# NEW NARRATIVE

Consolidated Audited Financial Statements

For the Year Ended June 30, 2023

MCDONALD JACOBS

McDONALD JACOBS
ACCOUNTANTS & CONSULTANTS

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New Narrative

**Opinion**
We have audited the accompanying consolidated financial statements of New Narrative (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial consolidated statements.

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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of New Narrative and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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



121 SW Salmon Street Suite 1100 Portland, Oregon 97204
P: 503 227 0581 F: 503 274 7611
mail@mcdonaldjacobs.com mcdonaldjacobs.com

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of New Narrative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about New Narrative's ability to continue as a going concern for a reasonable period of time.

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

**Report on Summarized Comparative Information**
We have previously audited New Narrative's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 23, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

McDonald Jacobs, P.C.

Portland, Oregon
September 23, 2024

NEW NARRATIVE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2023
(With comparative totals for 2022)

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 551,901 | $ 5,762,227 |
| Accounts receivable, net | 5,121,859 | 4,107,392 |
| Inventory | 68,394 | 76,696 |
| Prepaid expenses | 122,618 | 49,928 |
| Total current assets | 5,864,772 | 9,996,243 |
| Investments | 1,242,750 | 1,194,203 |
| Right-of-use assets | 2,392,804 | - |
| Deposits held in trust | 383,729 | 235,432 |
| Property and equipment, net | 23,112,868 | 19,132,156 |
| TOTAL ASSETS | $ 32,996,923 | $ 30,558,034 |
| **LIABILITIES AND NET ASSETS** | | |
| Current liabilities: | | |
| Line of credit | $ 77,359 | $ - |
| Accounts payable and accrued expenses | 1,234,458 | 783,418 |
| Accrued personnel liabilities | 1,676,057 | 1,741,739 |
| Deferred revenue | 1,072,559 | 4,830,190 |
| Operating lease liabilities - current portion | 556,198 | - |
| Notes payable - current portion | 1,139,172 | 410,809 |
| Total current liabilities | 5,755,803 | 7,766,156 |
| Deposits held in trust | 404,637 | 239,719 |
| Operating lease liabilities, less current portion | 1,885,892 | - |
| Obligations under conditional grants | 7,991,885 | 5,559,063 |
| Notes payable, less current portion | 6,783,324 | 7,085,812 |
| Total liabilities | 22,821,541 | 20,650,750 |
| Net assets (deficit): | | |
| Without donor restrictions: | | |
| Undesignated | (5,164,990) | (1,793,168) |
| Net property and equipment | 15,190,372 | 11,635,535 |
| Total without donor restrictions | 10,025,382 | 9,842,367 |
| With donor restrictions | 150,000 | 64,917 |
| Total net assets | 10,175,382 | 9,907,284 |
| TOTAL LIABILITIES AND NET ASSETS | $ 32,996,923 | $ 30,558,034 |

See notes to consolidated financial statements.

NEW NARRATIVE
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2023
(With comparative totals for 2022)

| | 2023 | 2022 |
|---|---|---|
| **Change in net assets without donor restrictions:** | | |
| Support and revenue: | | |
| Government grants and contracts | $ 13,449,699 | $ 9,907,756 |
| Fee for service | 11,959,397 | 9,830,930 |
| Pharmaceutical sales, net of related expenses of $2,930,268 in 2023 and $3,041,559 in 2022 | 458,314 | 289,527 |
| Rental income | 1,799,924 | 1,774,927 |
| Contributions | 2,197,726 | 285,487 |
| Conditional grants recognized | 104,315 | 97,648 |
| Other government grant - Paycheck Protection Program | - | 2,105,597 |
| Other income | 725,711 | 200,105 |
| Net assets released from restrictions: | | |
| Satisfaction of purpose restrictions | 439,917 | 340,480 |
| Total support and revenue | 31,135,003 | 24,832,457 |
| Expenses: | | |
| Program services | 23,522,268 | 18,113,227 |
| Management and general | 7,429,720 | 5,023,413 |
| Total expenses | 30,951,988 | 23,136,640 |
| Change in net assets without donor restrictions | 183,015 | 1,695,817 |
| **Change in net assets with donor restrictions:** | | |
| Contributions and grants | 525,000 | 135,000 |
| Net assets released from restrictions: | | |
| Satisfaction of purpose restrictions | (439,917) | (340,480) |
| Change in net assets with donor restrictions | 85,083 | (205,480) |
| Change in net assets | 268,098 | 1,490,337 |
| **Net assets:** | | |
| Beginning of the year | 9,907,284 | 8,416,947 |
| End of the year | $ 10,175,382 | $ 9,907,284 |

