,083	813,587
Accrued vacation	371,030	397,444
Refundable advance, Paycheck Protection Program	-	1,963,177
Refundable advances, other conditional grants	484,436	281,255
Note payable	1,837,072	1,894,267
<b>Total liabilities</b>	<b>3,772,323</b>	<b>5,711,078</b>
<b>Net assets</b>		
Without donor restrictions		
Board designated endowment	199,834	-
Undesignated	12,460,069	10,512,465
<b>Total without donor restrictions</b>	<b>12,659,903</b>	<b>10,512,465</b>
With donor restrictions	4,124,844	4,199,810
<b>Total net assets</b>	<b>16,784,747</b>	<b>14,712,275</b>
<b>Total liabilities and net assets</b>	<b>\$ 20,557,070</b>	<b>\$ 20,423,353</b>

See notes to financial statements.

**OUTSIDE IN**  
**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2022**  
(With Comparative Totals for the Year Ended June 30, 2021)

	Without Donor	With Donor	Total	
	Restrictions	Restrictions	2022	2021
<b>Revenues, gains, and other support</b>				
Contributions and grants	\$ 1,442,418	\$ 1,107,073	\$ 2,549,491	\$ 3,919,647
Multnomah County	2,197,415	-	2,197,415	2,128,040
State of Oregon	566,888	-	566,888	670,167
Federal	6,044,410	-	6,044,410	5,941,127
PPP forgiveness	1,871,115	-	1,871,115	1,992,942
Gifts in-kind	162,538	-	162,538	314,096
Interest and dividends	10,844	-	10,844	1,554
Unrealized loss	(47,123)	(873)	(47,996)	-
Service revenue	5,433,581	-	5,433,581	4,637,030
Other contracts and fees	546,886	-	546,886	710,150
	<u>18,228,972</u>	<u>1,106,200</u>	<u>19,335,172</u>	<u>20,314,753</u>
Net assets released from restriction	1,181,166	(1,181,166)	-	-
<b>Total revenues, gains, and other support</b>	<b><u>19,410,138</u></b>	<b><u>(74,966)</u></b>	<b><u>19,335,172</u></b>	<b><u>20,314,753</u></b>
<b>Expenses</b>				
Program services				
Clinic and Health Services	7,723,436	-	7,723,436	6,763,611
Behavioral Health Services	2,360,868	-	2,360,868	2,229,180
Homeless Youth Services	3,489,645	-	3,489,645	3,188,679
<b>Total program services</b>	<b><u>13,573,949</u></b>	<b><u>-</u></b>	<b><u>13,573,949</u></b>	<b><u>12,181,470</u></b>
Supporting services				
Management and general	3,084,868	-	3,084,868	2,629,272
Fundraising	603,883	-	603,883	640,890
<b>Total expenses</b>	<b><u>17,262,700</u></b>	<b><u>-</u></b>	<b><u>17,262,700</u></b>	<b><u>15,451,632</u></b>
<b>Change in net assets</b>	<b>2,147,438</b>	<b>(74,966)</b>	<b>2,072,472</b>	<b>4,863,121</b>
Net assets, beginning of year	10,512,465	4,199,810	14,712,275	9,849,154
<b>Net assets, end of year</b>	<b><u>\$ 12,659,903</u></b>	<b><u>\$ 4,124,844</u></b>	<b><u>\$ 16,784,747</u></b>	<b><u>\$ 14,712,275</u></b>

See notes to financial statements.

