

**OUTREACH DEVELOPMENT
CORPORATION**



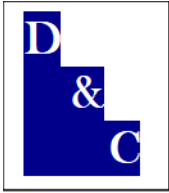
Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2022 and 2021

OUTREACH DEVELOPMENT CORPORATION
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED JUNE 30, 2022 AND 2021

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Desire & Company CPAs, PLLC
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Outreach Development Corporation

Opinion

We have audited the accompanying financial statements of Outreach Development Corporation (the "Organization"), which comprise the statements of financial position as of June 30, 2022, and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Desire + Company CPAs

New York, New York
December 12, 2022

Desire & Company CPAs
Certified Public Accountants & Consultants

OUTREACH DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash, including cash restricted for capital projects of \$5,951,682 and \$6,391,413, respectively	\$ 14,588,575	\$ 13,512,126
Receivable from supporting agencies	2,368,916	1,777,054
Other receivables	141,641	47,689
Prepaid expenses	193,847	109,778
Total Current Assets	17,292,979	15,446,647
Property and equipment - at cost, net of accumulated depreciation of \$7,804,120 and \$7,260,554, respectively (Notes 2D and 3)	16,820,677	16,662,558
OTHER ASSETS		
Security deposits	51,237	50,980
Total Other Assets	51,237	50,980
TOTAL ASSETS	\$ 34,164,893	\$ 32,160,185
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 570,371	\$ 778,672
Accrued expenses	1,714,698	937,398
Accrued compensated absences (Note 15)	642,039	599,456
Deferred rent (Note 16)	35,901	60,447
Deferred revenue	4,439,365	3,308,307
Post retirement benefits payable - current portion (Note 9)	12,000	11,500
Loan payable - affiliate (Note 4)	837,766	539,999
Total Current Liabilities	8,252,140	6,235,779
LONG-TERM LIABILITIES		
Long-term debt - net of current portion (Note 4)	15,194,195	15,194,195
Post retirement benefits payable (Note 9)	195,007	233,137
Total Long-Term Liabilities	15,389,202	15,427,332
TOTAL LIABILITIES	23,641,342	21,663,111
COMMITMENTS AND CONTINGENCIES (Note 13)		
NET ASSETS		
Net assets without donor restrictions (Note 2B)	10,503,551	10,477,074
Net assets with donor restrictions (Notes 2B and 10)	20,000	20,000
TOTAL NET ASSETS	10,523,551	10,497,074
TOTAL LIABILITIES AND NET ASSETS	\$ 34,164,893	\$ 32,160,185

The accompanying notes are an integral part of these financial statements.

OUTREACH DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
REVENUE AND SUPPORT:				
Government reimbursement contracts (Note 5)	\$ 14,717,770	\$ -	\$ 14,717,770	\$ 13,596,248
Government welfare programs (Note 6)	354,965	-	354,965	327,710
Client fees (Note 6)	9,565,080	-	9,565,080	8,733,672
Outreach Project, Inc. grant (Note 11)	340,000	-	340,000	425,000
Grants	15,729	-	15,729	75,271
Rent income	18,958	-	18,958	17,500
Interest income	4,386	-	4,386	20,890
Loan forgiveness paycheck protection program	-	-	-	2,785,444
Other income	12,470	-	12,470	50,575
Net assets released from restrictions	-	-	-	-
TOTAL REVENUE AND SUPPORT	<u>25,029,358</u>	<u>-</u>	<u>25,029,358</u>	<u>26,032,310</u>
EXPENSES				
Program services:				
Residential Services	10,601,052	-	10,601,052	9,805,103
Outpatient Services	9,143,473	-	9,143,473	8,574,394
Women and Children Services	1,158,650	-	1,158,650	1,152,617
Training Evaluation and Enhancement	517,470	-	517,470	514,813
Total Program Services	<u>21,420,645</u>	<u>-</u>	<u>21,420,645</u>	<u>20,046,927</u>
Supporting Services:				
Administration	3,619,867	-	3,619,867	3,468,937
TOTAL EXPENSES	<u>25,040,512</u>	<u>-</u>	<u>25,040,512</u>	<u>23,515,864</u>
CHANGE IN NET ASSETS				
BEFORE PENSION RELATED CHANGES	(11,154)	-	(11,154)	2,516,446
Pension related changes (Note 9)	37,630	-	37,630	19,983
CHANGE IN NET ASSETS	<u>26,476</u>	<u>-</u>	<u>26,476</u>	<u>2,536,429</u>
NET ASSETS - Beginning of Year	<u>10,477,074</u>	<u>20,000</u>	<u>10,497,074</u>	<u>7,960,645</u>
NET ASSETS - End of Year	<u>\$ 10,503,550</u>	<u>\$ 20,000</u>	<u>\$ 10,523,550</u>	<u>\$ 10,497,074</u>

The accompanying notes are an integral part of these financial statements.

