

NEW NARRATIVE

Consolidated Audited Financial Statements

For the Year Ended June 30, 2021



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New Narrative

We have audited the accompanying consolidated financial statements of New Narrative (a nonprofit corporation) and subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2021, 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. 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, 2021, 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

We have previously audited New Narrative's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

McDonald Jacobz, P.C.

Portland, Oregon
January 6, 2022

NEW NARRATIVE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2021
(With comparative totals for 2020)

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,621,933	\$ 2,627,902
Accounts receivable, net	2,791,594	2,394,031
Contributions receivable	74,775	-
Inventory	85,715	117,264
Prepaid expenses	120,789	73,957
Total current assets	6,694,806	5,213,154
Investments	1,238,060	1,130,979
Deposits held in trust	373,454	363,549
Property and equipment, net	16,235,572	16,341,543
 TOTAL ASSETS	 \$ 24,541,892	 \$ 23,049,225
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 648,372	\$ 801,059
Accrued personnel liabilities	949,368	693,058
Deferred revenue	1,334,674	1,244,556
Refundable advance	2,229,497	2,229,497
Notes payable - current portion	298,187	403,710
Total current liabilities	5,460,098	5,371,880
Deposits held in trust	374,544	343,213
Obligations under conditional grants	2,822,327	2,907,756
Notes payable, less current portion	7,467,976	7,720,282
Total liabilities	16,124,945	16,343,131
Net assets (deficit):		
Without donor restrictions:		
Undesignated	(322,859)	(1,629,293)
Net property and equipment	8,469,409	8,217,551
Total without donor restrictions	8,146,550	6,588,258
With donor restrictions	270,397	117,836
Total net assets	8,416,947	6,706,094
 TOTAL LIABILITIES AND NET ASSETS	 \$ 24,541,892	 \$ 23,049,225

See notes to consolidated financial statements.

NEW NARRATIVE
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2021
(With comparative totals for 2020)

	2021	2020
Change in net assets without donor restrictions:		
Support and revenue:		
Contributions	\$ 170,301	\$ 237,571
Government grants and contracts	6,811,197	6,140,607
Fee for service	10,701,570	8,291,811
Pharmaceutical sales, net of related expenses of \$2,407,643 in 2021 and \$2,265,062 in 2020	401,694	312,107
Rental income	1,621,192	1,526,905
Conditional grants recognized	76,298	90,027
Other income	207,812	164,088
	19,990,064	16,763,116
Net assets released from restrictions:		
Satisfaction of purpose restrictions	227,489	46,682
Total support and revenue	20,217,553	16,809,798
Expenses:		
Program services	14,806,194	13,470,598
Management and general	3,853,067	2,981,616
Total expenses	18,659,261	16,452,214
Change in net assets without donor restrictions	1,558,292	357,584
Change in net assets with donor restrictions:		
Contributions and grants	380,050	164,518
Net assets released from restrictions:		
Satisfaction of purpose restrictions	(227,489)	(46,682)
Change in net assets with donor restrictions	152,561	117,836
Change in net assets	1,710,853	475,420
Net assets:		
Beginning of the year	6,706,094	6,230,674
End of the year	\$ 8,416,947	\$ 6,706,094

See notes to consolidated financial statements.

NEW NARRATIVE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2021
(With comparative totals for 2020)