See notes to consolidated financial statements.

NEW NARRATIVE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2023
(With comparative totals for 2022)

| | Program Services | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Residential Treatment | Clinical Services | Peer Services | Auxiliary Services | Total Program Services | Management and General | 2023 Total | 2022 Total |
| Salaries and related expenses | $ 8,239,968 | $ 4,956,042 | $ 711,404 | $ 3,005,655 | $ 16,913,069 | $ 4,725,771 | $ 21,638,840 | $ 16,216,093 |
| Program expenses and supplies | 404,006 | 659,836 | 279,054 | 679,205 | 2,022,101 | 182,375 | 2,204,476 | 1,965,825 |
| Professional fees | 97,826 | 243,128 | 159,536 | 49,294 | 549,784 | 644,021 | 1,193,805 | 803,895 |
| Cost of goods sold | - | - | - | 2,930,268 | 2,930,268 | - | 2,930,268 | 3,041,559 |
| Occupancy | 581,659 | 116,649 | 40,018 | 614,851 | 1,353,177 | 331,801 | 1,684,978 | 1,221,517 |
| Telephone and internet | 252,041 | 235,444 | 47,852 | 173,010 | 708,347 | 244,823 | 953,170 | 711,069 |
| Staff development and events | 29,044 | 36,974 | 12,754 | 42,061 | 120,833 | 298,975 | 419,808 | 199,063 |
| Insurance | 76,111 | 43,769 | 3,011 | 99,382 | 222,273 | 26,808 | 249,081 | 182,350 |
| Depreciation | 260,773 | 117,093 | 33,459 | 284,197 | 695,522 | 147,868 | 843,390 | 668,365 |
| Interest expense | 102,611 | 51,393 | 15,953 | 22,616 | 192,573 | 38,998 | 231,571 | 243,879 |
| Other operating costs | 542,415 | 34,183 | 19,966 | 148,025 | 744,589 | 788,280 | 1,532,869 | 924,584 |
| | 10,586,454 | 6,494,511 | 1,323,007 | 8,048,564 | 26,452,536 | 7,429,720 | 33,882,256 | 26,178,199 |
| Less cost of goods sold netted with revenue | - | - | - | (2,930,268) | (2,930,268) | - | (2,930,268) | (3,041,559) |
| Total expenses | $ 10,586,454 | $ 6,494,511 | $ 1,323,007 | $ 5,118,296 | $ 23,522,268 | $ 7,429,720 | $ 30,951,988 | $ 23,136,640 |

See notes to consolidated financial statements.

NEW NARRATIVE
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended June 30, 2023
(With comparative totals for 2022)