OUTREACH DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Government reimbursement contracts (Note 5)	\$ 13,596,248	\$ -	\$ 13,596,248
Government welfare programs (Note 6)	327,710	-	327,710
Client fees (Note 6)	8,733,672	-	8,733,672
Outreach Project, Inc. grant (Note 11)	425,000	-	425,000
Grants	75,271	-	75,271
Rent income	17,500	-	17,500
Interest income	20,890	-	20,890
Loan forgiveness paycheck protection program	2,785,444		2,785,444
Other income	50,575	-	50,575
Net assets released from restrictions	<u>12,370</u>	<u>(12,370)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>26,044,680</u>	<u>(12,370)</u>	<u>26,032,310</u>
EXPENSES			
Program services:			
Residential Services	9,805,103	-	9,805,103
Outpatient Services	8,574,394	-	8,574,394
Women and Children Services	1,152,617	-	1,152,617
Training Evaluation and Enhancement	<u>514,813</u>	<u>-</u>	<u>514,813</u>
Total Program Services	20,046,927	-	20,046,927
Supporting Services:			
Administration	<u>3,468,937</u>	<u>-</u>	<u>3,468,937</u>
TOTAL EXPENSES	<u>23,515,864</u>	<u>-</u>	<u>23,515,864</u>
CHANGE IN NET ASSETS			
BEFORE PENSION RELATED CHANGES	2,528,816	(12,370)	2,516,446
Pension related changes (Note 9)	<u>19,983</u>	<u>-</u>	<u>19,983</u>
CHANGE IN NET ASSETS	2,548,799	(12,370)	2,536,429
NET ASSETS - Beginning of Year	<u>7,928,275</u>	<u>32,370</u>	<u>7,960,645</u>
NET ASSETS - End of Year	<u>\$ 10,477,074</u>	<u>\$ 20,000</u>	<u>\$ 10,497,074</u>

The accompanying notes are an integral part of these financial statements.

OUTREACH DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	PROGRAM SERVICES					SUPPORTING SERVICES		TOTAL EXPENSES	
	RESIDENTIAL SERVICES	OUTPATIENT SERVICES	WOMEN AND CHILDREN SERVICES	TRAINING EVALUATION AND ENHANCEMENT	TOTAL PROGRAM SERVICES	ADMINISTRATION	2022	2021	
	Salaries	\$ 5,795,120	\$ 4,742,711	\$ 739,893	\$ 255,704	\$ 11,533,428	\$ 2,304,312	\$ 13,837,740	\$ 13,283,412
Payroll taxes and employee benefits	1,781,953	1,624,532	230,974	103,021	3,740,480	756,412	4,496,892	4,635,416	
Total salaries and related costs	<u>7,577,073</u>	<u>6,367,243</u>	<u>970,867</u>	<u>358,725</u>	<u>15,273,908</u>	<u>3,060,724</u>	<u>18,334,632</u>	<u>17,918,828</u>	
Rent	469,559	540,414	71,967	-	1,081,940	-	1,081,940	1,032,400	
Equipment and betterments (Note 2D)	103,762	164,562	4,720	11,866	284,910	31,072	315,982	190,526	
Utilities	237,835	127,084	12,494	27,723	405,136	13,593	418,729	388,405	
Telephone	56,212	72,731	11,942	12,703	153,588	23,503	177,091	150,045	
Consultants	272,592	684,652	6,070	21,615	984,929	169,948	1,154,877	891,077	
Transportation	29,335	26,103	8,924	-	64,362	37,240	101,602	125,542	
Postage	627	979	199	933	2,738	2,185	4,923	7,195	
Supplies and material	386,042	299,911	23,799	13,835	723,587	44,392	767,979	583,746	
Repairs and maintenance	207,516	239,311	6,070	17,960	470,857	15,953	486,810	357,912	
Professional fees	26,500	43,620	3,250	1,500	74,870	49,434	124,304	108,922	
Conferences and staff development	8,023	66,487	549	2,290	77,349	19,652	97,001	29,779	
Interest and bank charges	6,752	750	-	1,899	9,401	61,267	70,668	87,437	
Food	516,367	1,769	561	-	518,697	1,921	520,618	434,429	
Insurance	83,239	100,135	18,000	5,000	206,374	35,377	241,751	195,026	
Advertising and promotion	11,346	14,774	964	752	27,836	5,987	33,823	57,239	
Printing	301	1,448	-	-	1,749	136	1,885	2,085	
Outside contractors	76,928	181,355	10,519	2,400	271,202	3,034	274,236	177,441	
Community relations	65,299	18,253	991	808	85,351	5,780	91,131	27,626	
Computer services	14,689	28,043	2,671	2,671	48,074	5,342	53,416	49,866	
Rubbish removal	37,973	12,429	1,466	1,071	52,939	1,161	54,100	58,489	
Dues and subscriptions	5,212	15,472	992	130	21,806	1,704	23,510	34,395	
Miscellaneous	9,360	46,390	1,635	132	57,517	8,421	65,938	60,589	
Depreciation (Notes 2D and 3)	398,510	89,558	-	33,457	521,525	22,041	543,566	546,865	
Total Other Expenses	<u>3,023,979</u>	<u>2,776,230</u>	<u>187,783</u>	<u>158,745</u>	<u>6,146,737</u>	<u>559,143</u>	<u>6,705,880</u>	<u>5,597,036</u>	
Total Operating Expenses	<u>\$ 10,601,052</u>	<u>\$ 9,143,473</u>	<u>\$ 1,158,650</u>	<u>\$ 517,470</u>	<u>\$ 21,420,645</u>	<u>\$ 3,619,867</u>	<u>\$ 25,040,512</u>	<u>\$ 23,515,864</u>	

