



**CONSOLIDATED
FINANCIAL STATEMENTS**

Year Ended June 30, 2024

and

Consolidating Information

with

Independent Auditors' Report

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Independent Auditors' Report

The Board of Directors
New Narrative

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of New Narrative and Horizon Property Management of Oregon, Inc. (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2024, and the changes in its consolidated net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of Horizon Property Management of Oregon, Inc. were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Report on the Audit of the Consolidated Financial Statements - Continued

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 consolidated 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.

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 27 to 28 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2025, on our consideration of New Narrative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of New Narrative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Narrative's internal control over financial reporting and compliance.

Hoffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon
June 24, 2025

New Narrative

Consolidated Statement of Financial Position

June 30, 2024

ASSETS

Cash and cash equivalents	\$ 613,413
Restricted cash	171,241
Deposits held in trust	435,990
Investments	1,331,920
Accounts receivable - net of allowance for credit losses of \$48,983	1,495,895
Grants and contracts receivable	3,856,045
Rental receivable - net of allowance for credit losses of \$240,000	170,656
Pharmacy receivable	235,203
Inventory	67,914
Prepaid expenses	316,259
Property and equipment - net of accumulated depreciation	26,504,351
Operating right-of-use assets	<u>2,630,059</u>
Total assets	\$ 37,828,946

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 1,059,945
Accrued payroll and related expenses	1,748,160
Deposits held in trust	435,990
Deferred revenue - case rate	455,312
Refundable advances	643,946
Notes payable - net of loan fees	8,571,056
Obligations under capital grants	10,141,359
Lease liabilities	<u>3,013,534</u>

Total liabilities

26,069,302

Net assets:

Without donor restrictions:	
Undesignated	(6,277,982)
Net property, equipment, and leases	<u>17,933,295</u>

Total without donor restrictions 11,655,313

With donor restrictions 104,331

Total net assets

11,759,644

Total liabilities and net assets

\$ 37,828,946

The accompanying notes are an integral part of the consolidated financial statements.

New Narrative

Consolidated Statement of Activities

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Grants and contracts	\$ 19,195,086	\$ -	\$ 19,195,086
Capital grants recognized	161,498	-	161,498
Contributions	135,053	166,967	302,020
Contributed nonfinancial assets (in-kind)	38,953	-	38,953
Fee for service	11,826,293	-	11,826,293
Rental income	2,310,925	-	2,310,925
Developer fees	262,800	-	262,800
Pharmacy:			
Revenue	3,847,641	-	3,847,641
Cost of sales	(3,236,985)	-	(3,236,985)
Pharmacy - net	610,656	-	610,656
Investment income	99,603	-	99,603
Other income	89,247	-	89,247
Net assets released from restriction	212,636	(212,636)	-
Total revenues and other support	34,942,750	(45,669)	34,897,081
Expenses:			
Program services	26,899,753	-	26,899,753
Management and general	6,413,066	-	6,413,066
Total expenses	33,312,819	-	33,312,819
Change in net assets	1,629,931	(45,669)	1,584,262
Net assets, beginning of year	10,025,382	150,000	10,175,382
Net assets, end of year	\$ 11,655,313	\$ 104,331	\$ 11,759,644

The accompanying notes are an integral part of the consolidated financial statements.

New Narrative

Consolidated Statement of Functional Expenses

Year Ended June 30, 2024

	Program Services				Management		
	Residential Treatment	Clinical Services	Peer Services	Auxiliary Services	Total Program Services	and General	Total
Payroll and related costs	\$ 7,754,410	\$ 5,409,988	\$ 1,294,185	\$ 4,586,162	\$ 19,044,745	\$ 3,508,720	\$ 22,553,465
Program expenses							
and supplies	255,449	735,883	302,007	912,309	2,205,648	88,593	2,294,241
Professional fees	67,834	150,351	31,636	492,583	742,404	326,719	1,069,123
Cost of goods sold	-	-	-	3,645,266	3,645,266	-	3,645,266
Occupancy	654,454	51,268	329,600	790,479	1,825,801	730,702	2,556,503
Telephone and internet	320,056	283,680	64,384	257,487	925,607	212,588	1,138,195
Staff development							
and events	16,446	27,420	33,187	70,324	147,377	323,682	471,059
Insurance	70,378	18,471	11,655	121,073	221,577	85,505	307,082
Depreciation	354,635	37,780	26,294	433,008	851,717	128,053	979,770
Interest	98,467	29,009	-	166,101	293,577	159,110	452,687
Equipment	126,706	14,162	14,312	37,349	192,529	25,869	218,398
Credit loss	-	-	-	-	-	510,013	510,013
Other	878	901	72	38,639	40,490	313,512	354,002
	9,719,713	6,758,913	2,107,332	11,550,780	30,136,738	6,413,066	36,549,804
Less cost of sales -							
pharmacy	-	-	-	(3,236,985)	(3,236,985)	-	(3,236,985)
	\$ 9,719,713	\$ 6,758,913	\$ 2,107,332	\$ 8,313,795	\$ 26,899,753	\$ 6,413,066	\$ 33,312,819

The accompanying notes are an integral part of the consolidated financial statements.

