

NEW NARRATIVE

Consolidated Audited Financial Statements

For the Year Ended June 30, 2020



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New Narrative

We have audited the accompanying consolidated financial statements of New Narrative (formerly Luke-Dorf, Inc.) (a nonprofit corporation) and subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated 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 organization'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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of New Narrative as of June 30, 2020, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from the Organization's 2019 financial statements, as restated, which were audited by other auditors, whose report dated February 19, 2020, expressed an unmodified opinion on those consolidated statements.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the *Uniform Guidance* and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2021, on our consideration of New Narrative'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 New Narrative'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 New Narrative's internal control over financial reporting and compliance.

McDonald Jacobz, P.C.

Portland, Oregon
January 27, 2021

NEW NARRATIVE
(FORMERLY LUKE-DORF, INC.)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2020
(With comparative totals for 2019)

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,627,902	\$ 180,962
Accounts receivable, net	2,394,031	2,789,194
Inventory	117,264	99,774
Prepaid expenses	73,957	79,917
Total current assets	5,213,154	3,149,847
Investments	1,130,979	1,082,788
Deposits held in trust	363,549	204,013
Property and equipment, net	16,341,543	15,873,069
TOTAL ASSETS	\$ 23,049,225	\$ 20,309,717
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 801,059	\$ 827,083
Accrued personnel liabilities	693,058	632,892
Deferred revenue	1,244,556	1,419,078
Refundable advance	2,229,497	-
Line of credit	-	387,719
Notes payable - current portion	403,710	377,623
Total current liabilities	5,371,880	3,644,395
Deposits held in trust	343,213	204,013
Obligations under conditional grants	2,907,756	2,476,982
Notes payable, less current portion	7,720,282	7,753,653
Total liabilities	16,343,131	14,079,043
Net assets (deficit):		
Without donor restrictions:		
Undesignated	(1,629,293)	(1,511,119)
Net property and equipment	8,217,551	7,741,793
Total without donor restrictions	6,588,258	6,230,674
With donor restrictions	117,836	-
Total net assets	6,706,094	6,230,674
TOTAL LIABILITIES AND NET ASSETS	\$ 23,049,225	\$ 20,309,717

See notes to consolidated financial statements.

NEW NARRATIVE
(FORMERLY LUKE-DORF, INC.)
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2020
(With comparative totals for 2019)

	2020	2019
Change in net assets without donor restrictions:		
Support and revenue:		
Contributions	\$ 237,571	\$ 1,200,059
Government grants and contracts	6,182,200	6,742,754
Fee for service	8,291,312	6,691,344
Pharmaceutical sales, net of related expenses of \$2,265,062 in 2020 and \$2,193,145 in 2019	312,107	328,288
Rental income	1,526,905	1,333,465
Conditional grants recognized	90,027	74,667
Other income	122,994	171,133
	16,763,116	16,541,710
Net assets released from restrictions:		
Satisfaction of purpose restrictions	46,682	-
Total support and revenue	16,809,798	16,541,710
Expenses:		
Program services	13,470,598	12,867,158
Management and general	2,981,616	2,588,502
Total expenses	16,452,214	15,455,660
Change in net assets without donor restrictions	357,584	1,086,050
Change in net assets with donor restrictions:		
Contributions and grants	164,518	-
Net assets released from restrictions:		
Satisfaction of purpose restrictions	(46,682)	-
Change in net assets with donor restrictions	117,836	-
Change in net assets	475,420	1,086,050
Net assets:		
Beginning of the year	6,230,674	5,144,624
End of the year	\$ 6,706,094	\$ 6,230,674

See notes to consolidated financial statements.

NEW NARRATIVE
(FORMERLY LUKE-DORF, INC.)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2020