	Program Services					Management and General	2021 Total	2020 Total
	Residential Treatment	Clinical Services	Peer Services	Auxiliary Services	Total Program Services			
Salaries and related expenses	\$ 5,155,449	\$ 2,564,966	\$ 567,230	\$ 1,758,622	\$ 10,046,267	\$ 2,659,987	\$ 12,706,254	\$ 11,121,387
Program expenses and supplies	370,270	251,326	408,747	536,591	1,566,934	138,448	1,705,382	1,487,538
Professional fees	38,859	262,174	11,860	61,033	373,926	376,221	750,147	459,228
Cost of goods sold	-	-	-	2,407,643	2,407,643	-	2,407,643	2,265,062
Occupancy	494,022	64,761	19,420	446,622	1,024,825	41,468	1,066,293	1,013,271
Telephone and internet	204,479	178,157	41,593	94,583	518,812	160,270	679,082	609,257
Staff development and events	18,019	20,745	10,294	5,465	54,523	24,297	78,820	165,167
Insurance	50,113	31,248	8,857	77,988	168,206	26,028	194,234	186,276
Depreciation	192,173	86,290	24,657	209,435	512,555	108,969	621,524	599,745
Interest expense	144,303	72,274	22,434	31,804	270,815	54,843	325,658	305,403
Other operating costs	67,292	130,744	7,482	63,813	269,331	262,536	531,867	504,942
	6,734,979	3,662,685	1,122,574	5,693,599	17,213,837	3,853,067	21,066,904	18,717,276
Less cost of goods sold netted with revenue	-	-	-	(2,407,643)	(2,407,643)	-	(2,407,643)	(2,265,062)
Total expenses	<u>\$ 6,734,979</u>	<u>\$ 3,662,685</u>	<u>\$ 1,122,574</u>	<u>\$ 3,285,956</u>	<u>\$ 14,806,194</u>	<u>\$ 3,853,067</u>	<u>\$ 18,659,261</u>	<u>\$ 16,452,214</u>

See notes to consolidated financial statements.

NEW NARRATIVE
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended June 30, 2021
(With comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,710,853	\$ 475,420
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization of loan fees	621,524	635,831
(Gain) loss from disposal of equipment	-	5,158
Change in allowance for uncollectible accounts	(28,424)	49,432
Net realized and unrealized gain on investments	(8,872)	(27,301)
Amortization of conditional grant agreements	(76,298)	(90,027)
(Increase) decrease in:		
Accounts receivable	(369,139)	345,731
Contributions receivable	(74,775)	-
Other assets	(15,283)	(67,952)
Increase (decrease) in:		
Accounts payable and accrued expenses	(152,687)	(26,024)
Accrued personnel liabilities	256,310	60,166
Deferred revenue	90,118	(174,522)
Refundable advance	-	2,229,497
Net cash flows from operating activities	<u>1,953,327</u>	<u>3,415,409</u>
Cash flows from investing activities:		
Deposits held in trust	21,426	-
Purchase of property and equipment	(515,553)	(1,073,377)
Purchase of investments	(98,209)	(20,890)
Net cash flows from investing activities	<u>(592,336)</u>	<u>(1,094,267)</u>
Cash flows from financing activities:		
Net borrowings (repayments) on line of credit	-	(387,719)
Proceeds from note payable	101,602	384,550
Principal payments on note payable	(459,431)	(391,834)
Change in obligation under conditional grants	(9,131)	520,801
Net cash flows from financing activities	<u>(366,960)</u>	<u>125,798</u>
Net change in cash and cash equivalents	994,031	2,446,940
Cash and cash equivalents - beginning of year	<u>2,627,902</u>	<u>180,962</u>
Cash and cash equivalents - end of year	<u>\$ 3,621,933</u>	<u>\$ 2,627,902</u>
Supplemental cash flow information:		
Cash paid during the year for interest	<u>\$ 319,096</u>	<u>\$ 234,634</u>

See notes to consolidated financial statements.

NEW NARRATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021

1. DESCRIPTION OF ORGANIZATION

New Narrative 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.

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

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.

NEW NARRATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

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 \$5,000 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, 2021 and 2020.

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.

NEW NARRATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

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 and included in deferred revenue in the statement of financial position. The Organization has been awarded cost-reimbursable grants of approximately \$107,000 for the period through October 2021 that have not been recognized at June 30, 2021 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 \$76,298 and \$90,027 for the years ended June 30, 2021 and 2020, 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. A PPP loan of \$2,229,497 received in 2020 is reflected without accrued interest as the amount is deemed immaterial. The Organization anticipates full forgiveness of the loan once approval is received by the lender.