## OUTSIDE IN

### STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

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

	PROGRAM SERVICES				SUPPORTING SERVICES			Total	
	Clinic and Health Services	Behavioral Health Services	Homeless Youth Services	Total Program Services	Management and General	Fundraising	2022	2021	
<b>Personnel:</b>									
Salaries and wages	\$ 4,428,612	1,237,828	\$ 1,745,179	\$ 7,411,619	\$ 1,723,490	\$ 361,491	\$ 9,496,600	\$ 8,329,985	
Payroll taxes	351,968	98,002	140,153	590,123	134,272	29,799	754,194	708,685	
Fringe benefits	694,309	219,267	366,997	1,280,573	302,753	61,061	1,644,387	1,496,126	
<b>Services and fees:</b>									
Insurance	35,828	9,283	17,999	63,110	13,656	2,820	79,586	69,201	
Lab fees	65,494	-	-	65,494	-	-	65,494	66,933	
Fees and charges	41,891	845	11,199	53,935	16,497	8,874	79,306	51,237	
Contract services	659,275	97,732	136,637	893,644	559,651	41,052	1,494,347	981,014	
In-kind services	19,158	-	-	19,158	-	-	19,158	37,366	
Interest expense	46,137	-	-	46,137	-	-	46,137	49,310	
<b>Supplies:</b>									
Office supplies	99,282	2,635	17,811	119,728	119,622	3,303	242,653	124,719	
Medical supplies	576,317	11	-	576,328	19	-	576,347	673,111	
Program supplies	60,482	1,762	94,222	156,466	8,836	19,451	184,753	182,777	
In-kind materials	-	-	142,280	142,280	-	-	142,280	276,730	
<b>Other operations:</b>									
Telecommunications	28,932	16,330	16,071	61,333	6,658	1,698	69,689	91,237	
Postage	8,402	1,117	2,210	11,729	1,952	26,402	40,083	34,193	
Equipment and maintenance	33,250	6,462	49,167	88,879	7,213	160	96,252	77,733	
Equipment depreciation	92,381	850	16,854	110,085	14,190	-	124,275	50,812	
Transportation	13,868	12,601	10,119	36,588	3,976	27	40,591	46,813	
Conferences and training	14,498	13,048	2,254	29,800	11,100	3,007	43,907	35,228	
<b>Occupancy:</b>									
Land lease	2,166	1,249	5,669	9,084	186	-	9,270	9,270	
Rent	124,824	-	59,853	184,677	57,006	9,228	250,911	216,727	
Utilities	74,484	12,706	66,833	154,023	9,603	2,877	166,503	170,740	
Building maintenance	68,755	20,037	161,978	250,770	7,386	329	258,485	233,171	
Building depreciation	98,274	23,714	70,516	192,504	2,309	-	194,813	212,281	
<b>Printing:</b>									
Printing and copying	13,316	463	2,418	16,197	689	8,605	25,491	36,104	
Advertising	50,211	-	-	50,211	16,463	3,659	70,333	62,796	
<b>Other:</b>									
Client assistance	21,322	584,926	353,226	959,474	67,341	20,040	1,046,855	1,127,333	
<b>Total expenses</b>	<b>\$ 7,723,436</b>	<b>\$ 2,360,868</b>	<b>\$ 3,489,645</b>	<b>\$ 13,573,949</b>	<b>\$ 3,084,868</b>	<b>\$ 603,883</b>	<b>\$ 17,262,700</b>	<b>\$ 15,451,632</b>	

See notes to financial statements.

**OUTSIDE IN**  
**STATEMENT OF CASH FLOWS**

**Year Ended June 30, 2022**  
(With Comparative Totals for the Year Ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 2,072,472	\$ 4,863,121
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	319,088	263,093
Prepaid lease amortization	9,270	9,270
Contributions restricted for long-term purposes	(100,000)	-
Changes in assets and liabilities:		
Grants and contracts receivable	450,653	(515,088)
Pledges receivable	(359,000)	10,260
Prepaid expenses and deposits	52,400	106,335
Accounts payable	(127,646)	161,109
Accrued payroll and related expenses	32,496	157,749
Accrued vacation	(26,414)	88,718
Refundable advances	(1,759,996)	270,312
<b>Net cash provided by (used in) operating activities</b>	<u><b>563,323</b></u>	<u><b>5,414,879</b></u>
<b>Cash flows from investing activities:</b>		
Additions to equipment and leasehold improvements	(274,745)	(378,080)
Purchase of investments	(424,826)	(410,947)
<b>Net cash provided by (used in) investing activities</b>	<u><b>(699,571)</b></u>	<u><b>(789,027)</b></u>
<b>Cash flows from financing activities:</b>		
Payments on notes payable	(57,195)	-
Contributions restricted for long-term purposes	100,000	-
<b>Net cash provided by (used in) financing activities</b>	<u><b>42,805</b></u>	<u><b>-</b></u>
<b>Net change in cash and cash equivalents</b>	<b>(93,443)</b>	<b>4,625,852</b>
Cash and cash equivalents, beginning of year	<u>8,457,039</u>	<u>3,831,187</u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 8,363,596</b></u>	<u><b>\$ 8,457,039</b></u>
<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Additions to property funded by construction loan, construction and retainage payable	<u>\$ -</u>	<u>\$ 1,004,736</u>
<b>Cash paid for interest</b>	<u><b>\$ 46,137</b></u>	<u><b>\$ 49,310</b></u>

See notes to financial statements.



