

OUTREACH DEVELOPMENT CORPORATION



Financial Statements (Together with Independent Auditor's Report)

Years Ended June 30, 2024 and 2023

OUTREACH DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS (Together with Independent Auditor's Report)

YEARS ENDED 2024 AND 2023

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INDEPENDENT AUDITOR'S 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, 2024 and 2023, 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, 2024 and 2023, 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 issued or 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
January 14, 2025

Desire & Company CPAs

OUTREACH DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash, including cash restricted for capital projects of \$2,603,270 and \$4,434,800, respectively	\$ 8,725,456	\$ 9,865,988
Accounts Receivable (Notes 2F and 3)	4,235,010	3,383,039
Other receivables	104,298	56,395
Prepaid expenses	265,637	236,934
Total Current Assets	<u>13,330,401</u>	<u>13,542,356</u>
Property and equipment - at cost, net of accumulated depreciation of \$8,945,690 and \$8,347,686, respectively (Notes 2D and 4)	25,964,736	19,077,973
Right-of-use asset - operating - at cost, net of accumulated amortization of \$1,119,361 and \$610,471, respectively (Note 5)	<u>2,938,725</u>	<u>3,386,953</u>
OTHER ASSETS		
Security deposits	104,545	56,469
Total Other Assets	<u>104,545</u>	<u>56,469</u>
TOTAL ASSETS	<u><u>\$ 42,338,407</u></u>	<u><u>\$ 36,063,751</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 940,163	\$ 680,742
Accrued expenses	1,298,700	820,129
Accrued compensated absences (Note 17)	604,441	588,855
Deferred revenue	5,035,766	4,417,532
Post retirement benefits payable - current portion (Note 11)	13,500	12,800
Lease liability - Operating - current portion (Note 5)	600,713	628,807
Long-term debt - Current portion (Note 6)	-	1,690,407
Due to affiliate (Note 13)	<u>947,875</u>	<u>619,914</u>
Total Current Liabilities	<u>9,441,158</u>	<u>9,459,186</u>
LONG-TERM LIABILITIES		
Long-term debt - net of current portion (Note 6)	20,358,788	13,503,788
Lease liability - operating (Note 5)	2,488,561	2,870,579
Post retirement benefits payable (Note 11)	216,360	206,175
Total Long-Term Liabilities	<u>23,063,709</u>	<u>16,580,542</u>
TOTAL LIABILITIES	<u><u>32,504,867</u></u>	<u><u>26,039,728</u></u>
NET ASSETS		
Net assets without donor restrictions (Note 2B)	9,813,540	10,004,023
Net assets with donor restrictions (Notes 2B and 12)	20,000	20,000
TOTAL NET ASSETS	<u><u>9,833,540</u></u>	<u><u>10,024,023</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 42,338,407</u></u>	<u><u>\$ 36,063,751</u></u>

OUTREACH DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024
(With Comparative Totals For The Year Ended June 30, 2023)

	Without Donor Restrictions	With Donor Restrictions	TOTAL 2024	TOTAL 2023
REVENUE AND SUPPORT:				
Government reimbursement contracts (Note 7)	\$ 16,765,173	\$ -	\$ 16,765,173	\$ 16,692,486
Government welfare programs (Note 8)	455,055	-	455,055	468,209
Client fees (Note 8)	14,227,044	-	14,227,044	11,687,671
Grant from affiliate (Note 13)	510,000	-	510,000	386,000
Contributions	9,010	-	9,010	95,526
Rent income	20,500	-	20,500	17,500
Interest income	30,887	-	30,887	4,178
Other income	19,374	-	19,374	43,773
TOTAL REVENUE AND SUPPORT	32,037,043	-	32,037,043	29,395,343
EXPENSES				
Program services:				
Residential Services	12,689,859	-	12,689,859	11,912,878
Outpatient Services	12,146,669	-	12,146,669	11,586,678
Women and Children Services	1,279,572	-	1,279,572	1,264,903
Training Evaluation and Enhancement	607,207	-	607,207	523,796
Total Program Services	26,723,307	-	26,723,307	25,288,255
Supporting Services:				
Administration	5,504,219	-	5,504,219	4,606,616
TOTAL EXPENSES	32,227,526	-	32,227,526	29,894,871
CHANGE IN NET ASSETS	(190,483)	-	(190,483)	(499,528)
NET ASSETS - Beginning of Year	10,004,023	20,000	10,024,023	10,523,551
NET ASSETS - End of Year	\$ 9,813,540	\$ 20,000	\$ 9,833,540	\$ 10,024,023