The accompanying notes are an integral part of these financial statements.

OUTREACH DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	PROGRAM SERVICES				SUPPORTING SERVICES		
	RESIDENTIAL SERVICES	OUTPATIENT SERVICES	WOMEN AND CHILDREN SERVICES	TRAINING EVALUATION AND ENHANCEMENT	TOTAL PROGRAM SERVICES	ADMINISTRATION	TOTAL
Salaries	\$ 5,375,571	\$ 4,675,205	\$ 723,511	\$ 266,798	\$ 11,041,085	\$ 2,242,327	\$ 13,283,412
Payroll taxes and employee benefits	1,788,739	1,749,411	249,204	116,858	3,904,212	731,204	4,635,416
Total salaries and related costs	<u>7,164,310</u>	<u>6,424,616</u>	<u>972,715</u>	<u>383,656</u>	<u>14,945,297</u>	<u>2,973,531</u>	<u>17,918,828</u>
Rent	417,616	542,817	71,967	-	1,032,400	-	1,032,400
Equipment and betterments (Note 2D)	49,086	109,141	1,788	9,742	169,757	20,769	190,526
Utilities	232,767	109,633	9,082	23,702	375,184	13,221	388,405
Telephone	46,878	60,090	9,844	10,932	127,744	22,301	150,045
Consultants	255,057	511,767	1,663	3,855	772,342	118,735	891,077
Transportation	43,219	18,084	22,239	-	83,542	42,000	125,542
Postage	608	2,337	361	1,087	4,393	2,802	7,195
Supplies and material	312,391	208,503	18,939	11,217	551,050	32,696	583,746
Repairs and maintenance	183,322	135,136	6,108	14,924	339,490	18,422	357,912
Professional fees	18,000	37,670	3,000	1,500	60,170	48,752	108,922
Conferences and staff development	2,950	12,899	1,110	3,600	20,559	9,220	29,779
Interest and bank charges	11,162	1,240	-	-	12,402	75,035	87,437
Food	428,453	3,937	403	383	433,176	1,253	434,429
Insurance	74,492	69,985	16,500	5,000	165,977	29,049	195,026
Advertising and promotion	21,107	22,835	3,175	1,539	48,656	8,583	57,239
Printing	83	1,299	225	-	1,607	478	2,085
Outside contractors	57,899	103,764	5,329	2,029	169,021	8,420	177,441
Community relations	15,500	3,643	-	3,185	22,328	5,298	27,626
Computer services	13,714	26,180	2,493	2,493	44,880	4,986	49,866
Rubbish removal	44,477	10,655	1,234	1,019	57,385	1,104	58,489
Dues and subscriptions	4,613	25,650	3,181	144	33,588	807	34,395
Miscellaneous	5,590	42,955	1,261	1,349	51,155	9,434	60,589
Depreciation (Notes 2D and 3)	401,809	89,558	-	33,457	524,824	22,041	546,865
Total Other Expenses	<u>2,640,793</u>	<u>2,149,778</u>	<u>179,902</u>	<u>131,157</u>	<u>5,101,630</u>	<u>495,406</u>	<u>5,597,036</u>
Total Operating Expenses	<u>\$ 9,805,103</u>	<u>\$ 8,574,394</u>	<u>\$ 1,152,617</u>	<u>\$ 514,813</u>	<u>\$ 20,046,927</u>	<u>\$ 3,468,937</u>	<u>\$ 23,515,864</u>

