

OUTSIDE IN
FINANCIAL STATEMENTS
Year Ended June 30, 2021

Outside In 

KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

**OUTSIDE IN
FINANCIAL STATEMENTS
Year Ended June 30, 2021**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-19

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Outside In
Portland, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Outside In (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
Outside In

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Outside In as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Reporting Requirement by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2021, on our consideration of Outside In's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Outside In's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Outside In's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Outside In's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 14, 2020. 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.

Kern & Thompson, LLC

Portland, Oregon
December 16, 2021

OUTSIDE IN

STATEMENT OF FINANCIAL POSITION

June 30, 2021

(With Comparative Totals as of June 30, 2020)

ASSETS

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 8,457,039	\$ 3,831,187
Investments	410,947	-
Grants and contracts receivable - net	2,787,440	2,272,352
Pledges receivable	358,000	368,260
Prepaid expenses and deposits	169,645	275,980
Prepaid lease payments	346,843	356,113
Property, equipment and leasehold improvements - net	7,893,439	7,668,167
Total assets	\$ <u>20,423,353</u>	\$ <u>14,772,059</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 361,348	\$ 200,239
Construction and retainage payable	-	894,451
Accrued payroll and related expenses	813,587	655,838
Accrued vacation	397,444	308,726
Refundable advance, Paycheck Protection Program	1,963,177	1,974,120
Refundable advances, other conditional grants	281,255	-
Construction loan payable	-	889,531
Note payable	1,894,267	-
Total liabilities	<u>5,711,078</u>	<u>4,922,905</u>
Net assets		
Without donor restrictions	10,512,465	4,457,842
With donor restrictions	4,199,810	5,391,312
Total net assets	<u>14,712,275</u>	<u>9,849,154</u>
Total liabilities and net assets	\$ <u>20,423,353</u>	\$ <u>14,772,059</u>

See notes to financial statements.

OUTSIDE IN

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

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

	Without Donor	With Donor	Total	
	Restrictions	Restrictions	2021	2020
Revenues, gains, and other support				
Contributions and grants	\$ 2,195,351	\$ 1,724,296	\$ 3,919,647	\$ 1,754,792
Multnomah County	2,128,040	-	2,128,040	2,218,790
State of Oregon	670,167	-	670,167	443,494
Federal	5,941,127	-	5,941,127	4,311,244
PPP forgiveness	1,992,942	-	1,992,942	-
Gifts in-kind	314,096	-	314,096	292,640
Interest and dividends	1,554	-	1,554	23,193
Social ventures	-	-	-	162,003
Service revenue	4,637,030	-	4,637,030	5,131,380
Other contracts and fees	710,150	-	710,150	721,377
	<u>18,590,457</u>	<u>1,724,296</u>	<u>20,314,753</u>	<u>15,058,913</u>
Net assets released from restriction	785,522	(785,522)	-	-
Total revenues, gains, and other support	<u>19,375,979</u>	<u>938,774</u>	<u>20,314,753</u>	<u>15,058,913</u>
Expenses				
Program services				
Clinic and Health Services	6,763,611	-	6,763,611	7,104,505
Behavioral Health Services	2,229,180	-	2,229,180	2,151,390
Homeless Youth Services	3,188,679	-	3,188,679	3,296,939
Social ventures	-	-	-	334,640
Total program services	<u>12,181,470</u>	<u>-</u>	<u>12,181,470</u>	<u>12,887,474</u>
Supporting services				
Management and general	2,629,272	-	2,629,272	2,459,882
Fundraising	640,890	-	640,890	535,148
Total expenses	<u>15,451,632</u>	<u>-</u>	<u>15,451,632</u>	<u>15,882,504</u>
Increase (decrease) in net assets before non-operating activities	<u>3,924,347</u>	<u>938,774</u>	<u>4,863,121</u>	<u>(823,591)</u>
Non-operating activities				
Federal grant for capital campaign	-	-	-	993,100
Capital campaign contributions and grants	-	-	-	241,000
Net assets released from restriction	2,130,276	(2,130,276)	-	-
Total non-operating activities	<u>2,130,276</u>	<u>(2,130,276)</u>	<u>-</u>	<u>1,234,100</u>
Change in net assets	<u>6,054,623</u>	<u>(1,191,502)</u>	<u>4,863,121</u>	<u>410,509</u>
Net assets, beginning of year	4,457,842	5,391,312	9,849,154	9,438,645
Net assets, end of year	<u>\$ 10,512,465</u>	<u>\$ 4,199,810</u>	<u>\$ 14,712,275</u>	<u>\$ 9,849,154</u>

See notes to financial statements.