	Program Services					Management and General	2020 Total	2019 Total
	Residential Treatment	Clinical Services	Peer Services	Auxiliary Services	Total Program Services			
Salaries and related expenses	\$ 3,686,377	\$ 2,774,620	\$ 478,150	\$ 2,140,487	\$ 9,079,634	\$ 1,847,527	\$ 10,927,161	\$ 10,306,014
Program expenses and supplies	186,505	271,750	138,480	408,687	1,005,422	124,884	1,130,306	1,367,918
Professional fees	2,298	314,263	2,001	16,215	334,777	210,333	545,110	543,760
Cost of goods sold	-	-	-	2,265,062	2,265,062	-	2,265,062	2,193,145
Occupancy	250,110	69,908	79,409	538,556	937,983	76,637	1,014,620	1,169,585
Telephone and internet	162,492	194,220	27,843	118,721	503,276	105,983	609,259	527,428
Staff development and events	48,831	48,574	56,115	78,575	232,095	217,809	449,904	94,534
Insurance	53,918	32,933	9,792	72,077	168,720	17,558	186,278	145,335
Depreciation	185,439	83,266	23,793	202,096	494,594	105,151	599,745	575,890
Interest expense	135,327	67,779	21,039	29,826	253,971	51,432	305,403	324,215
Other operating costs	50,507	285,022	56,802	67,795	460,126	224,302	684,428	400,981
	4,761,804	4,142,335	893,424	5,938,097	15,735,660	2,981,616	18,717,276	17,648,805
Less cost of goods sold netted with revenue	-	-	-	(2,265,062)	(2,265,062)	-	(2,265,062)	(2,193,145)
	<u>\$ 4,761,804</u>	<u>\$ 4,142,335</u>	<u>\$ 893,424</u>	<u>\$ 3,673,035</u>	<u>\$ 13,470,598</u>	<u>\$ 2,981,616</u>	<u>\$ 16,452,214</u>	<u>\$ 15,455,660</u>

See notes to consolidated financial statements.

NEW NARRATIVE
(FORMERLY LUKE-DORF, INC.)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended June 30, 2020
(With comparative totals for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 475,420	\$ 1,086,050
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization of loan fees	635,831	582,451
Donated property and equipment	-	(1,036,154)
(Gain) loss from disposal of equipment	5,158	(40,720)
Net realized and unrealized (gain) loss on investments	(27,301)	(42,530)
Amortization of conditional grant agreements	(90,027)	(74,667)
(Increase) decrease in:		
Accounts receivable, net	395,163	(603,205)
Other assets	(67,952)	117,930
Increase (decrease) in:		
Accounts payable and accrued expenses	(26,024)	204,150
Accrued personnel liabilities	60,166	81,634
Deferred revenue	(174,522)	271,548
Refundable advance	2,229,497	-
Net cash flows from operating activities	<u>3,415,409</u>	<u>546,487</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,073,377)	(1,402,373)
Proceeds from the sale of property and equipment	-	179,000
Purchase of investments	(20,890)	-
Net cash flows from investing activities	<u>(1,094,267)</u>	<u>(1,223,373)</u>
Cash flows from financing activities:		
Net borrowings (repayments) on line of credit	(387,719)	368,966
Proceeds from note payable	384,550	387,719
Principal payments on note payable	(391,834)	(411,248)
Change in obligation under conditional grants	520,801	234,919
Net cash flows from financing activities	<u>125,798</u>	<u>580,356</u>
Net change in cash and cash equivalents	2,446,940	(96,530)
Cash and cash equivalents - beginning of year	<u>180,962</u>	<u>277,492</u>
Cash and cash equivalents - end of year	<u>\$ 2,627,902</u>	<u>\$ 180,962</u>
Supplemental cash flow information:		
Cash paid during the year for interest	<u>\$ 304,000</u>	<u>\$ 317,892</u>

See notes to consolidated financial statements.

NEW NARRATIVE
(FORMERLY LUKE-DORF, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

1. DESCRIPTION OF ORGANIZATION

New Narrative (formerly Luke-Dorf, Inc.) opened their first site in Oregon in 1977. Since then, the Organization has grown from a single site to an agency providing clinical services through outpatient clinics and residential treatment facilities. These clinics and facilities offer clinical therapies and life-skills training in short-term residential settings. In addition, the Organization has peer programs (run by people who have lived experience with trauma and the mental health care system) that focus on vocational skills, wellness goals, and connections to community; and auxiliary services that include supportive, transitional, and independent housing; homeless outreach and housing navigation; pharmacy services; and catering services.

New Narrative's primary programs are as follows:

- Residential Treatment: Live-in, short-term program that allows individuals to pursue therapeutic goals in a home-like setting.
- Clinical Services: Outpatient services with personalized treatment plans that may include skills training, individual and group therapies, and medication management, as well as support for residential treatment.
- Peer Services: Peer-to-peer programs and supports that build vocational and social skills, set and pursue wellness goals, and grow connections with a community.
- Auxiliary Services: Services that support improved program delivery.