**OUTSIDE IN**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

**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, 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.

**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 wellness: 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 LGBTQ+ and gender variant youth who make up a significant percentage of homeless youth.

**OUTSIDE IN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2022**

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

**Adoption of New Accounting Pronouncements**

During the fiscal year ended June 30, 2022, the Organization adopted ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The purpose of ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the not-for-profit. It is important to note that ASU 2020-07 did not change the accounting and recognition of nonfinancial assets but rather the presentation and disclosure requirements in the financial statements.

**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. 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.

**OUTSIDE IN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2022**

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

**Contributions (Continued)**

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 \$5,606,414 that have not been recognized at June 30, 2022 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, 2022:

Qualifying expenses and specified outcomes	\$ 3,829,002
Qualifying expenses, specified outcomes and matching funds	<u>1,777,412</u>
	<u>\$ 5,606,414</u>

**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.

**OUTSIDE IN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2022**

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

**Investments**

The Organization carries investments at fair value. Realized and unrealized gains and losses from investments are included in the change in net assets in the Statement of Activities as investment income as they occur.

**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, 2022, cash and cash equivalents held at high quality financial institutions or brokerages totaled \$8,363,596, of which \$1,000,000 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 adjustments 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 \$54,430 at June 30, 2022.

Revenue from the clinic and health services programs accounted for approximately 25% of the Organization's total revenue for the year ended June 30, 2022. 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.

**Pledges Receivable**

Pledges receivable are stated at the amount expected to be received. 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.

**OUTSIDE IN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2022**

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

**Pledges Receivable (Continued)**

	2022	2021
Receivable within one year	\$ 332,000	\$ 315,000
Receivable within two to five years	385,000	43,000
Total amounts and other receivables	\$ 717,000	\$ 358,000

The Organization has determined the present value adjustment of the long-term pledges is immaterial.

**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**

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. During the year ended June 30, 2021, the Organization’s first PPP loan of \$1,974,120 was forgiven and is included in the accompanying Statement of Activities. The Organization qualified for and received a second PPP loan for \$1,963,177 on March 26, 2021. The second PPP Loan was forgiven in the amount of \$1,871,115 during the year ended June 30, 2022, and is included in the accompanying Statement of Activities.

**OUTSIDE IN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2022**

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

**Refundable Advances (Continued)**

- **Conditional Grants**

Refundable advances consist primarily of 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**

Service revenue, which includes clinic and health services revenue, is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services. These amounts are due from patients, third-party payors (including health insurers and government payors), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills patients and third-party payors after the services are performed. Revenue is recognized as the performance obligations are satisfied, which is normally at a single point in time.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, and discounts provided to uninsured and under-insured patients in accordance with the Organization's policy. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant during the year ending June 30, 2022.

**OUTSIDE IN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2022**

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

**Revenue Recognition (Continued)**

The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, insurance, government, patient) have different reimbursement/payment methodologies.
- Method of reimbursement (fee for service or capitation).
- Organization's line of business that provided the service such as medical and behavioral health visits.

**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 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, 2021, from which the summarized information was derived.

**Reclassifications**

Certain prior year balances in the accompanying financial statements have been reclassified to conform to the current year presentation.

**OUTSIDE IN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2022**

**NOTE C – FAIR VALUE MEASUREMENTS**

Valuation techniques used to measure fair value are prioritized into the following hierarchy:

**Level 1** – Quoted prices in active markets for identical assets. Assets in this level typically include publicly traded equities and bonds, mutual fund investments, exchange traded funds, and cash equivalents.

**Level 2** – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data such as published interest rates and yield curves, over-the-counter derivatives, market modeling, or other valuation methodologies.

**Level 3** – Unobservable inputs that reflect management’s assumptions and best estimates based on available data.

Realized and unrealized gains and losses from investments are reported in the Statement of Activities as investment income as they occur. There have been no changes in valuation techniques and related inputs.