OUTSIDE IN

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

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

	PROGRAM SERVICES				SUPPORTING SERVICES		Total	
	Clinic and Health Services	Behavioral Health Services	Homeless Youth Services	Total Program Services	Management and General	Fundraising	2021	2020
Personnel:								
Salaries and wages	\$ 3,755,721	1,159,631	\$ 1,614,514	\$ 6,529,866	\$ 1,413,941	\$ 386,178	\$ 8,329,985	\$ 8,841,713
Payroll taxes	318,681	99,109	140,078	557,868	118,310	32,507	708,685	705,716
Fringe benefits	605,754	211,722	360,062	1,177,538	253,725	64,863	1,496,126	1,317,186
Services and fees:								
Insurance	30,890	8,668	16,359	55,917	10,146	3,138	69,201	64,103
Lab fees	66,933	-	-	66,933	-	-	66,933	66,780
Fees and charges	31,146	545	848	32,539	6,578	12,120	51,237	62,963
Contract services	402,930	142,282	76,873	622,085	342,174	16,755	981,014	1,134,909
In-kind services	23,208	-	14,158	37,366	-	-	37,366	143,137
Interest expense	29,542	-	-	29,542	19,768	-	49,310	3,975
Supplies:								
Office supplies	23,120	1,804	12,208	37,132	77,317	10,270	124,719	81,463
Medical supplies	672,211	150	450	672,811	300	-	673,111	1,030,487
Program supplies	93,404	1,477	64,808	159,689	1,273	21,815	182,777	148,087
In-kind materials	92,752	-	183,978	276,730	-	-	276,730	149,504
Other operations:								
Telecommunications	40,842	23,600	23,440	87,882	-	3,355	91,237	80,778
Postage	6,878	967	1,824	9,669	1,194	23,330	34,193	22,638
Equipment and maintenance	34,801	2,875	35,003	72,679	3,296	1,758	77,733	129,538
Equipment depreciation	40,646	658	7,643	48,947	1,865	-	50,812	57,213
Transportation	25,178	5,790	13,130	44,098	2,680	35	46,813	59,633
Conferences and training	16,244	7,435	1,829	25,508	8,624	1,096	35,228	58,018
Occupancy:								
Land lease	2,166	1,249	5,669	9,084	186	-	9,270	9,270
Rent	108,479	-	52,378	160,857	45,216	10,654	216,727	247,724
Utilities	85,318	11,748	64,693	161,759	7,550	1,431	170,740	153,425
Building maintenance	64,347	7,032	157,988	229,367	2,520	1,284	233,171	244,850
Building depreciation	117,465	23,411	69,141	210,017	2,264	-	212,281	140,756
Printing:								
Printing and copying	7,382	13,137	3,534	24,053	287	11,764	36,104	21,063
Advertising	18,425	-	45	18,470	6,784	37,542	62,796	16,083
Other:								
Client assistance	49,148	505,890	268,026	823,064	303,274	995	1,127,333	891,492
Total expenses	\$ 6,763,611	\$ 2,229,180	\$ 3,188,679	\$ 12,181,470	\$ 2,629,272	\$ 640,890	\$ 15,451,632	\$ 15,882,504

See notes to financial statements.

OUTSIDE IN
STATEMENT OF CASH FLOWS

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

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 4,863,121	\$ 410,509
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Capital campaign contributions and grants	-	(1,234,100)
Depreciation and amortization	263,093	197,969
(Gain) loss on disposal of equipment	-	9,007
Prepaid lease amortization	9,270	9,270
Changes in assets and liabilities:		
Grants and contracts receivable	(515,088)	17,513
Pledges receivable	10,260	(42,010)
Prepaid expenses and deposits	106,335	72,355
Accounts payable	161,109	(468,132)
Accrued payroll and related expenses	157,749	289,087
Accrued vacation	88,718	15,192
Refundable advances	270,312	1,974,120
Net cash provided by (used in) operating activities	5,414,879	1,250,780
Cash flows from investing activities:		
Additions to equipment and leasehold improvements	(378,080)	(2,278,472)
Purchase of investments	(410,947)	-
Net cash provided by (used in) investing activities	(789,027)	(2,278,472)
Cash flows from financing activities:		
Capital campaign contributions and grants	-	1,234,100
Net cash provided by (used in) financing activities	-	1,234,100
Net change in cash and cash equivalents	4,625,852	206,408
Cash and cash equivalents, beginning of year	3,831,187	3,624,779
Cash and cash equivalents, end of year	\$ 8,457,039	\$ 3,831,187
Supplemental disclosure of non-cash investing and financing activities:		
Additions to property funded by construction loan, construction and retainage payable	\$ 1,004,736	\$ 1,783,982
Cash paid for interest	\$ 49,310	\$ 3,975