The accompanying notes are an integral part of these financial statements.

OUTREACH DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 26,477	\$ 2,536,429
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	543,566	546,865
Post retirement benefits payable	(37,630)	(19,983)
Loan forgiveness paycheck protection program	-	(2,750,000)
Changes in:		
Receivable from supporting agencies	(591,862)	208,935
Other receivables	(93,952)	(6,489)
Prepaid expenses	(84,069)	(5,842)
Security deposits	(257)	(524)
Accounts payable	(208,301)	174,158
Accrued expenses	777,300	(399,692)
Accrued compensated absences	42,583	(66,464)
Deferred rent	(24,546)	(50,356)
Deferred revenue	1,131,058	1,860,564
Subtotal	1,453,890	(508,828)
Net cash provided by operating activities	1,480,367	2,027,601
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to land	-	(7,706)
Additions to construction in progress	(701,685)	(466,201)
Net Cash Used in Investing Activities	(701,685)	(473,907)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	-	51,000
Proceed from (Payments on) loan payable - affiliate	297,767	429,785
Net Cash Provided by Financing Activities	297,767	480,785
NET INCREASE IN CASH	1,076,449	2,034,479
CASH - Beginning of year	13,512,126	11,477,647
CASH - End of year	\$ 14,588,575	\$ 13,512,126

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for interest	\$ 12,008	\$ 14,177
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In fiscal 2021, accrued interest of \$35,444 on the PPP loan was forgiven.

**OUTREACH DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 – ORGANIZATION AND PURPOSE

Outreach Development Corporation (“ODC” or the “Organization”) operates two residential substance use disorder programs for adolescents, two residential facilities for adults, six outpatient substance use disorder treatment programs, a substance use disorder rehabilitation outpatient program for women with children, a mental health outpatient clinic, and an education and training institute. These programs are substantially funded by governmental agencies.

ODC has been determined by the Internal Revenue Service to be exempt from Federal income taxes pursuant to Section 501(c) (3) of the Internal Revenue Code of 1986, as amended.

ODC has an affiliate, Outreach Project, Inc. (“OPI”), which is also an organization exempt from Federal income taxes pursuant to Section 501(c) (3) of the Internal Revenue Code of 1986, as amended. ODC and OPI share certain common personnel and facilities. In addition, OPI provides a grant to ODC (see Note 11). They each have a separate and independent board of directors.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A) ***Basis of Accounting*** – The books and records of ODC are maintained, and the accompanying financial statements have been prepared, on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.
- B) ***Financial Statement Presentation*** – ODC reports its financial position and operating activities according to two classes of net assets:

These classifications are defined as follows:

Net assets without donor restrictions - represents resources available for support of the Organization’s operation over which the Board of Directors has discretionary control.

Net assets with donor restrictions – represents net assets subject to donor-imposed stipulations, including stipulations that will be met either by actions of the Organization or the passage of time, stipulations that they be maintained intact in perpetuity by the Organization.

- C) ***Tax Status*** – ODC believes it has no uncertain tax positions as of June 30, 2022 and 2021 in accordance with Accounting Standards Codification (“ASC”) Topic 740, “Income Taxes,” which provides standards for establishing and classifying any tax provisions for uncertain tax positions.
- D) ***Property and Equipment*** – Depreciation of property and equipment is provided on a straight-line basis over the estimated useful lives (5 - 40 years) of the related assets. Equipment under capital leases is amortized on a straight-line basis over the shorter of their related lease terms or their estimated useful lives. When property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved, and any resulting gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred. Betterments and major renewals or replacements are capitalized, except when the cost of the equipment or betterment is reimbursed by a funding agency. Accordingly, the title to such assets remains in the name of the reimbursing agency. Purchases of equipment and expenditures for betterments of leased offices of \$232,894 in 2022 and \$117,677 in 2021 were recorded as expenses because of such reimbursements and are included in the Statement of Functional Expenses in these financial statements.