In September 2020, the Organization changed its name to New Narrative to reflect the evolution of the Organization. New Narrative still believes that hope, compassion, and community are the keys to mental wellness, but also knows that there are many ways to get there.

New Narrative is the sole member of the following limited liability companies:

- New Narrative Behavioral Health Services, LLC – clinical, peer and other treatment for residents
- New Narrative Catering, LLC – food services for residents
- New Narrative Pharmacy, LLC – pharmacy supplies for residents
- NN Horizon Property Management, LLC – property management for residential housing
- New Narrative Douglas Fir Apartments, LLC – residential housing
- Clover Court Apartments, LLC – residential housing

NEW NARRATIVE
(FORMERLY LUKE-DORF, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of New Narrative and the aforementioned entities (collectively, the Organization). All inter-organization transactions and balances have been eliminated.

Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents. Cash equivalents included with investments are considered investments.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. The Organization records an allowance for estimated uncollectible accounts in an amount approximating anticipated losses. Individual uncollectible accounts are written off against the allowance when their collection appears doubtful. The allowance for doubtful accounts was approximately \$123,000 and \$73,600 at June 30, 2020 and 2019, respectively. Balances over 90 days were approximately \$784,100 and \$550,400 as of June 30, 2020 and 2019, respectively.

Inventory

Inventory consist primarily of pharmaceuticals and is reflected at the lower of cost or net realizable value determined on the first-in, first out (FIFO) basis.

Investments

Investments are carried at fair value.

NEW NARRATIVE
(FORMERLY LUKE-DORF, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Deposits Held in Trust

New Narrative is the court appointed fiscal manager for certain clients who reside in its properties and maintains security deposits for tenants in owned rental properties. Deposits held in trust include an asset and a corresponding liability in the consolidated statement of financial position.

Property and Equipment

Acquisitions of property and equipment over \$1,000 are capitalized. Property and equipment purchased are recorded at cost and donated assets are reflected as contributions at their estimated fair values on the date received. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from 3 to 32 years.

Impairment of Long-Lived Assets

The Organization reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment losses have been recognized during the years ended June 30, 2020 and 2019.

Loan Fees

Loan fees are netted with long term debt and are amortized over the related term of the loan. Amortization expense is included with interest expense.

Obligations Under Conditional Grants

Obligations under conditional grants represent funds received from governmental agencies for the construction of facilities. The Organization must maintain the facilities for their original intended purpose.

Revenue Recognition

Contributions: Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable. 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 substantially met. During 2019, the Organization received noticed that it is a named beneficiary in a trust. The residual value payable to the Organization will be net of eventual transaction and settlement fees and has not been determined as of the report date. Accordingly, the amount will be recorded when the amount receivable can be determined.

NEW NARRATIVE
(FORMERLY LUKE-DORF, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, Continued

Government Grants and Contracts: Government grants and contracts are conditioned upon certain performance requirements and/or incurring allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as advances on government grant in the statement of financial position. The Organization has been awarded cost-reimbursable grants of approximately \$508,000 for the period through June 2022 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred.

Fee for Service: Third-party reimbursements included in fee for service revenue are 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 third party payers, as applicable, and include variable consideration and price concessions due to coverage. Revenue is recognized as performance obligations are satisfied based on actual charges incurred in relation to total expected collections.

Pharmaceutical Sales: Pharmaceutical sales are recognized as revenue upon exchange of consideration and delivery of the pharmaceuticals to the customer.

Rental Income: Rental income is recognized in the month in which the services are provided. Rental payments received in advance are deferred until earned.

Conditional Grants Recognized: These grants are amortized into revenue over the applicable compliance period or upon expiration of the compliance requirements. Revenue recognized under these arrangements was \$90,027 and \$74,667 for the years ended June 30, 2020 and 2019, respectively.

Refundable Advance: The Paycheck Protection Program (PPP) loan guaranteed by the Small Business Administration (SBA) is accounted for as a conditional advance and accrues interest at 1%. The advance may be forgiven partially or in its entirety if certain conditions are met, including incurrence of allowable qualifying expenses (mostly personnel and occupancy costs) and acceptance and approval of the forgiveness application by the lender. Upon satisfaction of the conditions, the advance will be recognized as revenue.