See notes to financial statements.

OUTSIDE IN
NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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. Acupuncture and Chinese herbal medicine, chiropractic care, and tattoo removal services were discontinued in March 2020.

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

Homeless Youth Services – We provide services geared to help diverse populations of homeless youth achieve 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, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncements

During the year ended June 30, 2021, the Organization adopted a new accounting pronouncement: *Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”).

ASU 2014-09 outlines a single, comprehensive model for accounting for revenue from contracts with customers. Revenue streams applicable to the Organization that qualify as exchange transactions include clinic and health services.

Management of the Organization has analyzed the provisions of ASU 2014-09, and has concluded that no changes are necessary to conform with the new standard, therefore the implementation of ASU 2014-09 had no impact on beginning net assets or revenues.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

OUTSIDE IN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions received with both donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

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

Conditional Promises to Give

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions or has met the performance requirements. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization has cost-reimbursable grants of \$4,481,014 that have not been recognized at June 30, 2021 because performance requirements and/or qualifying expenditures have not yet been incurred.

OUTSIDE IN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Conditional Promises to Give (Continued)

The following table summarizes the performance requirements that must be met in order to receive the cost-reimbursable grants at June 30, 2021:

Qualifying expenses only	\$ 4,250,820
Qualifying expenses and specified outcomes	180,197
Qualifying expenses and matching funds	<u>49,997</u>
	<u>\$ 4,481,014</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.

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, 2021, cash and cash equivalents held at high quality financial institutions or brokerages totaled \$8,457,039, 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 write-offs at the time revenues are recognized. The account is adjusted as needed to provide a reasonable allowance based on the volume and certainty of the receivables, and was \$156,194 at June 30, 2021.

OUTSIDE IN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contracts Receivable (Continued)

Revenue from the clinic and health services programs accounted for approximately 20% of the Organization's total revenue for the year ended June 30, 2021. 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 and are expected to be paid within one year, except for \$43,000 which is due in the year ending June 30, 2023. An allowance for uncollectible pledges receivable may be provided based upon management's judgment, including such factors as prior collection history, the type of contribution, and the nature of the fund-raising activity. Management has not recorded an allowance for doubtful pledges as they believe they are fully collectable.

Income Taxes

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

Property, Equipment and Leasehold Improvements

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

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

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

OUTSIDE IN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The loans are funded by the SBA through participating banks and are subject to specific conditions, which if met, will result in forgiveness of all or part of the loan. 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 terms of the PPP loan include interest at 1% and maturity on March 26, 2026.

The Organization has concluded that although the legal form of the PPP is a loan, it believes the conditional criteria will be met and the SBA will approve its forgiveness application within the next fiscal year. Accordingly, a PPP loan represents, in substance, a conditional grant and the second PPP loan has therefore been recorded as a refundable advance under the accounting guidance of ASC 958-605 as the conditions were not met by June 30, 2021.

➤ **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.

OUTSIDE IN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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, 2021.

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.

OUTSIDE IN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by 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, 2020, 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.

Fair values of assets and liabilities measured on recurring basis are all Level 1 and consist of a United States Treasury Bill of \$410,947.

OUTSIDE IN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE D – GRANTS AND CONTRACTS RECEIVABLE

Medicaid, Medicare, and Other Insurance	\$ 2,075,623
Multnomah County	391,013
Clackamas County	66,886
HUD (Old Town Collaborative)	88,683
State of Oregon	109,315
Janus Youth Programs	15,507
Transition Projects	10,683
Home Forward	13,821
New Avenues for Youth	7,327
Safeway (340b)	4,634
Other	<u>3,948</u>
Total grants and contracts receivable	<u>\$ 2,787,440</u>

NOTE E – PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Building	\$ 9,442,843
Equipment	1,373,442
Land	497,682
Leasehold improvements	<u>185,220</u>
	11,499,187
Less accumulated depreciation and amortization	<u>(3,605,448)</u>
	<u>\$ 7,893,739</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, 2021, 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.

