OUTSIDE IN

FINANCIAL STATEMENTS

Year Ended June 30, 2023

Outside In

KERN THOMPSON

CERTIFIED PUBLIC ACCOUNTANTS

OUTSIDE IN

FINANCIAL STATEMENTS

Year Ended June 30, 2023

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Outside In
Portland, Oregon

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, 2023, 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 referred to above present fairly, in all material respects, the financial position of Outside In as of June 30, 2023, 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 Controller 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 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 opinion.

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 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, including omissions, 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.

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KERN THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Outside In

In performing an audit in accordance with generally accepted 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 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 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 30, 2023, 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 Outside In's 2022 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kern + Thompson, LLC

Portland, Oregon
December 30, 2023

OUTSIDE IN

STATEMENT OF FINANCIAL POSITION

June 30, 2023
(With Comparative Totals as of June 30, 2022)

ASSETS

	2023	2022
Cash and cash equivalents	$ 6,970,878	$ 8,363,596
Investments	1,129,648	835,773
Grants and contracts receivable - net	3,394,882	2,336,787
Pledges receivable	485,000	717,000
Prepaid expenses and deposits	190,890	117,245
Property, equipment and leasehold improvements - net	8,712,684	7,849,096
Prepaid land lease	-	337,573
Lease right-of-use asset	663,997	-
Total assets	**$ 21,547,979**	**$ 20,557,070**

LIABILITIES AND NET ASSETS

	2023	2022
Accounts payable	$ 494,626	$ 233,702
Accrued payroll and related expenses	1,035,374	846,083
Accrued vacation	260,991	371,030
Refundable advances, other conditional grants	914,322	484,436
Note payable	1,778,034	1,837,072
Lease right-of-use liability	335,694	-
Total liabilities	**4,819,041**	**3,772,323**
Net assets		
Without donor restrictions		
Board designated endowment	444,561	199,834
Undesignated	12,784,429	12,460,069
Total without donor restrictions	**13,228,990**	**12,659,903**
With donor restrictions	3,499,948	4,124,844
Total net assets	**16,728,938**	**16,784,747**
Total liabilities and net assets	**$ 21,547,979**	**$ 20,557,070**

See notes to financial statements.

OUTSIDE IN

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
Revenues, gains, and other support				
Contributions and grants	$ 2,155,396	$ 373,562	$ 2,528,958	$ 2,549,491
Multnomah County	3,067,857	-	3,067,857	2,197,415
State of Oregon	1,141,294	-	1,141,294	566,888
Federal	6,614,924	-	6,614,924	6,044,410
PPP forgiveness	-	-	-	1,871,115
Gifts in-kind	166,596	-	166,596	162,538
Interest and dividends	86,233	-	86,233	10,844
Unrealized gain (loss) on investments	47,087	-	47,087	(47,996)
Service revenue	6,642,746	-	6,642,746	5,433,581
Other contracts and fees	877,859	-	877,859	546,886
	20,799,992	**373,562**	**21,173,554**	**19,335,172**
Net assets released from restriction	998,458	(998,458)	-	-
Total revenues, gains, and other support	**21,798,450**	**(624,896)**	**21,173,554**	**19,335,172**
Expenses				
Program services				
Clinic and Health Services	10,082,833	-	10,082,833	7,723,436
Behavioral Health Services	2,465,212	-	2,465,212	2,360,868
Homeless Youth Services	3,967,720	-	3,967,720	3,489,645
Total program services	**16,515,765**	**-**	**16,515,765**	**13,573,949**
Supporting services				
Management and general	4,151,927	-	4,151,927	3,084,868
Fundraising	561,671	-	561,671	603,883
Total expenses	**21,229,363**	**-**	**21,229,363**	**17,262,700**
Change in net assets	**569,087**	**(624,896)**	**(55,809)**	**2,072,472**
Net assets, beginning of year	12,659,903	4,124,844	16,784,747	14,712,275
Net assets, end of year	**$ 13,228,990**	**$ 3,499,948**	**$ 16,728,938**	**$ 16,784,747**

See notes to financial statements.