NEW NARRATIVE
(FORMERLY LUKE-DORF, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include:

- Salaries and related costs, certain professional fees, telephone and internet, and other, which are allocated based on estimates of time and effort.
- Program expenses and supplies, which are allocated based on number of clients
- Occupancy, depreciation, interest, and insurance, which are allocated on the basis of square footage

Fundraising costs are immaterial to the Organization and are included in management and general expense.

Income Tax Status

New Narrative is a nonprofit corporation exempt from federal and state income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying consolidated financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation. New Narrative is the sole member of aforementioned limited liability companies, making them disregarded entities for tax purposes.

The Organization follows the provisions of FASB ASC *Topic 740 Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the consolidated financial statements to comply with provisions of this Topic.

Change in Accounting Principle

The Organization implemented Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists organizations in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 were implemented applicable to both contributions received and to contributions made in the accompanying consolidated financial statements under a modified prospective basis. There was no significant impact to the Organization's revenue recognition in either year presented for this change in accounting principle.

NEW NARRATIVE
(FORMERLY LUKE-DORF, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated all subsequent events through January 27, 2021, the date the consolidated financial statements were available to be issued.

Reclassifications

Certain amounts in the prior-year consolidated financial statements have been reclassified to conform with the presentation in the current-year financial statements.

Summarized Financial Information for 2019

The financial information as of June 30, 2019 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

3. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use. Financial assets of the Organization consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,627,902	\$ 180,962
Accounts receivable, net	2,394,031	2,789,194
Investments	<u>1,130,979</u>	<u>1,082,788</u>
Total financial assets	6,152,912	4,052,944
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	<u>117,836</u>	<u>-</u>
Financial assets available for general expenditure	<u>\$ 6,035,076</u>	<u>\$ 4,052,944</u>

See Note 7 for the Organization's access to a line of credit.

NEW NARRATIVE
(FORMERLY LUKE-DORF, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

4. ACCOUNTS RECEIVABLE

Accounts receivable are unsecured and consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Multnomah County	\$ 1,138,276	\$ 628,974
Washington County	347,843	761,018
Third party payors and other	<u>1,030,933</u>	<u>1,472,791</u>
Total accounts receivable	2,517,052	2,862,783
Less allowance for uncollectible accounts	<u>123,021</u>	<u>73,589</u>
Total accounts receivable, net	<u><u>\$ 2,394,031</u></u>	<u><u>\$ 2,789,194</u></u>

5. INVESTMENTS

Investments consists of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 56,372	\$ 40,721
Exchange-traded funds	432,352	401,729
Fixed income (corporate bonds)	<u>642,255</u>	<u>640,338</u>
Total investments	<u><u>\$ 1,130,979</u></u>	<u><u>\$ 1,082,788</u></u>

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 3,851,998	\$ 3,851,998
Building and improvements	16,612,243	14,375,683
Construction in process	335,492	1,607,245
Furniture and equipment	1,420,446	1,409,206
Vehicles	<u>721,135</u>	<u>687,056</u>
Total property and equipment	22,941,314	21,931,188
Less accumulated depreciation	<u>6,599,771</u>	<u>6,058,119</u>
Net property and equipment	<u><u>\$ 16,341,543</u></u>	<u><u>\$ 15,873,069</u></u>

Construction in process is for a 15-unit apartment complex expected to be completed by June 2023 at an estimated cost of \$4,100,000.

NEW NARRATIVE
(FORMERLY LUKE-DORF, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

7. LINE OF CREDIT

The Organization has available a \$1,200,000 revolving line of credit that matures March 2021. Interest on the line is payable monthly on outstanding balances at the bank's prime rate (4.5% and 5.5% at June 30, 2020 and 2019, respectively) plus 0.5% with a minimum rate of 4.25%. The line is secured by certain assets. There are no outstanding advances at June 30, 2020. Outstanding advances on the line of credit are \$387,719 at June 30, 2019.