| | 2023 | 2022 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Change in net assets | $ 268,098 | $ 1,490,337 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities | | |
| Depreciation and loan fee amortization | 849,954 | 674,924 |
| Amortization of right-of-use assets | 567,123 | - |
| Change in allowance for uncollectible accounts | (9,327) | (42,732) |
| Net realized and unrealized (gain) loss on investments | (23,940) | 162,800 |
| Amortization of conditional grant agreements | (104,315) | (97,648) |
| (Increase) decrease in: | | |
| Accounts receivable | (1,005,140) | (1,273,066) |
| Contributions receivable | - | 74,775 |
| Other assets | (64,388) | 79,880 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 451,040 | 135,046 |
| Accrued personnel liabilities | (65,682) | 792,371 |
| Deferred revenue | (3,757,631) | 3,495,516 |
| Refundable advance-Paycheck Protection Program | - | (2,229,497) |
| Operating lease liabilities | (517,837) | - |
| Net cash flows from operating activities | (3,412,045) | 3,262,706 |
| **Cash flows from investing activities:** | | |
| Deposits held in trust | 16,621 | 3,197 |
| Purchase of property and equipment | (4,824,102) | (3,564,949) |
| Proceeds from the sale of investments | 58,371 | - |
| Purchase of investments | (82,978) | (118,943) |
| Net cash flows from investing activities | (4,832,088) | (3,680,695) |
| **Cash flows from financing activities:** | | |
| Net borrowings on line of credit | 77,359 | - |
| Proceeds from notes payable | 863,548 | 86,961 |
| Principal payments on notes payable | (444,237) | (363,062) |
| Conditional grants received | 2,537,137 | 2,834,384 |
| Net cash flows from financing activities | 3,033,807 | 2,558,283 |
| Net change in cash and cash equivalents | (5,210,326) | 2,140,294 |
| Cash and cash equivalents - beginning of year | 5,762,227 | 3,621,933 |
| Cash and cash equivalents - end of year | $ 551,901 | $ 5,762,227 |

See notes to consolidated financial statements.

## 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.

## 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 and Contributions Receivable
Accounts and contributions 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.

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Leases
The Organization determines if an arrangement is or contains a lease at inception. Under FASB ASC 842, *Leases*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option.

The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

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, 2023 and 2022.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

**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 consolidated statement of financial position. The Organization has been awarded cost-reimbursable grants of approximately $6,930,000 for the period through December 2025 that have not been recognized at June 30, 2023 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, Continued

**Conditional Grants Recognized**: These grants are amortized into revenue over the applicable compliance period or upon expiration of the compliance requirements.

**Paycheck Protection Program**: 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 was received in 2020. During the year ended June 30, 2022, $2,105,597 was forgiven and recognized as other government grant revenue in the consolidated statement of activities. The unforgiven portion of $123,900 was repaid to the SBA.

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

The preparation of consolidated 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.

Summarized Financial Information for 2022

The financial information as of June 30, 2022 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

New Accounting Standard

Effective July 1, 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, Leases, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to restate the comparative period (2022). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Organization recognized right-of-use assets and lease liabilities totaling $2,393,645 in its consolidated statement of financial position as of July 1, 2022. The adoption did not result in a significant effect on amounts reported in the consolidated statement of activities for the year ended June 30, 2023.

Subsequent Events

The Organization has evaluated all subsequent events through September 23, 2024, the date the consolidated financial statements were available to be issued.

Future Accounting Standard

Beginning of July 1, 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 include accounts receivable. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This standard provides financial statement users with more decision-useful information about the expected losses on financial instruments.

## 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 available for general expenditure consist of the following at June 30, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Cash and cash equivalents | $ 551,901 | $ 5,762,227 |
| Accounts receivable, net | 5,121,859 | 4,107,392 |
| Investments | 1,242,750 | 1,194,203 |
| Total financial assets | 6,916,510 | 11,063,822 |
| Less amounts unavailable for general expenditure: | | |
| Net assets with donor restrictions | 150,000 | 64,917 |
| Financial assets available for general expenditure | $ 6,766,510 | $ 10,998,905 |

See Note 9 for information on financial resources available through a line of credit.

## 4. ACCOUNTS RECEIVABLE

Accounts receivable are unsecured and consist of the following at June 30, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Multnomah County | $ 1,798,759 | $ 1,999,962 |
| Oregon Health Authority (OHA) | 6,686 | 293,744 |
| Washington County | 1,333,925 | 188,193 |
| Third party payors and other | 2,025,027 | 1,677,358 |
| Total accounts receivable | 5,164,397 | 4,159,257 |
| Less allowance for uncollectible accounts | 42,538 | 51,865 |
| Total accounts receivable, net | $ 5,121,859 | $ 4,107,392 |

Accounts balances over 90 days are approximately $778,100 and $1,370,000 as of June 30, 2023 and 2022, respectively.