OUTSIDE IN

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	PROGRAM SERVICES				SUPPORTING SERVICES		Total	
	Clinic and Health Services	Behavioral Health Services	Homeless Youth Services	Total Program Services	Management and General	Fundraising	2023	2022
Personnel:								
Salaries and wages	$ 5,682,635	$ 1,333,862	$ 2,199,093	$ 9,215,590	$ 2,159,102	$ 324,341	$ 11,699,033	$ 9,496,600
Payroll taxes	455,664	108,126	177,792	741,582	172,867	26,647	941,096	754,194
Fringe benefits	821,420	230,418	382,660	1,434,498	373,337	40,899	1,848,734	1,644,387
Services and fees:								
Insurance	42,645	8,792	19,790	71,227	15,645	2,746	89,618	79,586
Lab fees	83,839	-	-	83,839	-	-	83,839	65,494
Fees and charges	19,014	4,542	3,848	27,404	25,184	7,774	60,362	79,306
Interest expense	47,910	-	12	47,922	404	-	48,326	46,137
Contract services	892,752	128,126	65,295	1,086,173	923,002	62,095	2,071,270	1,494,347
In-Kind Services	12,707	-	-	12,707	1,507	-	14,214	19,158
Supplies:								
Office supplies	50,839	1,634	37,994	90,467	100,941	10,564	201,972	242,653
Medical supplies	722,450	-	-	722,450	70	-	722,520	576,347
Meeting Expenses	5,590	3,306	5,319	14,215	3,622	2,174	20,011	-
Program supplies	217,392	876	190,152	408,420	16,308	4,910	429,638	184,753
In-kind materials	14,006	-	138,376	152,382	-	-	152,382	142,280
Other operations:								
Telecommunications	52,215	10,814	22,755	85,784	13,016	2,119	100,919	69,689
Postage	8,469	1,409	2,813	12,691	1,954	22,237	36,882	40,083
Equipment and maintenance	113,952	5,999	23,639	143,590	2,722	132	146,444	96,252
Equipment depreciation	73,866	2,946	8,036	84,848	1,503	-	86,351	124,275
Transportation	46,795	24,271	36,885	107,951	6,428	1,772	116,151	40,591
Conferences and training	69,456	5,585	11,019	86,060	8,424	479	94,963	43,907
Occupancy:								
Land lease	4,222	1,499	2,961	8,682	588	-	9,270	9,270
Rent	65,958	7,867	51,399	125,224	133,812	7,737	266,773	250,911
Utilities	81,959	14,731	31,663	128,353	15,674	952	144,979	166,503
Building maintenance	186,915	34,777	135,095	356,787	92,570	12,522	461,879	258,485
Building depreciation	224,762	8,965	24,452	258,179	4,574	-	262,753	194,813
Printing:								
Printing and copying	4,323	274	1,826	6,423	1,074	5,537	13,034	25,491
Advertising	66,900	-	-	66,900	77,599	25,954	170,453	70,333
Literature	106	-	-	106	-	80	186	-
Other:								
Client assistance	14,072	526,393	394,846	935,311	-	-	935,311	1,046,855
Total expenses	**$ 10,082,833**	**$ 2,465,212**	**$ 3,967,720**	**$ 16,515,765**	**$ 4,151,927**	**$ 561,671**	**$ 21,229,363**	**$ 17,262,700**

See notes to financial statements.