Fair value of assets measured on a recurring basis are as follows:

	June 30, 2022	
	Level 1	Total
Cash	\$ 24,660	\$ 24,660
Exchange-traded funds	701,544	701,544
Equities	109,569	109,569
Total	\$ 835,773	\$ 835,773
	June 30, 2021	
	Level 1	Total
US Treasury Bills	\$ 410,947	\$ 410,947

**NOTE D – GRANTS AND CONTRACTS RECEIVABLE**

Medicaid, Medicare, and Other Insurance	\$ 1,605,248
Multnomah County	323,851
Clackamas County	58,815
HUD (Old Town Collaborative)	81,814
State of Oregon	107,780
Federal	116,061
Other	43,218
Total grants and contracts receivable	\$ 2,336,787



**OUTSIDE IN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2022**

**NOTE E – PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

Building	\$ 9,610,306
Equipment	1,480,724
Land	497,682
Leasehold improvements	<u>185,220</u>
	11,773,932
Less accumulated depreciation and amortization	<u>(3,924,836)</u>
	<u>\$ 11,773,932</u>

The Eastside Outside In Clinic was constructed with funding from the Health Resources and Services Administration (HRSA), which retains a priority reversionary interest in the property. Assets subject to the reversionary interest are included in property, equipment and leasehold improvements on the Statement of Financial Position.

**NOTE F – NOTE PAYABLE**

During the year ended June 30, 2022, the Organization converted their construction loan to a promissory note. The note is payable in 60 monthly installments of \$8,912 including interest at 2.61% through March 2026, then 59 monthly installments of \$9,563 including interest at 1.95% plus the Federal Home Loan Bank of Des Moines 5-year Regular Fixed-Rate Advance (currently 1.24%) in effect at that time, and one final principal and interest payment of \$1,293,800 (estimated at current rates in effect) on March 1, 2031. The loan is secured by real property, and is guaranteed by HRSA. If HRSA discontinues their guarantee, the interest rates will increase by 20 basis points. The loan agreement requires the Organization meet certain financial covenants on an annual basis.

Principal maturities of the note payable during the next five years are as follows:

2023	\$ 59,042
2024	60,497
2025	62,244
2026	63,911
2027	65,623
Thereafter	<u>1,525,755</u>
	<u>\$ 1,837,072</u>

**NOTE G – BORROWINGS**

The Organization has unsecured credit cards with available limits of \$156,400 with approximately \$108,014 outstanding at June 30, 2022, which was paid the following month.

## OUTSIDE IN

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

#### NOTE H – ENDOWMENT

The Organization's endowment consists of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The donor restricted endowment is held in perpetuity, with income earned on the fund classified as subject to restrictions until appropriated for expenditure.

##### **Interpretation of Relevant Law**

The Board of Directors of the Organization has interpreted Oregon's enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act) as requiring the establishment of a set of prudent management and investment standards for boards to follow when managing endowment funds. A donor's intent to maintain an endowment in perpetuity must be considered and the fund managed accordingly.

As a result of this interpretation, the Organization classifies as restricted net assets-corpus not subject to expiration:

- The original value of gifts donated to the perpetual endowment.
- The original value of subsequent gifts to the endowment.
- Accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument.

##### **Return Objectives, Risk Parameters and Strategies for Achieving Objectives**

The goal of the Organization's investment program for funds held as endowment is to achieve growth of the portfolio in perpetuity. A growth portfolio is designed to achieve growth in excess of distributions as well as inflation while minimizing volatility over the course of a business cycle (7-10 years). To meet this investment objective, the Organization has identified an optimal portfolio and authorized the investment manager to utilize portfolios within the parameters of the approved asset allocation.

##### **Spending Policy and How the Investment Objectives Relate to Spending Policy**

For the purpose of making distributions to support Outside In, once a year, the Finance Committee in conjunction with investment advisers, will recommend a payout rate. This rate will be stated as a percentage of the average trailing 13 quarters average of net portfolio assets. This rate will be approved by the Board of Directors. Until Outside In's endowment has 13 quarters of performance to review (anticipated to occur approximately June 30, 2025), the Finance Committee in conjunction with investment advisers will recommend a payout rate that is prudent and in keeping with the original intent of the funds.