8. NOTES PAYABLE

The Organization's notes payable consist of the following at June 30, 2020 and 2019:

Lender/Property Security	Monthly Payment	Interest Rate	Maturity Date	2020 Loan Balance	2019 Loan Balance
Washington Mutual Bank					
Christopher Meusch	\$ 943	6.00%	Jan 2033	\$ 99,733	\$ 104,890
Estuesta House	1,555	7.00%	May 2032	67,421	80,893
Valeo House	2,074	5.88%	Apr 2035	245,886	255,995
Matthews House	2,244	6.38%	Jan 2036	265,206	274,866
Glenn Terrace	1,223	6.75%	Jun 2032	120,300	126,610
Wallula	1,823	5.75%	Apr 2033	198,258	208,417
Key Bank National Association:	1,241	5.25%	Aug 2033	140,884	148,180
Sandvig	1,200	7.13%	Mar 2027	76,021	84,579
Connell	3,750	7.19%	Apr 2027	239,096	265,562
Self Directed Services	5,271	7.93%	Jun 2026	280,023	319,988
Pluss	3,534	5.63%	Oct 2024	161,763	193,896
Washington County:					
Pluss	1,295	3.00%	Sep 2039	231,218	239,572
HOME Clover Court	(a)	0.00%	Dec 2046	400,000	200,613
Tom Brewer	1,189	3.00%	Jun 2032	171,476	171,476
Pacific Continental Bank:					
SNAP Loan	18,855	3.74%	Dec 2025	3,211,759	3,315,489
FlowHouse	1,414	4.64%	Feb 2026	222,567	229,039
Capital Pacific Bank:					
Garden Row	2,535	4.25%	Apr 2028	377,858	391,481

Continued

NEW NARRATIVE
(FORMERLY LUKE-DORF, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

8. NOTES PAYABLE, CONTINUED

Lender/Property Security	Monthly Payment	Interest Rate	Maturity Date	2020 Loan Balance	2019 Loan Balance
Community Housing Fund:					
Clover Court CHF	1,658	4.00%	Aug 2033	195,341	165,354
LifeWorks NW:					
Tom Brewer	542	0.00%	Jun 2028	52,000	58,500
Portland Development Commission:					
Sandy Apartments	(b)	0.00%	Feb 2068	1,272,410	1,272,410
Various vehicle and equipment leases	Range from 200 to 716	1.35%	Oct 2020 - Feb 2025	<u>185,933</u>	<u>128,733</u>
Total long-term debt				8,215,153	8,236,543
Unamortized debt issuance costs				<u>(101,160)</u>	<u>(108,268)</u>
Total long-term debt				<u>\$ 8,113,993</u>	<u>\$ 8,128,275</u>

(a) Annual payments beginning Dec 2019 through Dec 2034 are based on half of NewNarrative's cash flow after debt payment to Clover Court CHF loan. Payments from 2035 through 2045 are based on 85% of positive cash flow. The last payment in 2036 will be the remaining payment of \$ 200,000 less the total previous payments.

(b) Annual payments beginning Mar 2009 through Feb 2068 are based on half of NewNarrative's cash flow after other project related debt payments.

	2020	2019
Current portion	\$ 403,710	\$ 377,623
Long-term portion	<u>7,720,282</u>	<u>7,753,653</u>
	<u>\$ 8,123,992</u>	<u>\$ 8,131,276</u>

NEW NARRATIVE
(FORMERLY LUKE-DORF, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

8. NOTES PAYABLE, CONTINUED

Future maturities of notes payable are as follows:

Year ending June 30, 2021	\$ 403,710
2022	416,091
2023	428,671
2024	439,689
2025	387,312
Thereafter	4,467,270
Equity gap loan	1,272,410
Cash flow contingent payments	400,000
	\$ 8,215,153

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for specific program activities of the Organization.

10. CONTINGENCIES 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 the Organization if so determined in the future. It is management's belief that no significant amounts received or receivable will be required to be returned in the future.

The Organization has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these consolidated financial statements, the full impact to the Organization's financial position is not known.

NEW NARRATIVE
(FORMERLY LUKE-DORF, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

II. LEASE COMMITMENTS

The Organization leases administrative and operating facilities under various operating lease agreements with monthly rent between \$2,200 and \$6,100, subject to annual increases. These operating rental expire at various times through February 2024.

Rent expense for the above leases totaled approximately \$241,400 and \$222,400 for the years ended June 30, 2020 and 2019, respectively.