OUTREACH DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Government reimbursement contracts (Note 7)	\$ 16,692,486	\$ -	\$ 16,692,486
Government welfare programs (Note 8)	468,209	-	468,209
Client fees (Note 8)	11,687,671	-	11,687,671
Grant from affiliate (Note 13)	386,000	-	386,000
Contributions	95,526	-	95,526
Rent income	17,500	-	17,500
Interest income	4,178	-	4,178
Other income	43,773	-	43,773
 TOTAL REVENUE AND SUPPORT	 <u>29,395,343</u>	 <u>-</u>	 <u>29,395,343</u>
EXPENSES			
Program services:			
Residential Services	11,912,878	-	11,912,878
Outpatient Services	11,586,678	-	11,586,678
Women and Children Services	1,264,903	-	1,264,903
Training Evaluation and Enhancement	523,796	-	523,796
 Total Program Services	 25,288,255	 -	 25,288,255
Supporting Services:			
Administration	4,606,616	-	4,606,616
 TOTAL EXPENSES	 <u>29,894,871</u>	 <u>-</u>	 <u>29,894,871</u>
 CHANGE IN NET ASSETS	 (499,528)	 -	 (499,528)
 NET ASSETS - Beginning of Year	 10,503,551	 20,000	 10,523,551
 NET ASSETS - End of Year	 <u>\$ 10,004,023</u>	 <u>\$ 20,000</u>	 <u>\$ 10,024,023</u>

OUTREACH DEVELOPMENT CORPORATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024
(With Comparative Totals For The Year Ended June 30, 2023)

	PROGRAM SERVICES					SUPPORTING SERVICES		
	RESIDENTIAL SERVICES	OUTPATIENT SERVICES	WOMEN AND CHILDREN SERVICES	TRAINING EVALUATION AND ENHANCEMENT	TOTAL PROGRAM SERVICES	ADMINISTRATION	TOTAL 2024	TOTAL 2023
Salaries	\$ 6,695,957	\$ 6,100,162	\$ 761,113	\$ 264,509	\$ 13,821,741	\$ 3,389,101	\$ 17,210,842	\$ 16,808,023
Payroll taxes and employee benefits	2,027,073	1,961,328	245,541	112,496	4,346,438	1,097,994	5,444,432	5,183,741
Total salaries and related costs	8,723,030	8,061,490	1,006,654	377,005	18,168,179	4,487,095	22,655,274	21,991,764
Rent	446,507	586,032	88,537	-	1,121,076	-	1,121,076	1,178,369
Equipment and betterments (Note 2D)	35,119	451,223	2,103	6,379	494,824	35,952	530,776	265,321
Utilities	226,941	139,421	13,057	28,401	407,820	12,179	419,999	426,485
Telephone	54,549	74,795	11,993	12,634	153,971	26,523	180,494	178,081
Consultants	299,883	1,223,598	29,990	93,143	1,646,614	311,764	1,958,378	1,565,082
Transportation	29,811	49,708	16,183	1,883	97,585	95,643	193,228	176,128
Postage	212	2,618	232	1,932	4,994	5,708	10,702	7,077
Supplies and material	528,989	427,583	38,553	10,399	1,005,524	77,573	1,083,097	940,784
Repairs and maintenance	344,390	246,958	7,355	12,239	610,942	17,278	628,220	623,391
Professional fees	547,916	14,214	-	-	562,130	153,615	715,745	171,997
Conferences and staff development	43,689	137,218	14,560	2,420	197,887	40,467	238,354	104,103
Interest and bank charges	2,270	252	-	3,049	5,571	76,913	82,484	52,097
Food	643,868	12,697	6,180	289	663,034	15,665	678,699	610,944
Insurance	97,996	126,813	8,672	8,294	241,775	57,724	299,499	252,170
Advertising and promotion	8,109	11,195	1,509	3,630	24,443	8,818	33,261	33,728
Printing	516	2,783	41	79	3,419	1,642	5,061	5,439
Outside contractors	81,495	254,746	21,907	3,013	361,161	5,324	366,485	416,477
Community relations	14,166	18,294	1,837	3,896	38,193	14,666	52,859	82,967
Computer services	25,604	43,208	3,201	4,001	76,014	4,001	80,015	72,592
Rubbish removal	41,135	17,947	1,737	1,256	62,075	1,361	63,436	57,232
Dues and subscriptions	4,869	24,013	1,865	1,352	32,099	14,119	46,218	35,659
Miscellaneous	88,759	73,481	3,254	5,904	171,398	14,764	186,162	103,418
Depreciation (Notes 2D and 4)	400,036	146,382	152	26,009	572,579	25,425	598,004	543,566
Total Other Expenses	3,966,829	4,085,179	272,918	230,202	8,555,128	1,017,124	9,572,252	7,903,107
Total Operating Expenses	\$ 12,689,859	\$ 12,146,669	\$ 1,279,572	\$ 607,207	\$ 26,723,307	\$ 5,504,219	\$ 32,227,526	\$ 29,894,871