OUTREACH DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continues)

- E) **Revenue Recognition** – The principal activities of ODC are funded under the terms of expense reimbursement contracts with various governmental agencies. Revenue under these government reimbursement contracts is recognized as the related expenses are incurred. Such revenue is restricted in use and is subject to future audit and adjustment by the related government agency.

Contributions and grants are generally non-exchange transactions and accounted for under Accounting Standards Update (“ASU”) 2018-08 “Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made” (Topic 958). Contributions are recognized as revenue when barriers within the agreements are overcome, and there is no right of return. Once the barriers are overcome, the Organization determines if there are any donor-imposed restrictions (e.g., for a specific purpose or period of time). The contribution is then recognized as unconditional and classified as either net assets with donor restrictions or net assets without donor restrictions (see Note 2B). Once the restrictions are met, the contribution is then transferred to net assets without donor restrictions. Contributions amounted to \$340,000 and \$425,000 for the years ended June 30, 2022, and 2021, respectively are included in the statement of activities.

Conditional contributions received (contributions with donor-imposed conditions) are accounted for as deferred revenues or are unrecognized initially until barriers to entitlement are overcome. The donor-imposed condition represents a barrier that must be overcome before the Organization is entitled to the revenue. Failure to overcome the barrier gives the contributor a right of return of the revenue it has transferred or gives the promisor a right of release from its obligations to make a contribution.

Unconditional promises to give (without barriers) are recorded as revenues when pledged. All contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Client fee revenue is reported at the amount that reflects the consideration to which ODC expects to be entitled in exchange for providing care to the clients. These amounts are due from the clients, third-party payors (including health insurers, Medicaid and Medicare), and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, ODC bills the clients and third-party payors several days after the services are performed or the client is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by ODC. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. ODC believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to Clients receiving services at ODC’s facilities. ODC measures the performance obligation from the commencement of a client service, to the point when it is no longer required to provide services to that client, which is generally at the time of completion of the services.

Because all of its performance obligations relate to contracts with a duration of less than one year, ODC has elected to apply the optional exemption provided in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. ODC’s performance obligations consist primarily of client services that occur within one day of a client’s visit, thus, there were no unsatisfied or partially unsatisfied performance obligations at the end of the reporting period.

Throughout the year, rates may vary, as determined by NYS and federal agencies and Medicaid, and ODC will record additional revenue resulting from a rate increase and record a reduction of revenue with a rate decrease. These rate adjustments represent variable consideration in the form of explicit or implicit price concessions and ODC considers these amounts in the determination of the transaction price. ODC determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience.

OUTREACH DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continues)

ODC determines its estimates of explicit or implicit price concessions based on its historical collection experience. Laws and regulations governing NYS and federal programs are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from these programs. ODC is not aware of any allegations of noncompliance that could have a material adverse effect on the accompanying financial statements and believes that it is in compliance with all applicable laws and regulations.

As a practical expedient, ODC utilizes the portfolio approach for analyzing the revenue contracts in accordance with Topic 606. ODC accounts for the contracts within each portfolio collectively, rather than individually, based on each revenue stream. ODC considers the similar nature and characteristics of the contract and customers in using the portfolio approach. ODC believes that the use of the portfolio approach to analyze contracts will not differ materially than if the contracts were analyzed individually.

Client fees that are received in advance are deferred to the applicable period and are recorded as deferred revenue on the Statements of Financial Position.

- F) ***Allowance for Doubtful Accounts*** – Management determined that no allowance for uncollectible receivables (government grants) was necessary as of June 30, 2022 and 2021. ODC evaluates the need for an allowance for uncollectible accounts based on a combination of factors such as management’s assessment of the aged basis of its government funding sources, the creditworthiness of funders and contributors, current economic conditions, and historical experience. Management determined that no allowance for uncollectible receivables was necessary as of June 30, 2022, and 2021.
- G) ***Use of Estimates*** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- H) ***Functional Allocation of Expenses*** – The costs of providing the various programs of the Organization have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs, and supporting services benefited as determined by management. Expenses that can be identified with a specific program are charged directly to the program.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent, repairs and maintenance which are allocated on a square footage basis, as well as salaries, benefits, payroll taxes and others which are allocated based on time spent in each functional category or program.