OUTSIDE IN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE F – NOTE PAYABLE (CONTINUED)

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

2022	\$	52,710
2023		59,042
2024		60,497
2025		62,244
2026		63,911
Thereafter		<u>1,595,863</u>
	\$	<u><u>1,894,267</u></u>

NOTE G – BORROWINGS

The Organization has unsecured credit cards with available limits of \$156,400 with approximately \$35,208 outstanding at June 30, 2021, which was paid the following month.

NOTE H – RESTRICTIONS ON NET ASSETS

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

Subject to purpose restrictions:		
Building use period and purpose (see Note I)	\$	2,505,636
General - Time restriction		65,000
Clinic and Health Services		1,155,213
Youth Services		<u>473,961</u>
Total net assets with donor restrictions	\$	<u><u>4,199,810</u></u>

NOTE I – NET ASSETS RELEASED FROM RESTRICTIONS

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

Building release - Main Clinic	\$	(121,973)
Building release - Eastside Clinic placed in service		(2,130,276)
Clinic and Health Services		(164,790)
Youth Services		(443,189)
Other		<u>(55,570)</u>
	\$	<u><u>(2,915,798)</u></u>

OUTSIDE IN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE I – NET ASSETS RELEASED FROM RESTRICTIONS (CONTINUED)

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, 2021, \$121,973 was released from restriction associated with this grant and other grants restricted to the facility construction.

NOTE J – PENSION PLAN

The Organization initiated an ERISA 403(b) plan during the year effective as of July 1, 2018, covering essentially all employees. Under the plan, employees are immediately eligible to contribute. To be eligible for employer contributions you must be at least 21 years of age and have completed a year of service defined as completing at least 1,000 hours during the first 12-month period immediately following the date of hire or at least 1,000 hours during any plan year. Under the plan employer contributions are at the sole discretion of the Organization. Total pension expense incurred was \$339,696 for the year ended June 30, 2021.

NOTE K – LAND LEASE AMORTIZATION

During the year ended June 30, 2001, Outside In entered into a lease with First Unitarian Church. The land lease is for 60 years for \$570,000. The unamortized portion of prepaid lease payments on June 30, 2021 was \$346,843. Land lease expense amounted to \$9,270 for the year ended June 30, 2021.

NOTE L – OPERATING LEASES

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

OUTSIDE IN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE L – OPERATING LEASES (CONTINUED)

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

2022	\$ 214,309
2023	159,837
2024	<u>102,096</u>
Total future minimum lease payments	\$ <u><u>476,242</u></u>

Total rent expense for all sites for the year ended June 30, 2021 was \$206,435.

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	\$ 37,366
Program supplies	92,753
Client assistance	<u>183,977</u>
	\$ <u><u>314,096</u></u>

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.

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 71% of the Organization's employees are in a union.

OUTSIDE IN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE N – CONTINGENCIES, CONCENTRATIONS AND UNCERTAINTIES (CONTINUED)

Beginning in March 2020, an outbreak of a coronavirus necessitated that many employees work from home and provided for social distancing measure. The effects of these events may continue for some time, including disruptions to or restrictions on employees' ability to work and on the ability of funders and members to fully participate in programs and continue their current level of financial support to the Organization. At the present time, the ultimate future effects of these issues are unknown.

NOTE O – LIQUIDITY

The following represents the Organization's financial assets available to meet cash needs for general expenditures within one year of June 30, 2021:

Financial assets at year-end*	
Cash and cash equivalents	\$ 8,457,039
Investments	410,947
Pledges receivable	358,000
Other receivables	<u>2,787,440</u>
 Total financial assets	 <u>12,013,426</u>
 Less amounts unavailable for general expenditures within one year:	
Contractual or donor-imposed restrictions:	
Pledge receivable due beyond one year	43,000
Restricted by donors with timing and /or purpose restriction	<u>4,156,810</u>
 Total unavailable financial assets	 <u>4,199,810</u>
 Financial assets available to meet cash needs general expenditures within one year	 <u>\$ 7,813,616</u>

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

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

NOTE P – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 16, 2021, which is the date the financial statements were available to be issued.