**OUTSIDE IN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2022**

**NOTE H – ENDOWMENT (CONTINUED)**

The distribution of Endowment assets will be permitted to the extent that such distributions do not exceed a level that would erode the Endowment's real assets over time. The Finance Committee will review its spending assumptions annually for the purpose of deciding whether any changes therein necessitate amending the Endowment's payout rate, its target asset allocation, or both.

The composition of and changes in endowment net assets for the year ended June 30, 2022 is as follows:

	Without Donor Restrictions - Board Designated	With Donor Restrictions Accumulated	Corpus, Not Subject to Expiration	Total Net Endowment Assets
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Contributions	\$ 203,381	\$ -	\$ 100,000	\$ 303,381
Investment gains (losses)	(3,334)	-	(820)	(4,154)
Fees	(213)	-	(53)	(266)
Distributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, at June 30, 2022	<u>\$ 199,834</u>	<u>\$ -</u>	<u>\$ 99,127</u>	<u>\$ 298,961</u>

The donor restricted endowment net assets include \$50,000 in pledges receivable at June 30, 2022.

**NOTE I – 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 J)	\$ 2,383,664
General - Time restriction	32,700
Clinic and Health Services	747,555
Youth Services	861,798
Perpetual (Endowment)	<u>99,127</u>
Total net assets with donor restrictions	<u>\$ 4,124,844</u>

**OUTSIDE IN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2022**

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

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

	<u><b>Purpose</b></u>
Building release - Main Clinic	\$ (121,973)
Behavioral Health Services	(550)
Clinic and Health Services	(509,807)
Youth Services	(516,336)
Other	<u>(32,500)</u>
	\$ <u><u>(1,181,166)</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 Main Clinic 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, 2022, \$121,973 was released from restriction associated with this grant and other grants restricted to the facility construction.

**NOTE K – 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 \$356,127 for the year ended June 30, 2022.

**NOTE L – 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, 2022 was \$337,573. Land lease expense amounted to \$9,270 for the year ended June 30, 2022.

**OUTSIDE IN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2022**

**NOTE M – 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 May, 2025. A sub-lease for clinic and meeting space runs through May 2024, and another lease for medical van parking runs through May, 2025.

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

2023	\$ 227,655
2024	168,395
2025	<u>68,798</u>
Total future minimum payments	\$ <u><u>464,848</u></u>

Total rent expense for all sites for the year ended June 30, 2022 was \$236,412.

**NOTE N – 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	\$ 19,158
Program supplies	103,160
Client assistance	<u>40,220</u>
	\$ <u><u>162,538</u></u>

The Organization's policy related to gifts-in-kind is to utilize the assets received to carry out its mission. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value, donated to another charitable organization, returned to the donor, or discarded.

All gifts-in-kind received by the Organization for the year ended June 30, 2022 were considered without donor restrictions and able to be used by the Organization as determined by the board of directors and management.

Additional donated services have not been reflected in the accompanying financial statements because volunteer work in the Day Program, 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 82 volunteers have donated significant amounts of time to Outside In's program services.

**OUTSIDE IN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2022**

**NOTE O – 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 70% 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 P – LIQUIDITY**

The following represents the Organization's financial assets available to meet cash needs for general expenditures within one year of June 30, 2022:

Financial assets at year-end*	
Cash and cash equivalents	\$ 8,363,596
Investments	835,773
Pledges receivable	717,000
Other receivables	2,336,787
Total financial assets	<u>12,253,156</u>
Less amounts unavailable for general expenditures within one year:	
Contractual or donor-imposed restrictions:	
Pledge receivable due beyond one year	385,000
Restricted by donors with timing and /or purpose restriction	4,124,844
Board designated endowment	99,127
Total unavailable financial assets	<u>4,608,971</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,644,185</u>

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

**OUTSIDE IN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2022**

**NOTE P – LIQUIDITY (CONTINUED)**

The Organization's endowment funds consist of donor-restricted and board-designated endowment. Income from donor-restricted endowments is not restricted and, therefore, is available for general expenditure after appropriation for expenditure. The Organization's spending policy is described in Note H.

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. Although the Organization does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary to manage unanticipated liquidity needs.

**NOTE Q – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 22, 2022, which is the date the financial statements were available to be issued.