## 5. INVESTMENTS

Investments consists of the following at June 30, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Cash and cash equivalents | $ 100,322 | $ 122,334 |
| Exchange-traded funds and mutual funds: | | |
| Equities | 366,560 | 344,762 |
| Fixed income | 736,745 | 690,933 |
| Real estate investment fund | 39,123 | 36,174 |
| Total investments | $ 1,242,750 | $ 1,194,203 |

## 6. LEASES

The Organization evaluated current contracts to determine which met the criteria of a lease. Right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and lease liabilities represent the Organization's obligation to make lease payments arising from these leases. ROU assets and lease liabilities, all of which arise from operating leases, are calculated based on the present value of future lease payments over the lease terms.

The Organization's operating leases consist of leases for administrative and operating facilities with remaining lease terms of 1 to 10 years.

Some of the facility leases automatically renew annually. The Organization has estimated how long the programs will occupy the premises. The payments associated with the estimated extensions are included in the ROU asset and the lease liability recognized.

The lease agreements also include provisions for variable rent payments, which are adjusted periodically for inflation.

The Organization also had a program facility lease expiring in the year of adoption which was treated as a short-term lease.

The consolidated statement of financial position reflects ROU assets of $2,392,804 and operating lease liabilities of $2,442,090 ($556,198 current portion and $1,885,892 noncurrent portion) as of June 30, 2023.

The weighted-average remaining lease term for the Organization's operating leases is approximately 6.2 years as of June 30, 2023. The weighted-average discount rate applied to calculate lease liabilities as of June 30, 2023 is 3.35%.

## 6. LEASES, Continued

The maturities of operating lease liabilities as of June 30, 2023 are as follows:

| | |
|---|---|
| Year ending June 30, 2024 | $ 629,446 |
| 2025 | 590,821 |
| 2026 | 381,864 |
| 2027 | 353,350 |
| 2028 | 156,765 |
| Thereafter | 599,364 |
| | 2,711,610 |
| Less discount/interest | (269,520) |
| Present value of lease liabilities | $ 2,442,090 |

For the year ended June 30, 2023, total operating lease cost of approximately $646,000 and total short-term lease cost of approximately $66,400 are included in occupancy in the consolidated statement of functional expenses.

The Organization entered into two leases for facilities effective July 1, 2023 and will reflect ROU assets and lease liabilities approximating $1,048,000 at lease inception.

Rent expense under FASB ASC Topic 840, Leases, (pre-adoption of the new standards) for operating leases totaled approximately $295,300 for the year ended June 30, 2022. The aggregate minimum lease payments under those operating leases as of June 30, 2022, were as follows:

| | |
|---|---|
| Year ending June 30, 2023 | $ 299,100 |
| 2024 | 174,400 |
| 2025 | 104,100 |
| 2026 | 107,200 |
| 2027 | 110,400 |
| | $ 795,200 |

## 7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Land | $ 3,867,302 | $ 3,867,302 |
| Building and improvements | 22,384,778 | 17,222,754 |
| Construction in process | 2,625,105 | 3,227,960 |
| Furniture and equipment | 1,049,957 | 963,456 |
| Vehicles | 1,009,975 | 860,672 |
| Total property and equipment | 30,937,117 | 26,142,144 |
| Less accumulated depreciation | 7,824,249 | 7,009,988 |
| Net property and equipment | $ 23,112,868 | $ 19,132,156 |

Construction in process includes a 15-unit apartment complex completed in Spring 2024 at an estimated cost to complete of $3,100,000, as well as renovation of two buildings with estimated costs to complete of $1,100,000.