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

OUTREACH DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	PROGRAM SERVICES					SUPPORTING SERVICES	
	RESIDENTIAL SERVICES	OUTPATIENT SERVICES	WOMEN AND CHILDREN SERVICES	TRAINING EVALUATION AND ENHANCEMENT	TOTAL PROGRAM SERVICES	ADMINISTRATION	TOTAL
Salaries	\$ 6,719,336	\$ 6,203,655	\$ 722,476	\$ 187,316	\$ 13,832,783	\$ 2,975,240	\$ 16,808,023
Payroll taxes and employee benefits	1,948,059	1,972,582	208,409	87,346	4,216,396	967,345	5,183,741
Total salaries and related costs	8,667,395	8,176,237	930,885	274,662	18,049,179	3,942,585	21,991,764
Rent	482,972	606,861	88,536	-	1,178,369	-	1,178,369
Equipment and betterments (Note 2D)	87,753	84,064	63,098	12,772	247,687	17,634	265,321
Utilities	243,398	129,855	13,016	27,866	414,135	12,350	426,485
Telephone	54,366	74,721	11,894	12,519	153,500	24,581	178,081
Consultants	305,121	1,020,676	25,944	45,855	1,397,596	167,486	1,565,082
Transportation	33,204	58,954	9,591	516	102,265	73,863	176,128
Postage	419	1,594	150	1,117	3,280	3,797	7,077
Supplies and material	477,168	350,939	30,112	15,195	873,414	67,370	940,784
Repairs and maintenance	213,652	377,892	6,429	14,517	612,490	10,901	623,391
Professional fees	43,650	24,750	3,250	1,500	73,150	98,847	171,997
Conferences and staff development	10,046	83,058	642	150	93,896	10,207	104,103
Interest and bank charges	3,007	334	-	4,072	7,413	44,684	52,097
Food	583,312	7,557	2,732	218	593,819	17,125	610,944
Insurance	93,499	93,500	20,704	5,000	212,703	39,467	252,170
Advertising and promotion	8,534	18,114	2,344	874	29,866	3,862	33,728
Printing	1,052	2,551	291	163	4,057	1,382	5,439
Outside contractors	83,071	214,350	43,887	67,558	408,866	7,611	416,477
Community relations	50,948	13,222	1,382	768	66,320	16,647	82,967
Computer services	20,258	38,209	3,564	3,630	65,661	6,931	72,592
Rubbish removal	39,613	13,604	1,684	1,119	56,020	1,212	57,232
Dues and subscriptions	5,357	23,444	2,532	36	31,369	4,290	35,659
Miscellaneous	6,573	82,634	2,236	232	91,675	11,743	103,418
Depreciation (Notes 2D and 4)	398,510	89,558	-	33,457	521,525	22,041	543,566
Total Other Expenses	3,245,483	3,410,441	334,018	249,134	7,239,076	664,031	7,903,107
Total Operating Expenses	\$ 11,912,878	\$ 11,586,678	\$ 1,264,903	\$ 523,796	\$ 25,288,255	\$ 4,606,616	\$ 29,894,871