- I) ***Recent Accounting Pronouncements*** - In February 2016, FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 will require that a lessee recognize assets and liabilities on the statement of financial position for all leases with a lease term of more than twelve months, with the result being the recognition of a right-of-use asset and a leased liability. Recognition and presentation of expenses will depend on the classification of the lease as either financing or operating. ASU 2016-02 will also require quantitative and qualitative disclosures to supplement the amounts recorded in the financial statements to afford better understanding of an organization’s leasing activities. ASU 2016-02, as amended by ASU 2020-05 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted and is to be applied retrospectively. The Organization is currently evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures.

OUTREACH DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	2022	2021	
Buildings	\$ 21,742,637	\$ 21,742,637	(40 years)
Furniture and Equipment	217,248	217,248	(5-7 years)
Construction in Progress	1,735,606	1,033,921	
	23,695,491	22,993,806	
Accumulated Depreciation	(7,804,120)	(7,260,554)	
	15,891,371	15,733,252	
Land	929,306	929,306	
Net Book Value	\$ 16,820,677	\$ 16,662,558	

The buildings have been pledged to secure their respective mortgages. Depreciation expense for the years ended June 30, 2022 and 2021 was \$543,566 and \$546,865, respectively.

NOTE 4 – LONG-TERM DEBT

Long-term are summarized as follows:

	Total Long-Term Debt	Current Portion	Long-Term Portion
A)	\$ 5,969,000	\$ -	\$ 5,969,000
B)	1,690,407	-	1,690,407
C)	4,579,500	-	4,579,500
D)	2,955,288	-	2,955,288
E)	837,766	837,766	-
	\$ 16,031,961	\$ 837,766	\$ 15,194,195

- A) This represents advances from the NYS Office of Addiction Services and Supports on a capital contract to renovate the residential facility in Brentwood, NY. As part of the capital contract, upon completion ODC has agreed to participate in a bond issue authorized by the New York State Dormitory Authority. As of June 30, 2022 and 2021, the outstanding balance on the loans was \$5,969,000 and \$5,969,000, respectively. There is no scheduled maturity of this loan.
- B) This represents advances from the NYS Office of Addiction Services and Supports on a capital contract to renovate the residential facility in Richmond Hill, NY. As part of the capital contract, upon completion ODC has agreed to participate in a bond issue authorized by the New York State Dormitory Authority. As of June 30, 2022 and 2021, the outstanding balance on the loans was \$1,690,407 and \$1,690,407, respectively. There is no scheduled maturity date for this loan.
- C) This represents advances from the NYS Office of Addiction Services and Supports on a capital contract to renovate the residential facility in Brentwood, NY. As part of the capital contract, upon completion ODC has agreed to participate in a bond issue authorized by the New York State Dormitory Authority. As of June 30, 2022 and 2021, the outstanding balance on the loans was \$4,579,500 and \$4,579,500, respectively. There is no scheduled maturity date for this loan.

OUTREACH DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 – LONG-TERM DEBT (Continued)

- D) This represents advances from NYS Office of Addiction Services and Supports on a capital contract to construct a community residential facility for young adults in Brentwood, NY. As part of the capital contract, upon completion ODC has agreed to participate in a bond issue authorized by the New York State Dormitory Authority. As of June 30, 2022 and 2021, the outstanding balance on the note was \$2,955,288 and \$2,955,288, respectively. There is no scheduled maturity date for this loan.
- E) This represents a short-term loan from OPI. The loan bears simple interest of 7% per annum and is paid annually. Total interest incurred with respect to this obligation was \$58,660 in 2022 and \$37,816 in 2021. As of June 30, 2022, and 2021, the outstanding balance was \$837,766 and \$539,999, respectively.