NEW NARRATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

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 has implemented Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* beginning in 2021. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. The various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued consolidated financial statements were required on a retrospective basis. See Note 11.

NEW NARRATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

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 6, 2022, the date the consolidated financial statements were available to be issued. See Note 9 regarding debt refinanced subsequent to year end.

Summarized Financial Information for 2020

The financial information as of June 30, 2020 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Reclassifications

Certain amounts in the prior year consolidated statements were reclassified to conform with the current year presentation.

Future Accounting Standard

Effective for financial statements for the year ending June 30, 2023, the Organization expects to adopt a new accounting standard issued by the Financial Accounting Standards Board (FASB) that will require significant changes in accounting for operating leases under which the Organization is lessee. Upon adoption, among other effects, the Organization will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes may require certain retrospective adjustments. The qualitative effects on the Organization's future financial statements of these changes and related retrospective adjustments have not yet been determined.

NEW NARRATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,621,933	\$ 2,627,902
Accounts receivable, net	2,791,594	2,394,031
Grant receivable	74,775	-
Investments	<u>1,238,060</u>	<u>1,130,979</u>
Total financial assets	7,726,362	6,152,912
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	<u>270,397</u>	<u>117,836</u>
Financial assets available for general expenditure	<u>\$ 7,455,965</u>	<u>\$ 6,035,076</u>

See Note 8 for the Organization's access to a line of credit.

4. ACCOUNTS RECEIVABLE

Accounts receivable are unsecured and consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Multnomah County	\$ 716,511	\$ 1,138,276
Washington County	240,411	347,843
Oregon Health Authority	586,289	-
Third party payors and other	<u>1,342,980</u>	<u>1,030,933</u>
Total accounts receivable	2,886,191	2,517,052
Less allowance for uncollectible accounts	<u>94,597</u>	<u>123,021</u>
Total accounts receivable, net	<u>\$ 2,791,594</u>	<u>\$ 2,394,031</u>

Accounts balances over 90 days were approximately \$719,200 and \$784,100 as of June 30, 2021 and 2020, respectively.

NEW NARRATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

5. INVESTMENTS

Investments consists of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 85,044	\$ 56,372
Exchange-traded funds	527,896	432,352
Fixed income (corporate bonds)	<u>625,120</u>	<u>642,255</u>
Total investments	<u>\$ 1,238,060</u>	<u>\$ 1,130,979</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 3,851,998	\$ 3,851,998
Building and improvements	16,782,392	16,612,243
Construction in process	582,901	335,492
Furniture and equipment	1,424,147	1,420,446
Vehicles	<u>766,819</u>	<u>721,135</u>
Total property and equipment	23,408,257	22,941,314
Less accumulated depreciation	<u>7,172,685</u>	<u>6,599,771</u>
Net property and equipment	<u>\$ 16,235,572</u>	<u>\$ 16,341,543</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.

7. DEFERRED REVENUE

Deferred revenue consists of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Case Rate (Note 11)	\$ 346,331	\$ 530,384
Advances on government grants:		
Rental Assistance Program	278,401	536,017
Provider Relief Funds	238,995	-
Child Welfare Stabilization	389,558	-
Other program	<u>81,389</u>	<u>178,155</u>
Total deferred revenue	<u>\$ 1,334,674</u>	<u>\$ 1,244,556</u>

NEW NARRATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

8. LINE OF CREDIT

The Organization has available a \$1,200,000 revolving line of credit that matures in March 2022. Interest on the line is payable monthly on outstanding balances at the bank's prime rate (4.5% and 5.5% at June 30, 2021 and 2020, 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, 2021 and 2020.