Future minimum non-cancellable lease commitments are as follows:

Year ending June 30, 2021	\$ 337,800
2022	226,600
2023	148,100
2024	<u>81,900</u>
	<u>\$ 794,400</u>

The Organization also is party to a master lease agreement for 10 residential units, through December 2021, with the option to renew annually. Residents pay the landlord directly.

12. RETIREMENT PLAN

The Organization has a defined contribution plan (the Plan) under section 401(k) of the Internal Revenue Code, covering full-time employees who have three months of service. The Organization makes safe harbor matching contributions to the Plan equal to 100% of participant contributions up to 3% of eligible compensation, plus a 50% match of all remaining contributions up to 5% of eligible compensation. Additional discretionary contributions may be made at the discretion of the Organization. The Organization's contributions to the Plan for the years ended June 30, 2020 and 2019 were approximately \$213,900 and \$185,800, respectively.

NEW NARRATIVE
(FORMERLY LUKE-DORF, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

13. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of investments measured on a recurring basis at June 30, 2020 and 2019 are as follows:

	<u>Level 1</u>	<u>Level 2</u>
June 30, 2020		
Exchange-traded funds	\$ 432,352	\$ -
Fixed income (corporate bonds)	-	642,255
	<u>\$ 432,352</u>	<u>\$ 642,255</u>
June 30, 2019		
Exchange-traded funds	\$ 401,729	\$ -
Fixed income (corporate bonds)	-	640,338
	<u>\$ 401,729</u>	<u>\$ 640,338</u>

Fair values for exchange-traded funds are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for investments in corporate bonds are provided by custodians and are based on pricing models that incorporate available trade, bid and other market information.

NEW NARRATIVE
(FORMERLY LUKE-DORF, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

14. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in two financial institutions. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Cash balances in excess of insured limits were approximately \$2,349,000 at June 30, 2020, and \$13,000 at June 30, 2019.

The Organization's revenues are concentrated with 31% of total revenues coming from two governmental agencies for the year ended June 30, 2020 (36% from two governmental agencies for the year ended June 30, 2019). The Organization's credit risk for accounts receivable is concentrated with 62% due from two governmental agencies at June 30, 2020 (50% due from two governmental agencies at June 30, 2019).

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

15. PRIOR PERIOD RESTATEMENT

The 2019 consolidated financial statements were restated to remove a conditional receivable in a trust (See Note 2). The change resulted in a decrease of \$130,000 in revenue, contribution receivable, and donor restricted net assets.

Reports Required by
GAO Government Auditing Standards
and the Uniform Guidance

INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*

To the Board of Directors
New Narrative

We have audited, in accordance with the 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, the financial statements of New Narrative (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 27, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Narrative's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Narrative's internal control. Accordingly, we do not express an opinion on the effectiveness of New Narrative's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Narrative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Responses to Findings

New Narrative's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. New Narrative's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McDonald Jacobson, P.C.

Portland, Oregon
January 27, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE; REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Directors
New Narrative

Report on Compliance for Each Major Federal Program

We have audited New Narrative's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of New Narrative's major federal programs for the year ended June 30, 2020. New Narrative's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of New Narrative's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New Narrative's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of New Narrative's compliance.

Opinion on Each Major Federal Program

In our opinion, New Narrative's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of New Narrative is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered New Narrative's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of New Narrative's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McDonald Jacobson, P.C.

Portland, Oregon
January 27, 2021

NEW NARRATIVE
(FORMELY LUKE-DORF, INC.)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2020

Federal Grantor/Pass-through Grantor Program title	Contract Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture			
Supplemental Nutrition Assistance Program		10.551	\$ 100,240
Total U.S. Department of Agriculture			<u>100,240</u>
U.S. Department of Housing and Urban Development			
Continuum of Care Program		14.267	36,391
Continuum of Care Program		14.267	191,183
<i>Pass through program from:</i>			
Washington County Department of Housing Services			
Continuum of Care Program	OR0216L0E061500	14.267	20,593
Continuum of Care Program	OR0091L0E061710	14.267	35,833
Continuum of Care Program	OR0115L0E061810	14.267	189,865
Continuum of Care Program	OR0091L0E061811	14.267	82,231
Total U.S. Department of Housing and Urban Development			<u>556,096</u>
U.S. Department of Health and Human Services			
<i>Pass through program from:</i>			
Oregon County Health Authority			
Projects for Assistance in Transition from Homelessness	159373	93.150	66,644
<i>Pass through program from:</i>			
Multnomah County Health Department			
Projects for Assistance in Transition from Homelessness	HD-SVCSGEN-11574-2020	93.150	222,147
			<u>288,791</u>
<i>Pass through program from:</i>			
Multnomah County Health Department			
Block Grant for Community Mental Health Services	HD-SVCSGEN-10878-2019	93.958	159,494
Total U.S. Department of Health and Human Services			<u>448,285</u>
Total expenditures of federal awards			<u>\$ 1,104,621</u>

See notes to schedule of expenditure of federal awards.