## 8. DEFERRED REVENUE

Deferred revenue consists of the following at June 30, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Case Rate (Note 13) | $ 340,771 | $ 284,640 |
| Advances on government grants: | | |
| Bridge City Recovery | 731,788 | 731,788 |
| OHA HB 4004 - Workforce Stability | - | 1,805,202 |
| OHA Measure 110 | - | 978,206 |
| Rental Assistance Program | - | 454,638 |
| Other programs | - | 575,716 |
| Total deferred revenue | $ 1,072,559 | $ 4,830,190 |

## 9. LINE OF CREDIT

The Organization has available a $1,200,000 revolving line of credit that matures in July 2025. Interest on the line is payable monthly on outstanding balances at a variable rate. The line is secured by certain assets. Outstanding advance on the line is $77,359 at June 30, 2023.

## 10. NOTES PAYABLE

The Organization's notes payable consist of the following at June 30, 2023 and 2022:

| Lender/Property Security | Monthly Payment | Interest Rate | Maturity Date | 2023 Loan Balance | 2022 Loan Balance |
|---|---|---|---|---|---|
| Key Bank: | | | | | |
| Douglas Fir | (c) | 8.00% | May 2024 | $ 685,116 | $ - |
| Washington County: | | | | | |
| Pluss | 1,295 | 3.00% | Sep 2039 | 168,216 | 183,394 |
| HOME Clover Court | (a) | 0.00% | Dec 2046 | 400,000 | 400,000 |
| Tom Brewer | 1,189 | 3.00% | Jun 2032 | 63,318 | 91,863 |
| Umpqua Bank: | | | | | |
| Real Estate RTF Loan | 17,742 | 3.95% | Nov 2031 | 1,518,655 | 1,667,440 |
| SNAP Loan | 18,855 | 3.74% | Dec 2025 | 2,873,334 | 2,992,491 |
| FlowHouse | 1,414 | 3.55% | Feb 2026 | 200,012 | 207,563 |
| Garden Row | 2,535 | 4.50% | Apr 2028 | 322,504 | 342,331 |
| Community Housing Fund: | | | | | |
| Clover Court CHF | 1,658 | 4.00% | Aug 2033 | 158,314 | 172,345 |
| LifeWorks NW: | | | | | |
| Tom Brewer | 542 | 0.00% | Jun 2028 | 32,500 | 39,000 |
| Portland Development Commission: | | | | | |
| Sandy Apartments | (b) | 0.00% | Feb 2068 | 1,272,410 | 1,272,410 |
| Various vehicle and equipment agreements | Range from 337 to 1,269 | 1.3%-9.7% | Aug 2023 - Nov 2027 | 309,588 | 215,819 |
| Total long-term debt | | | | 8,003,967 | 7,584,656 |
| Unamortized debt issuance costs | | | | (81,473) | (88,035) |
| Total long-term debt, net | | | | $ 7,922,494 | $ 7,496,621 |

(a) Annual payments beginning Dec 2019 through Dec 2034 are based on half of NewNarrative's cash flowafter 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.

(c) Converted to permanent loan in June 2024 and sold to Network for Affordable Housing subsequent to year-end.

## 10. NOTES PAYABLE, CONTINUED

The notes payable are classified as follows:

| | 2023 | 2022 |
|---|---|---|
| Current portion | $ 1,139,172 | $ 410,809 |
| Long-term portion | 6,783,322 | 7,085,812 |
| | $ 7,922,494 | $ 7,496,621 |

Future maturities of notes payable are as follows:

| | |
|---|---|
| Year ending June 30, 2024 | $ 1,139,172 |
| 2025 | 447,612 |
| 2026 | 3,104,856 |
| 2027 | 288,923 |
| 2028 | 305,747 |
| Thereafter | 1,045,247 |
| Equity gap loan | 1,272,410 |
| Cash flow contingent payments | 400,000 |
| | $ 8,003,967 |

## 11. OBLIGATIONS UNDER CONDITIONAL GRANTS

The Organization has been awarded grants from governmental agencies for the construction of facilities to operate several of their programs. The grants have varying payback provisions if the facilities are sold, disposed of, or not used for their intended purpose. Terms range from 15-60 years. The grants are amortized into revenue upon satisfaction of the conditions according to the terms of agreements. Conditional grants by funder consist of the following at June 30, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Washington County | $ 1,273,202 | $ 1,311,942 |
| Oregon Health Authority | 2,834,384 | 2,834,384 |
| Oregon Housing and Community Services | 1,947,138 | 560,000 |
| Oregon Dept. of Health and Human Services | 357,678 | 384,287 |
| Multnomah County | 393,333 | - |
| Federal Home Loan Bank | 990,000 | 240,000 |
| Other | 196,150 | 228,450 |
| Total obligations under conditional grants | $ 7,991,885 | $ 5,559,063 |