NOTE 5 – GOVERNMENT REIMBURSEMENT CONTRACTS

Government reimbursement contracts consist of the following:

	<u>2022</u>	<u>2021</u>
New York State Office of Addiction Services and Supports	\$ 12,486,553	\$ 12,105,209
County of Suffolk Department of Alcoholism And Substance Abuse Services	866,067	922,149
New York State Department of Health	-	12,650
New York State Division of Criminal Justice	30,095	147,991
New York City Council	-	6,500
Research Foundation for Mental Health	655,524	102,945
Brentwood Union Free School District	172,393	186,057
United States Department of Health	507,138	-
Federal Emergency Management Agency	-	112,747
	<u>\$ 14,717,770</u>	<u>\$ 13,596,248</u>

NOTE 6 – GOVERNMENT WELFARE PROGRAMS AND CLIENT FEES

Government welfare programs consist of the following:

	<u>2022</u>	<u>2021</u>
Public Assistance	\$ 185,143	\$ 189,657
Breakfast and Lunch Program	117,392	91,177
Food Stamps	52,430	46,876
	<u>\$ 354,965</u>	<u>\$ 327,710</u>

**OUTREACH DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 6 – GOVERNMENT WELFARE PROGRAMS AND CLIENT FEES (Continued)

Client fees consist of the following:

	2022	2021
Medicaid	\$ 4,527,827	\$ 3,795,588
Medicaid managed care	2,542,763	2,562,650
Private insurance	1,734,235	1,588,647
Client payments	703,549	717,432
Medicare	56,160	67,162
Government fees for service	546	2,193
	\$ 9,565,080	\$ 8,733,672

NOTE 7 – EMPLOYEE BENEFIT PLAN

ODC has a non-contributory defined contribution plan covering all employees who meet age and service requirements. The Organization makes monthly contributions to the plan and the total pension expense of \$708,185 in 2022 and \$749,510 in 2021 is included in payroll taxes and fringe benefits in the Statements of Functional Expenses of these financial statements.

NOTE 8 – DEFERRED COMPENSATION

ODC has a Section 457 deferred compensation plan calling for quarterly payments of 2% to 8% of the officers' salaries, according to years of service, to be deposited with the Organization's agent. Deferred compensation expense of \$83,070 in 2022 and \$76,386 in 2021 has been included in payroll taxes and fringe benefits in the Statements of Functional Expenses of these financial statements. As of June 30, 2022 and 2021, the deferred compensation liability balance was \$19,993 and \$22,387, respectively, and is included in accounts payable in the Statements of Financial Position of these financial statements.

NOTE 9 – POST-RETIREMENT BENEFITS PAYABLE

In 2008, the Board of Directors of ODC established a supplemental post-retirement benefits plan (the "Plan") for two of its officers. Upon reaching both 25 years of service and 55 years of age, these officers are eligible at retirement for one year of compensation and lifetime medical, dental, and long-term care insurance coverage. The medical portion of this benefit converts to supplemental coverage when each officer becomes eligible for Medicare coverage. For every additional year of service above 25 years, these officers are entitled to an additional two weeks of compensation. As of June 30, 2022 and 2021, the estimated actuarial liability for these benefits is \$207,007 and \$244,637, respectively.

OUTREACH DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 – POST-RETIREMENT BENEFITS PAYABLE (Continued)

The funded status of the Plan as of June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 244,637	\$ 264,620
Actuarial gain	(37,630)	(19,983)
Benefits paid	<u>-</u>	<u>-</u>
Benefit obligation at end of year	207,007	244,637
Fair value of plan assets	<u>-</u>	<u>-</u>
Funded status (unfunded)	<u>\$ (207,007)</u>	<u>\$ (244,637)</u>

The amounts recognized in net assets without donor restrictions as of June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Actuarial Gains	<u>\$ (37,630)</u>	<u>\$ (19,983)</u>

The weighted assumptions used as of and for the years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Discount rate	4.49%	2.80%
Rate of compensation increase	3.00%	3.00%
Medical care cost trend rated	6.00%	5.50%
Dental care cost trend rated	4.00%	4.00%

The projected benefit payments are as follows:

<u>For the Years Ending June 30,</u>	<u>Amount</u>
2023	\$ 12,000
2024	12,500
2025	13,000
2026	13,500
2027	14,000
Thereafter	<u>142,007</u>
	<u>\$ 207,007</u>

**OUTREACH DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for the years ended June 30, 2022 and 2021 are summarized as follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Released for Operations</u>	<u>June 30, 2022</u>
Other Services	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>
	<u>July 1, 2020</u>	<u>Additions</u>	<u>Released for Operations</u>	<u>June 30, 2021</u>
Other Services	<u>\$ 32,370</u>	<u>\$ -</u>	<u>\$ 12,370</u>	<u>\$ 20,000</u>

NOTE 11 – RELATED-PARTY TRANSACTIONS

- A) OPI made restricted contributions to ODC of \$340,000 in 2022 and \$425,000 in 2021.
- B) ODC leases one of its facilities from OPI calling for average annual rentals of \$314,000 under leases extending through February 2028. Rent paid to OPI was \$313,805 in 2022 and \$313,408 in 2021.