OUTREACH DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (190,483)	\$ (499,528)
Adjustments to reconcile change in net assets to net cash provided by (used) in operating activities:		
Depreciation	598,004	543,566
Amortization	508,890	610,471
Forgiveness of advances from OASAS recognized as grant revenue	(563,295)	-
Pension related changes	10,885	11,968
Changes in:		
Receivable from supporting agencies	(851,971)	(1,014,123)
Other receivables	(47,903)	85,246
Prepaid expenses	(28,703)	(43,087)
Security deposits	(48,076)	(5,232)
Right-of-use asset - operating	(60,663)	(3,997,424)
Accounts payable	259,421	110,371
Accrued expenses	478,571	(894,569)
Accrued compensated absences	15,586	(53,184)
Deferred rent	-	(35,901)
Deferred revenue	618,234	(21,833)
Lease liability - operating	(410,112)	3,499,386
Subtotal	<u>478,868</u>	<u>(1,204,345)</u>
Net cash provided by (used) in operating activities	<u>288,385</u>	<u>(1,703,873)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to construction in progress	(2,420,721)	(2,800,862)
Acquisition of Vehicles	(209,045)	-
Net Cash Used in Investing Activities	<u>(2,629,766)</u>	<u>(2,800,862)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances from OASAS	2,000,000	-
Repayment of advances to OASAS	(1,127,112)	-
Advances from affiliate	327,961	-
Payments on advances from affiliate	-	(217,852)
Net Cash Provided by (Used) in Financing Activities	<u>1,200,849</u>	<u>(217,852)</u>
NET DECREASE IN CASH AND RESTRICTED CASH	<u>(1,140,532)</u>	<u>(4,722,587)</u>
CASH AND RESTRICTED CASH - Beginning of year	<u>9,865,988</u>	<u>14,588,575</u>
CASH AND RESTRICTED CASH - End of year	<u>\$ 8,725,456</u>	<u>\$ 9,865,988</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 11,505</u>
Non-cash investing and financing transactions:		
Mortgage Payable	<u>\$ 4,855,000</u>	<u>\$ -</u>
Property and equipment	<u>\$ 4,855,000</u>	<u>\$ -</u>

**OUTREACH DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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.

As of July 1, 2024, the mental health clinic and the outpatient substance disorder treatment program clinic located in Richmond Hill, New York, officially achieved designation as a Certified Community Behavioral Health Clinic (CCBHC). This certification recognizes the Organization’s commitment to providing comprehensive, integrated, and accessible behavioral health services, including mental health care, substance abuse treatment, and primary integration, to meet the diverse needs of the community.

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 13). 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 is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction. Accordingly, net assets and changes therein are classified and reported as follows:

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

Net assets with donor restrictions – net assets resulting from contributions and other inflows of assets whose use by the recipient is limited by donor-imposed stipulations. Some donor restrictions are temporary in nature and may expire with the passage of time or can be fulfilled and removed by actions taken pursuant to those stipulations. Other donor restrictions are perpetual in nature and must be maintained in perpetuity.

- C) ***Tax Status*** – ODC is exempt from income taxes under Internal Revenue Code Section 501(c) (3). Accordingly, no provision for income taxes is included in the financial statements. The Organization has evaluated the recognition requirements for uncertain tax positions as required by accounting principles generally accepted in the United States of America, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain tax positions as of June 30, 2024 and 2023.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**OUTREACH DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 \$439,987 in 2024 and \$180,457 in 2023 were recorded as expenses because of such reimbursements and are included in the Statement of Functional Expenses in these financial statements.

Right-of-use assets (“ROU”) are amortized using risk free based rate.

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 \$515,479, and \$481,526 for the years ended June 30, 2024 and June 30, 2023, respectively, and are included in the statements 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 payers (including health insurers, Medicaid, and Medicare, and others), and include variable consideration for retroactive revenue adjustments due to the settlement of audits, reviews, and investigations. Generally, ODC bills the clients and third-party payers several days after the services are performed or the client is discharged from the facility. Revenue is recognized when 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.

**OUTREACH DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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*** – 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, 2024 and 2023, respectively.
- 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.

OUTREACH DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I) Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 842, Leases to increase transparency and comparability among Organizations by requiring the recognition of ROU assets and lease liabilities on the Statement of Financial Position.

The Organization adopted the standard effective July 1, 2022, and recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the adoption period) using a modified retrospective approach, with certain practical expedients available.