NEW NARRATIVE
(FORMERLY LUKE-DORF, INC.)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2020

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes all federal grant activity of New Narrative under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of New Narrative, it is not intended to and does not present the financial position, changes in net assets or cash flows of New Narrative.

2. EXPENDITURES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. New Narrative has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Federal expenditures	\$ 1,104,621
Total non-federal expenditures	<u>17,612,655</u>
Total operating expenses per financial statements	<u>\$ 18,717,276</u>

NEW NARRATIVE
(FORMERLY LUKE-DORF, INC.)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2020

NONE: There were no prior year findings.

NEW NARRATIVE
(FORMERLY LUKE-DORF, INC.)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
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Internal control over financial reporting: Material weakness(es) identified?	2020-001
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Significant deficiency(ies) identified?	None
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Noncompliance material to financial statements noted?	None
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Federal Awards:

Internal control over major federal programs: Material weakness(es) identified?	None
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Significant deficiency(ies) identified?	None
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Type of auditor's report issued on compliance for major federal programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None
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Identification of Major Programs:

CFDA Number(s) Name of Federal Program or Cluster	14.267 Continuum of Care
--	--------------------------

Dollar threshold used to distinguish between Type A and Type B programs.	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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NEW NARRATIVE
(FORMERLY LUKE-DORF, INC.)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the year ended June 30, 2020

Section 2 - Financial Statement Findings

Finding # 2020-001

Type: Material weakness over financial reporting

Condition/Context:

Material adjustments were required to correct the Organization's accounts receivable balances and revenue.

Cause

Staff turnover, in combination with the global pandemic caused disruptions to the Organization's normal maintenance and reconciliation of the accounts receivable balances.

Effect

The Organization's accounts receivable and revenue could be materially misstated.

Recommendation

Accounts receivable should be reconciled to the subledgers, billing software, and electronic health records on a regular basis and prior to closing the fiscal year. The Organization might consider a control checklist for each billing database and a closing checklist for supervisory personal to include final sign offs for efficient review to ensure that all review steps have been completed.

Management Response:

At the time of this report, the Organization has updated the month end close reporting requirements for all sub-ledgers and has added documentation of receipt of the sub-ledger reports to the month-end close checklist which is reviewed by the Finance Manager prior to financial statement creation.

NEW NARRATIVE
(FORMERLY LUKE-DORF, INC.)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the year ended June 30, 2020

Section 3 - Federal Award Findings and Questioned Costs

There were no federal award findings.



CORRECTIVE ACTION PLAN
For the year ended June 30, 2020

New Narrative respectfully submits the following corrective action plan for the year ended June 30, 2020.

Contact Person of New Narrative:

Janelle Kent, Finance Manager

Name and Address of Independent Public Accounting Firm:

McDonald Jacobs, P.C.
520 SW Yamhill, Suite 500, Portland, Oregon 97204

Audit Period:

July 1, 2019 through June 30, 2020.

The findings from the June 30, 2020 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Finding # 2020-001

Material Weakness - Financial Reporting

Finding:

Material adjustments were required to the Organization's accounts receivable balances and revenue.

Recommendation:

Accounts receivable should be reconciled to the subledgers, billing software, and electronic health records on a regular basis and prior to closing the fiscal year. The Organization might consider a control checklist for each billing database and a closing checklist for supervisory personal to include final sign offs for efficient review to ensure that all review steps have been completed.

Corrective Action:

At the time of this report, the Organization has updated the month end close reporting requirements for all sub-ledgers and has added documentation of receipt of the sub-ledger reports to the month-end close checklist which is reviewed by the Finance Manager prior to financial statement creation.

Anticipated Completion Date:

January 31, 2021