## 12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Ascending Flow program | $ - | $ 33,750 |
| Diversity, equity and inclusion | - | 31,167 |
| Transition Age Youth | 150,000 | - |
| Total net assets with donor restrictions | $ 150,000 | $ 64,917 |

## 13. 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.
- 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:

| | 2023 | 2022 |
|---|---|---|
| Point in time: | | |
| Food Services | $ 369,967 | $ 348,332 |
| Licensed residential services | 9,017,777 | 6,827,805 |
| Mental health services | 1,166,564 | 1,454,652 |
| Pharmaceuticals | 3,388,582 | 3,331,086 |
| Over time: | | |
| Case rate allocation | 1,405,089 | 1,200,141 |
| Rental | 1,799,924 | 1,774,927 |
| Total revenue from contracts with customers | 17,147,903 | 14,936,943 |
| Less cost of goods sold | 2,930,268 | 3,041,559 |
| Total net contract revenue | $ 14,217,635 | $ 11,895,384 |

## 13. REVENUE FROM CONTRACTS WITH CUSTOMERS, Continued

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

| | 2023 | 2022 |
|---|---|---|
| Fee for service | $ 11,959,397 | $ 9,830,930 |
| Pharmaceutical sales, net | 458,314 | 289,527 |
| Rental income | 1,799,924 | 1,774,927 |
| Total net contract revenue | $ 14,217,635 | $ 11,895,384 |

The beginning and ending contract balances are as follows:

| Accounts receivable (contract asset): | 2023 | 2022 | 2021 |
|---|---|---|---|
| Point in time | $ 1,117,404 | $ 1,211,556 | $1,320,945 |
| Over time | 81,489 | 53,177 | 113,126 |
| Total accounts receivable | $ 1,198,893 | $ 1,264,733 | $ 1,434,071 |
| Deferred revenue (contract liability): | | | |
| Over time | $ 340,771 | $ 284,640 | $ 346,330 |
| Total deferred revenue | $ 340,771 | $ 284,640 | $ 346,330 |

Revenue recognized for the years ended June 30, 2023 and 2022 that was included in the contract liability balance at the beginning of each year was $284,640 and $346,330, respectively.

## 14. 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.

## 15. 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, 2023 and 2022 were approximately $332,700 and $260,900, respectively.

## 16. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

Assets and liabilities recorded at fair value in the consolidated 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, 2023 and 2022 are as follows:

| | Level 1 |
|---|---|
| **June 30, 2023** | |
| Exchange-traded funds and mutual funds: | |
| Equities | $ 366,560 |
| Fixed income | 736,745 |
| Real estate investment fund | 39,123 |
| | $ 1,181,551 |
| **June 30, 2022** | |
| Exchange-traded funds and mutual funds: | |
| Equities | $ 344,762 |
| Fixed income | 690,933 |
| Real estate investment fund | 36,174 |
| | $ 1,071,869 |

Fair values for exchange-traded funds and mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

## 17. 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 total approximately $254,000 at June 30, 2023, and $5,037,000 at June 30, 2022.

The Organization's revenues are concentrated with 61% of total revenues coming from two governmental agencies for the year ended June 30, 2023 (71% from two governmental agencies for the year ended June 30, 2022).

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 consolidated statement of financial position.

## 18. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information for the years ended June 30, 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Cash paid during the year for interest | $ 148,297 | $237,320 |
| Cash paid for operating leases | 596,683 | - |
| Noncash operating and financing activities: | | |
| Right-of-use assets in exchange for operating lease liabilities | 2,959,927 | - |
| Noncash financing activities: | | |
| Refinance of loan | - | 1,750,000 |