The Organization is a lessee in several noncancellable operating leases for office spaces, equipment, and automobiles. The Organization determines if an arrangement is a lease, or contains a lease, at the inception of a contract and when the terms of an existing contract are changed. The Organization recognizes a lease liability and ROU asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. The discount rate is the implicit rate if it is readily determinable or otherwise the Organization uses a risk-free discount rate. The implicit rates of the leases are not readily determinable and accordingly, the Organization used a risk-free discount rate using a period comparable with that of the individual lease terms. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

The Organization has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of twelve months or less at lease commencement and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization recognizes lease costs associated with the short-term leases on a straight-line basis over the lease term.

J) Reclassification – Certain items including the pension related changes and receivable from supporting agencies in the June 30, 2023 financial statements have been reclassified to conform to the June 30, 2024 presentation. These changes had no impact on the change in net assets for the year ended June 30, 2023.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30:

	<u>2024</u>	<u>2023</u>
NYS Dept. of Health Medicaid/Managed Care		
Organizations/Private Insurance	\$ 2,225,950	\$ 1,633,000
County of Suffolk Department of Health Services	876,007	416,014
U.S. Department of Health and Human Services	438,802	290,559
The Research Foundation for Mental Health Hygiene, Inc.	342,273	385,542
NYS Office of Addiction Services & Supports	174,607	514,902
Brentwood Union Free School District	91,289	111,347
Others	<u>86,082</u>	<u>31,675</u>
	<u><u>\$ 4,235,010</u></u>	<u><u>\$ 3,383,039</u></u>

OUTREACH DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows as of June 30:

	<u>2024</u>	<u>2023</u>	<u>Estimated Useful Lives</u>
Land	\$ 1,414,306	\$ 929,306	
Buildings	26,112,637	21,742,637	40 years
Furniture and Equipment	217,248	217,248	5-7 years
Vehicles	209,045	-	5 years
Construction in Progress	<u>6,957,190</u>	<u>4,536,468</u>	
	34,910,426	27,425,659	
Accumulated Depreciation	<u>(8,945,690)</u>	<u>(8,347,686)</u>	
	<u>\$ 25,964,736</u>	<u>\$ 19,077,973</u>	

The buildings have been pledged to secure their respective mortgages. Depreciation expense amounted to \$598,004 and \$543,566 for the years ended June 30, 2024 and 2023, respectively.

On April 2, 2024, title to a real estate property located at 27A Washington Place, Roosevelt, New York amounting to \$4,855,000 was conveyed to ODC along with the assumption of mortgage and loan agreement associated with the real estate property.

NOTE 5 – LEASES

The Organization leases facilities, copiers, and vehicles under operating lease arrangements through December 2031 for which expense is recognized on a straight-line basis over the lease term. The Organization assesses whether an arrangement qualifies as a lease at inception and only reassess its determination if the terms and conditions of the arrangement are changed.

As of June 30, 2024 and 2023, the total Right-of-use asset and lease liabilities are as follows:

	<u>2024</u>	<u>2023</u>
Right-of-use assets - operating	\$ 4,058,086	\$ 3,997,424
Accumulated amortization	<u>(1,119,361)</u>	<u>(610,471)</u>
Right-of-use assets - net	<u>\$ 2,938,725</u>	<u>\$ 3,386,953</u>
Lease liabilities - operating	<u>\$ 3,089,274</u>	<u>\$ 3,499,386</u>

Total lease costs for the years ended June 30, 2024 and 2023, amounted to \$674,080 and \$689,358, respectively. The weighted average of the remaining lease term and weight-average discount rate for fiscal year ending June 30, 2024 were 5.42 years and 2.26%. The Weighted average and weight-average discount rate for fiscal year ending June 30, 2023 were 6.37 years and 2.16%. The future minimum lease payments under operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amounts</u>
2025	\$ 668,810
2026	671,810
2027	642,837
2028	498,170
2029	215,029
Thereafter	<u>567,897</u>
Total lease payments	3,264,553
Less interest	<u>(175,279)</u>
Present value of lease liabilities	<u>\$ 3,089,274</u>

OUTREACH DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 6 – LONG-TERM DEBT

Long-term debt consists of the following as of June 30:

Description	2024	2023
This represents advances from the NYS Office of Addiction Services and Supports (OASAS) on a capital contract to renovate the Outreach House II residential facility in Brentwood, New York completed in April 2020. As part of the Capital Agreement, upon completion of the project, ODC has agreed to participate in a tax-exempt bond issuance by the Dormitory Authority of the State of New York (DASNY), the proceeds of which will be used to reimburse OASAS for such advances. As of June 30, 2024 and 2023, the amount remains outstanding.	\$ 5,969,000	\$ 5,969,000
This represents advances from the OASAS on a capital contract to construct a residential facility in Richmond Hill, New York. However, this capital project was canceled in fiscal year 2024 and the amount of \$1,127,112 which included \$7,079 of interest, was repaid to OASAS. The Organization recognized a grant revenue and expense in the amount of \$563,295.	- 1,690,407	
This represents advances from the OASAS on a capital contract to renovate the Women's residential facility in Brentwood, New York, which was completed in February 2020. As part of the Capital Agreement, upon completion of the project, ODC has agreed to participate in a tax-exempt bond issuance by the Dormitory Authority of the State of New York (DASNY), the proceeds of which will be used to reimburse OASAS for such advances. As of June 30, 2024 and 2023, the amount remains outstanding.	4,579,500	4,579,500
This represents advances from the OASAS on a capital contract to construct a community residential facility for young adults in Brentwood, NY. As part of the Capital Agreement, upon completion of the project, ODC has agreed to participate in a tax-exempt bond issuance by the Dormitory Authority of the State of New York (DASNY), the proceeds of which will be used to reimburse OASAS for such advances. The project is estimated to be completed in January 2025.	4,955,288	2,955,288
Loan payable to the Dormitory Authority of the State of New York (DASNY) for REACT secured by a mortgage on the property located at 27A Washington Place, Roosevelt, New York. The Loan Agreement is made by and between DASNY, OASAS and ODC on April 2, 2024. DASNY has not issued the tax-exempt bonds that will fund the loan and therefore the loan terms and required payments are not yet determined as of June 30, 2024. However, OASAS will provide ODC with funding to service the future required loan payment through State Aid Grant.	4,855,000	-
Total advances and loan payable	20,358,788	15,194,195
Less – Long-term debt current portion	-	(1,690,407)
	<u>\$ 20,358,788</u>	<u>\$ 13,503,788</u>

**OUTREACH DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 7 – GOVERNMENT REIMBURSEMENT CONTRACTS

Government reimbursement contracts consist of the following as of June 30:

	<u>2024</u>	<u>2023</u>
NYS Office of Addiction Services & Supports	\$ 12,812,423	\$ 13,361,022
County of Suffolk Department of Health Services	1,111,591	971,734
New York State Department of Health	-	403,687
The Research Foundation for Mental Health Hygiene, Inc.	1,860,806	1,283,034
Brentwood Union Free School District	225,486	217,450
Western Suffolk BOCES	135,486	155,000
U.S. Department of Health and Human Services	588,898	290,559
Town of Babylon	30,483	-
Federal Emergency Management Agency	-	10,000
	<u>\$ 16,765,173</u>	<u>\$ 16,692,486</u>

NOTE 8 – GOVERNMENT WELFARE PROGRAMS AND CLIENT FEES

Government welfare programs consist of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Public Assistance	\$ 315,126	\$ 272,329
Breakfast and Lunch Program	100,272	141,874
Food Stamps	39,657	54,006
	<u>\$ 455,055</u>	<u>\$ 468,209</u>

Client fees consist of the following:

	<u>2024</u>	<u>2023</u>
Medicaid	\$ 5,224,364	\$ 5,044,216
Medicaid Managed Care	6,607,364	4,482,080
Private Insurance	1,800,196	1,409,108
Client Payments	457,585	677,540
Medicare	137,535	74,727
	<u>\$ 14,227,044</u>	<u>\$ 11,687,671</u>

NOTE 9 – 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 employer contribution to the Plan for the years ended June 30, 2024 and 2023 amounted to \$909,560 and \$795,972, respectively.

**OUTREACH DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 10 – 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. For the years ended June 30, 2024 and 2023, the deferred compensation contribution to the Plan was \$113,246 and \$138,928, respectively, and has been included in payroll taxes and fringe benefits in the Statements of Functional Expenses. As of June 30, 2024 and 2023, the deferred compensation liability balance was \$34,310 and \$37,447, respectively and are included in accounts payable in the Statements of Financial Position.