OUTSIDE IN

STATEMENT OF CASH FLOWS

Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ (55,809)	$ 2,072,472
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	349,105	319,088
Lease amortization	9,270	9,270
Contributions restricted for long-term purposes	-	(100,000)
Changes in assets and liabilities:		
Grants and contracts receivable	(1,058,095)	450,653
Pledges receivable	232,000	(359,000)
Prepaid expenses and deposits	(73,645)	52,400
Accounts payable	260,924	(127,646)
Accrued payroll and related expenses	189,291	32,496
Accrued vacation	(110,039)	(26,414)
Refundable advances	429,886	(1,759,996)
Net cash provided by (used in) operating activities	**172,888**	**563,323**
Cash flows from investing activities:		
Additions to equipment and leasehold improvements	(1,212,693)	(274,745)
Purchase of investments	(293,875)	(424,826)
Net cash provided by (used in) investing activities	**(1,506,568)**	**(699,571)**
Cash flows from financing activities:		
Payments on notes payable	(59,038)	(57,195)
Contributions restricted for long-term purposes	-	100,000
Net cash provided by (used in) financing activities	**(59,038)**	**42,805**
Net change in cash and cash equivalents	**(1,392,718)**	**(93,443)**
Cash and cash equivalents, beginning of year	8,363,596	8,457,039
Cash and cash equivalents, end of year	**$ 6,970,878**	**$ 8,363,596**
Supplemental disclosures:		
Cash paid for interest	**$ 48,326**	**$ 46,137**
Cash paid for income tax	**$ -**	**$ -**

See notes to financial statements.

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 offered 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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncements

The Organization adopted *Accounting Standards Update No. 2016-02, Leases Topic 842 (“ASC 842”)*. The new standard establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Pronouncements (Continued)

The Organization elected to adopt ASC 842, effective July 1, 2022 and elected the optional transitional method to apply the transition provisions from the date of adoption, which requires the Organization to report the cumulative effect of the adoption of the standard on the date of adoption with no changes to the prior period balances. Pursuant to the practical expedients, the Organization elected not to reassess: (i) whether expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases, or (iii) initial direct cost for any existing leases.

Operating and financing lease ROU assets and related lease liabilities are recognized at the present value of the future lease payments over the base noncancelable lease term, at the lease commencement date for each lease. The Organization elected the practical expedient allowing use of the risk free rate as the interest rate for determining the present value of the future lease payments.

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.

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 $4,516,411 that have not been recognized at June 30, 2023 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, 2023:

Qualifying expenses and specified outcomes	$	4,374,550
Qualifying expenses, specified outcomes and matching funds		141,861
	$	4,516,411

Refundable Advances

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. The Organization had refundable advances totaling $914,322 at June 30, 2023.

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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Organization determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Organization determines these assets are leased because the Organization has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset.

Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically for the exercise of the right to substitute the asset are not considered to be or contain a lease because the Organization determines it does not have the right to contract and direct the use of the identified asset. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, the Organization separately identifies lease and nonlease components, such as fixed common area and other fixed maintenance costs, in calculating the ROU assets and lease liabilities for its buildings, program spaces, land, and vehicles. The Organization has elected the practical expedient to not separate lease and nonlease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the nonlease component.

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Organization uses a risk free discount rate for its leases.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on the statement of financial position.

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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023, cash and cash equivalents held at high quality financial institutions or brokerages totaled $6,970,878, of which $4,363,023 is FDIC and ICS 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 $12,610 at June 30, 2023.

Revenue from the clinic and health services programs accounted for approximately 31% of the Organization's total revenue for the year ended June 30, 2023. 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.

	2023
Receivable within one year	$ 240,000
Receivable within two to five years	245,000
Total amounts and other receivables	$ 485,000

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	5-7 years
Building	40 years

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

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 isrecognized 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 nolonger 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, 2023.

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 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, 2022, 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.

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.