9. NOTES PAYABLE

The Organization's notes payable consist of the following at June 30, 2021 and 2020:

<u>Lender/Property Security</u>	<u>Monthly Payment</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2021 Loan Balance</u>	<u>2020 Loan Balance</u>
Chase Bank:					
Christopher *	\$ 943	6.00%	Jan 2033	\$ 94,258	\$ 99,733
Meusch*	1,555	7.00%	May 2032	52,975	67,421
Estuesta House*	2,074	5.88%	Apr 2035	235,166	245,886
Valeo House*	2,244	6.38%	Jan 2036	254,912	265,206
Matthews House*	1,223	6.75%	Jun 2032	113,550	120,300
Glenn Terrace*	1,823	5.75%	Apr 2033	187,499	198,258
Wallula*	1,241	5.25%	Aug 2033	133,218	140,884
Key Bank National Association:					
Sandvig*	1,200	7.13%	Mar 2027	66,815	76,021
Connell*	3,750	7.19%	Apr 2027	210,598	239,096
Self Directed Services*	5,271	7.93%	Jun 2026	238,163	280,023
Pluss*	3,534	5.63%	Oct 2024	127,616	161,763
Washington County:					
Pluss	1,295	3.00%	Sep 2039	207,435	231,218
HOME Clover Court	(a)	0.00%	Dec 2046	400,000	400,000
Tom Brewer	1,189	3.00%	Jun 2032	120,407	171,476
Pacific Continental Bank:					
SNAP Loan	18,855	3.74%	Dec 2025	3,104,143	3,211,759
FlowHouse	1,414	4.64%	Feb 2026	215,405	222,567
Capital Pacific Bank:					
Garden Row	2,535	4.25%	Apr 2028	359,678	377,858

Continued

NEW NARRATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

9. NOTES PAYABLE, CONTINUED

Lender/Property Security	Monthly Payment	Interest Rate	Maturity Date	2021 Loan Balance	2020 Loan Balance
Community Housing Fund:					
Clover Court CHF	1,658	4.00%	Aug 2033	184,772	195,341
LifeWorks NW:					
Tom Brewer	542	0.00%	Jun 2028	45,000	52,000
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>236,740</u>	<u>185,932</u>
Total long-term debt				7,860,760	8,215,152
Unamortized debt issuance costs				<u>(94,597)</u>	<u>(91,160)</u>
Total long-term debt				<u>\$ 7,766,163</u>	<u>\$ 8,123,992</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.

* These notes payable were refinanced in November 2021 into one note for \$1,750,000; due in monthly installments of principal and interest of \$17,742 with interest at 3.95%; matures November 2031.

	2021	2020
Current portion	\$ 298,187	\$ 403,710
Long-term portion	<u>7,467,976</u>	<u>7,720,282</u>
	<u>\$ 7,766,163</u>	<u>\$ 8,123,992</u>

NEW NARRATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

9. NOTES PAYABLE, CONTINUED

Future maturities of notes payable (including the subsequent refinance) are as follows:

Year ending June 30, 2022	\$	298,187
2023		395,635
2024		403,229
2025		388,627
2026		546,871
Thereafter		4,155,801
Equity gap loan		1,272,410
Cash flow contingent payments		<u>400,000</u>
		<u>\$ 7,860,760</u>

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2021 and 2020:

	2021	2020
North Star program	\$ -	\$ 117,836
Ascending Flow program	150,037	-
Diversity, equity and inclusion	<u>120,360</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 270,397</u>	<u>\$ 117,836</u>

11. REVENUE FROM CONTRACTS WITH CUSTOMERS

For revenue from contracts with customers, the timing of revenue recognition, billings, and cash collections may result in billed accounts receivable (contract asset) and customer advances and deposits and deferred revenue (contract liabilities) on the consolidated statements of financial position.