NOTE 11 – 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, 2024 and 2023, the estimated actuarial liability for these benefits is \$229,860 and \$218,975, respectively. The funded status of the Plan as of June 30, 2024 and 2023 are as follows:

	2024	2023
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 218,975	\$ 207,007
Actuarial loss (gain)	10,885	11,968
Benefits paid	-	-
Benefit obligation at beginning of year	229,860	218,975
Fair value of plan assets	-	-
Funded status (unfunded)	<u>\$ (229,860)</u>	<u>\$ (218,975)</u>

The amounts recognized in net assets without donor restrictions as of June 30, 2024 and 2023 are as follows:

	2024	2023
Actuarial Loss	<u>\$ 10,885</u>	<u>\$ 11,968</u>

The weighted assumptions used as of and for the years ended June 30, 2024 and 2023 are as follows:

	2024	2023
Discount rate	5.39%	5.10%
Rate of compensation increase	N/A	N/A
Medical care cost trend rate	6.00%	5.00%
Dental care cost trend rate	4.00%	4.00%
Long-term care cost trend rate	4.00%	4.00%

The projected benefit payments are as follows:

<u>Year Ending June 30,</u>	<u>Amounts</u>
2025	\$ 13,500
2026	14,700
2027	15,300
2028	16,600
2029	17,300
Thereafter	<u>152,460</u>
Total	<u>\$ 229,860</u>

**OUTREACH DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for the years ended June 30, 2024 and 2023 are summarized as follows:

	<u>July 1, 2023</u>	<u>Additions</u>	<u>Releases</u>	<u>June 30, 2024</u>
Other services	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>
	<u>July 1, 2022</u>	<u>Additions</u>	<u>Releases</u>	<u>June 30, 2023</u>
Other services	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>

NOTE 13 – RELATED-PARTY TRANSACTIONS

ODC and OPI share common management and staff. During the fiscal years ended June 30, 2024 and 2023, the following were considered to be related party transactions:

- A) OPI made restricted contributions to ODC of \$510,000 in 2024 and \$386,000 in 2023.
- B) ODC leases one of its facilities from OPI for an average annual rental of \$314,000 on a month-to-month basis. Rent expenses for the years ended June 30, 2024 and 2023 amounting to \$314,000 and \$319,375, respectively.
- C) ODC owed OPI for unpaid net operating transactions amounting to \$947,875 and \$619,914 as of June 30, 2024 and 2023, respectively, which is reflected as due to affiliate on the Statement of Financial Position. A 7% interest is charged for unpaid balances. As of June 30, 2024 and 2023, the total interest incurred with respect to this obligation was \$60,351 and \$40,593, respectively.

NOTE 14 – 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 15 – COMMITMENTS AND CONTINGENCIES

The contractual agreements with various funding sources include provisions for claims and program audits in subsequent years. These audits may result in disallowance and repayment of costs previously reimbursed by the funding sources. Management estimates potential disallowances based on past experiences. Management has not established a contingency reserve to cover the cost of future disallowances, if any, in the accompanying statements of financial position.

NOTE 16 – 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 the fiscal years ending June 30, 2024 and 2023, the Organization had cash accounts that from time to time exceeded the FDIC insurance limits. Management monitors its financial risks regularly.

**OUTREACH DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 17 – ACCRUED COMPENSATED ABSENCES

ODC has a policy that 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 of accrued vacation leave upon separation from the Organization. Unused sick leave pays lapses upon termination of employment. As of June 30, 2024 and 2023, accrued compensated absences amounted to \$604,441 and \$588,855, respectively.

NOTE 18 – 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 the purpose 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:

	<u>2024</u>	<u>2023</u>
Cash	\$ 8,725,456	\$ 9,865,988
Receivables	4,339,308	3,439,434
Less: Restricted cash	(2,603,270)	(4,434,800)
Net asset with donor restrictions	(20,000)	(20,000)
Total	<u>\$ 10,441,494</u>	<u>\$ 8,850,622</u>

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 January 14, 2025, the date the financial statements were available to be issued. Other than the item mentioned below, there were no events that have occurred subsequent to the statement of financial position date through January 14, 2025, that would require adjustment to or disclosure in the financial statements.