NOTE 12 – CONTRIBUTED SERVICES

The New York City Department of Education and the Eastern Suffolk Board of Cooperative Educational Services (BOCES) contribute a significant amount of teachers' time to augment ODC's programs. The value of this time, which has not been included in the Statements of Activities or Functional Expenses, cannot be determined. In addition, a substantial number of unpaid volunteers have made significant contributions of their time to develop ODC's programs. The value of this contributed time is also not reflected in these financial statements since it does not meet the requirements to be recorded under generally accepted accounting principles in the United States of America.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

- A) ODC leases four facilities and one parking lots for its operations under leases extending to February 2028. One of the facilities is leased from OPI, as discussed in Note 11. Aggregate annual rentals are as follows:

<u>For the Years Ending June 30,</u>	<u>Amount</u>
2023	\$ 816,000
2024	672,000
2025	684,000
2026	697,000
2027	711,000
Thereafter	<u>686,000</u>
	<u>\$ 4,266,000</u>

OUTREACH DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 13 – COMMITMENTS AND CONTINGENCIES (continued)

- B) ODC is also obligated under operating leases for seven items of transportation equipment and fifteen items of office equipment, calling for minimum aggregate monthly rentals of \$10,158. The leases expire variably from December 2023 to June 2025. A schedule of future minimum lease payments due is as follows:

<u>For the Years Ending June 30,</u>	<u>Amount</u>
2023	\$ 111,500
2024	64,000
2025	6,000
	<u>\$ 181,500</u>

- C) ODC leases a portion of its Richmond Hill facility under a month to month lease.
- D) ODC is subject to audits from the various governmental agencies that support its programs. The grants are subject to adjustments for disallowed costs, if any, based upon the results of the audit by the agencies.

NOTE 14 – CONCENTRATIONS

Financial instruments that potentially subject the Organization to a concentration of credit risk include cash accounts with various financial institutions that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. The FDIC insures deposits up to \$250,000 per depositor per insured bank. During fiscal years ended June 30, 2022 and 2021, the Organization did have cash accounts from time-to-time exceeded the FDIC insurance limits. Management monitors its financial risks on a regular basis.

Concentration of risk also exists between ODC and the New York State Office of Addiction Services and Supports (OASAS). For the years ended June 30, 2022 and 2021, ODC received 50% and 47% of its funding from OASAS, respectively.

NOTE 15 – ACCRUED COMPENSATED ABSENCES

ODC has a policy which allows for the accrual of unused vacation pay up to a maximum of 30 days per employee. An employee will not be reimbursed for more than 20 days accrued vacation leave upon separation from the Organization. Unused sick leave pays lapses upon termination of employment. As of June 30, 2022 and 2021, accrued compensated absences amounted to \$642,039 and \$599,456, respectively.

NOTE 16 – DEFERRED RENT

ODC has recorded deferred rent on several leases. Excess rental payments are charged to deferred rent over the life of the lease. As of June 30, 2022 and 2021, deferred rent is \$35,901 and \$60,447, respectively.

OUTREACH DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 17 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal, including cash and receivables. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities as well as the supporting services to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover general expenditures not covered by restricted resources. Refer to the statements of cash flows which identifies the sources and uses of the Organization's cash.

Financial assets available for general expenditures, that is without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

	2022	2021
Cash	\$ 14,588,575	\$ 13,512,126
Receivables	2,510,557	1,824,743
Less: Restricted Cash	(5,951,682)	(6,391,413)
	\$ 11,147,450	\$ 8,945,456

NOTE 18 – COVID - 19 PANDEMIC

In March 2020, the World Health Organization (“WHO”) declared the coronavirus (COVID 19), a global pandemic and public health emergency. The WHO has recommended containment and mitigation measures worldwide and domestically, self-isolation and shelter-in-place requirements have been or are being put in place. At this point, the Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which this disruption may impact the Organization's financial statements and future results of operations. The Organization will continue to monitor and evaluate the nature and extent of the impact on our ongoing activities and the potential effect on future contributions or funding and expenses, financial condition, and liquidity.

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events and transactions that occurred subsequent to the date of the statement of financial position through December 12, 2022, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through December 12, 2022, that would require adjustment to or disclosure in the financial statements.