- Revenue from food services is recognized at a point in time, as food ordered is delivered to site per contract agreements.
- Revenue from licensed residential services is recognized at a point in time, as service is rendered.
- Revenue from mental health services and pharmaceuticals is recognized at a point in time, as service is rendered or pharmaceuticals provided.
- Revenue from rental units is recognized over time as housing is provided.

NEW NARRATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

II. REVENUE FROM CONTRACTS WITH CUSTOMERS, Continued

- Revenue from case rate allocation is recognized over the course of the authorization, which is generally 12 months.

Total revenue by contract type is as follows:

	<u>2021</u>	<u>2020</u>
Point in time:		
Food Services	\$ 356,141	\$ 256,656
Licensed residential services	6,959,477	5,778,486
Mental health services	1,928,099	1,052,893
Pharmaceuticals	2,809,337	2,577,169
Over time:		
Rental	1,621,192	1,526,905
Case rate allocation	<u>1,457,853</u>	<u>1,203,776</u>
Total revenue from contracts with customers	15,132,099	12,395,885
Less cost of goods sold	<u>2,407,643</u>	<u>2,265,062</u>
Total net contract revenue	<u>\$ 12,724,456</u>	<u>\$ 10,130,823</u>

Exchange revenue earned under contractual arrangements is reported in the consolidated statement of activities as follows:

	<u>2021</u>	<u>2020</u>
Fee for service	\$ 10,701,570	\$ 8,291,811
Pharmaceutical sales, net	401,694	312,107
Rental income	<u>1,621,192</u>	<u>1,526,905</u>
Total net contract revenue	<u>\$ 12,724,456</u>	<u>\$ 10,130,823</u>

The beginning and ending contract balances are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts receivable (contract asset):			
Point in time	\$ 1,320,945	\$ 1,159,322	\$ 1,113,639
Over time	<u>113,126</u>	<u>100,686</u>	<u>40,020</u>
Total accounts receivable	<u>\$ 1,434,071</u>	<u>\$ 1,260,008</u>	<u>\$ 1,153,659</u>
Deferred revenue (contract liability):			
Point in time	\$ -	\$ -	\$ -
Over time	<u>346,331</u>	<u>530,384</u>	<u>786,050</u>
Total deferred revenue	<u>\$ 346,331</u>	<u>\$ 530,384</u>	<u>\$ 786,050</u>

Revenue recognized for the years ended June 30, 2021 and 2020 that was included in the contract liability balance at the beginning of each year was \$530,384 and \$786,050, respectively.

NEW NARRATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

12. CONTINGENCIES

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.

13. LEASE COMMITMENTS

The Organization leases administrative and operating facilities under various operating lease agreements with monthly rent between \$2,200 and \$6,300, subject to annual increases. These operating rentals expire at various times through November 2025.

Rent expense for the above leases totaled approximately \$269,200 and \$257,500 for the years ended June 30, 2021 and 2020, respectively.

Future minimum non-cancellable lease commitments are as follows:

Year ending June 30, 2022	\$ 239,800
2023	148,100
2024	81,900
2025	8,600
	<u>\$ 478,400</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.

14. 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, 2021 and 2020 were approximately \$234,500 and \$213,900, respectively.

NEW NARRATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

15. 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, 2021 and 2020 are as follows:

	<u>Level 1</u>	<u>Level 2</u>
June 30, 2021		
Exchange-traded funds	\$ 527,896	\$ -
Fixed income (corporate bonds)	-	625,120
	<u>\$ 527,896</u>	<u>\$ 625,120</u>
June 30, 2020		
Exchange-traded funds	\$ 432,352	\$ -
Fixed income (corporate bonds)	-	642,255
	<u>\$ 432,352</u>	<u>\$ 642,255</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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

16. 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 \$2,989,000 at June 30, 2021, and \$2,349,000 at June 30, 2020.

The Organization's revenues are concentrated with 74% of total revenues coming from three governmental agencies for the year ended June 30, 2021 (82% from three governmental agencies for the year ended June 30, 2020).

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.