NOTE C – FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2023	
	Level 1	Total
Cash	$ 36,050	$ 36,050
Exchange-traded funds	511,989	511,989
Equities	187,536	187,536
Fixed income & preferreds	394,073	394,073
Total	$ 1,129,648	$ 1,129,648

NOTE D – GRANTS AND CONTRACTS RECEIVABLE

Medicaid, Medicare, and Other Insurance	$ 2,112,203
Multnomah County	476,025
Clackamas County	59,129
HUD (Old Town Collaborative)	45,074
State of Oregon	216,186
Federal	451,010
Other	35,255
Total grants and contracts receivable	$ 3,394,882

NOTE E – PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Building	$ 10,339,362
Equipment	1,936,050
Land	497,682
Leasehold improvements	185,220
	12,958,314
Less accumulated depreciation and amortization	(4,245,630)
	$ 8,712,684

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, 2023, 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:

2024	$ 60,493
2025	62,240
2026	63,908
2027	65,619
2028	67,377
Thereafter	1,458,397
	$ 1,778,034

NOTE G – BORROWINGS

The Organization has unsecured credit cards with available limits of $156,400 with approximately $3,618 outstanding at June 30, 2023, which was paid the following month.

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.

NOTE H – ENDOWMENT (CONTINUED)

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.

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, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions		
	Board Designated	Accumulated Earnings, Subject to Expiration	Corpus, Not Subject to Expiration	Total Net Endowment Assets
Balance at June 30, 2022	$ 199,834	$ -	$ 99,127	$ 298,961
Contributions	233,732	-	2,117	235,849
Investment gains (losses)	12,547	-	2,036	14,583
Fees	(1,552)	-	(413)	(1,965)
Distributions	-	-	-	-
Endowment net assets, at June 30, 2023	$ 444,561	$ -	$ 102,867	$ 547,428

The donor restricted endowment net assets include $25,000 in pledges receivable at June 30, 2023.

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)	$	2,261,691
General - Time restriction		10,200
Clinic and Health Services		485,686
Youth Services		639,504
Perpetual (Endowment)		102,867
Total net assets with donor restrictions	$	3,499,948

NOTE J – NET ASSETS RELEASED FROM RESTRICTIONS

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

		Purpose
Building release - Main Clinic	$	121,973
Clinic and Health Services		317,326
Youth Services		521,659
Other		37,500
	$	998,458

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, 2023, $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 $360,455 for the year ended June 30, 2023.

NOTE L – LEASE ASSET AND LIABILITIES

	Operating Leases	Land Lease*
Annual Lease Cost	$ 233,316	$ 9,276
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from leases	$ 227,799	$ -
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 548,618	$ 202,412
Weighted-average remaining lease term	2.6 years	30 years
Weighted-average discount rate	2.79%	3.11%

*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 which was prepaid in full at lease inception. The unamortized portion of prepaid lease payments on June 30, 2023 was $328,302. Land lease expense amounted to $9,270 for the year ended June 30, 2023.

Future minimum lease payments and reconciliation to the statement of financial position at June 30, 2023 are as follows:

Year Ending December 31,	Operating Leases	Land Lease
2024	$ 227,489	$ 9,270
2025	104,227	9,270
2026	5,534	9,270
2027	-	9,270
2028	-	9,270
Thereafter	-	281,952
Total future undiscounted lease payments	337,250	328,302
Less present value discount	(1,556)	-
Prepaid land lease	-	(328,302)
Lease liabilities	$ 335,694	$ -

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 2025. 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.

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	$	13,477
Program supplies		109,544
Client assistance		43,575
	$	166,596

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, 2023 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 117 volunteers have donated significant amounts of time to Outside In's program services.

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 70% of the Organization's employees are in a union.

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, 2023:

Financial assets at year-end*		
Cash and cash equivalents	$	6,970,878
Investments		1,129,648
Pledges receivable		485,000
Other receivables		3,394,882
Total financial assets		11,980,408
Less amounts unavailable for general expenditures within one year:		
Contractual or donor-imposed restrictions:		
Pledge receivable due beyond one year		245,000
Restricted by donors with timing and /or purpose restriction		3,499,948
Board designated endowment		444,561
Total unavailable financial assets		4,189,509
Financial assets available to meet cash needs for general expenditures within one year	$	7,790,899

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

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 P – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 30, 2023, which is the date the financial statements were available to be issued.