New Narrative

Consolidated Statement of Cash Flows

Year Ended June 30, 2024

Cash flows from operating activities:

Change in net assets	\$ 1,584,262
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	979,770
Amortization of loan fees	40,262
Amortization of capital grant agreements	(161,498)
Realized and unrealized gain on investments	(159,246)
Net change in operating and finance right-of-use assets and lease liabilities	(46,476)
Net change in:	
Accounts receivable - net, grants and contracts receivable, rental receivable, and pharmacy receivable	(635,940)
Inventory	480
Prepaid expenses	(193,641)
Accounts payable and accrued expenses	(270,850)
Accrued payroll and related expenses	79,609
Deferred revenue - case rate	114,541
Refundable advances	<u>66,285</u>
Net cash provided by operating activities	1,397,558

Cash flows from investing activities:

Purchase of investments	(428,213)
Proceeds from investments	498,289
Purchase of property and equipment	<u>(922,750)</u>

Net cash used by investing activities (852,674)

Cash flows from financing activities:

Payments on line of credit	(77,359)
Proceeds from notes payable	77,500
Payments on notes payable	<u>(354,877)</u>

Net cash provided by financing activities (354,736)

Net change in cash, cash equivalents, and restricted cash 190,148

Cash, cash equivalents, and restricted cash, beginning of year 594,506

Cash, cash equivalents, and restricted cash, end of year \$ 784,654

The accompanying notes are an integral part of the consolidated financial statements.

New Narrative

Consolidated Statement of Cash Flows – Continued

Year Ended June 30, 2024

As presented in the accompanying consolidated statement of financial position:

Cash and cash equivalents	\$ 613,413
Restricted cash	<u>171,241</u>

Total cash, cash equivalents, and restricted cash \$ 784,654

Supplemental cash flow information:

Cash paid during the year for interest	\$ 455,875
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Supplemental disclosure of noncash transactions:

Property and equipment financed through notes payable	\$ 2,456,884
Property and equipment in accounts payable	25,318
Property and equipment financed through finance leases	81,866
Property and equipment financed through capital grants	884,435

New Narrative

Notes to Consolidated Financial Statements

1. The Organization and Program Services

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

NN's primary programs are as follows:

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

NN is the sole shareholder of the 1,000 shares issued by Horizon Property Management of Oregon, Inc. (HPMO). HPMO is a corporation that began operations in July 2023 and provides rental property management to outside agencies.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by NN and HPMO are described below to enhance the usefulness of the consolidated financial statements to the reader.

Principles of Consolidation - The consolidated financial statements include the accounts of NN and HPMO (collectively, the Organization). All inter-organization transactions and balances have been eliminated.

Basis of Accounting - The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

New Narrative

Notes to Consolidated Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Basis of Presentation - Net assets, revenues, gains and losses are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor- (or certain grantor) imposed stipulations. Donor-imposed restrictions that are temporary in nature, such as those that will be met either by actions of the organization and/or the passage of time. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. This balance represents the unexpended portion of donor-restricted contributions to be used for specific programs and activities as directed by the donor.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are also reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Use of Estimates - The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, other support, and expenses during the year. Actual results could differ from these estimates. Significant estimates made by management include the allowance for credit losses, depreciation expense (based on the estimated useful lives of the underlying assets), and certain allocations of expenses by function.

Cash and Cash Equivalents - For purposes of the consolidated financial statements, the Organization considers all highly liquid investments available for current use with initial maturities of three months or less at the time of purchase to be cash equivalents.

Restricted Cash - Restricted cash consists of a capital asset replacement and improvement reserve, which is required to be maintained in accordance with an agreement with the Portland Housing Bureau (PHB) and requires prior approval from PHB before the funds can be used. Restricted cash also includes funds required by other agreements and security deposits held from tenants in owned rental properties.

New Narrative

Notes to Consolidated Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Deposits Held in Trust - NN is the court appointed fiscal manager for certain clients who reside in its properties. Deposits held in trust include an asset and corresponding liability in the accompanying consolidated statement of financial position.

Investments - Investments in marketable debt and equity securities with readily determinable fair values are carried at their fair value in the consolidated statement of financial position. Cash held for investment purposes is reported at cost.

Net investment return, which includes both current yield (interest and dividend income) and net change in the fair value of investments, is reported in the consolidated statement of activities, net of investment expenses within other revenue. Interest income is accrued as earned. All security transactions are recorded on a trade date basis.

Fair Value Measurements - GAAP provides the framework for measuring fair value. The classification of assets and liabilities within the fair value hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

At June 30, 2024, there were no liabilities measured at fair value.

The three levels of the fair value hierarchy under GAAP and the valuation methodologies used for assets are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Fair value is based on significant unobservable inputs.

New Narrative

Notes to Consolidated Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Accounts Receivable - Accounts receivable are recognized as related revenues (fee for service and other income) are recognized. Interest is not charged on past due accounts.

Allowance for Credit Losses - The Organization's accounts receivable are primarily derived from patients, clients, and residents. At each consolidated statement of financial position date, the Organization recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist.

The Organization writes off receivables when there is information that indicates the patient, client, or resident is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or as an offset to credit loss expense in the year of recovery, in accordance with the Organization's accounting policy election.

Grants and Contracts Receivable - For grants and contracts receivable, management considers history with grantors and current economic and industry trends when determining the collectability of specific accounts. Management believes these receivables are fully collectible at June 30, 2024, and are due within one year.

Inventory - Inventory consists primarily of pharmaceuticals and is reflected at the lower of cost or net realizable value.

Property, Equipment, and Depreciation - Generally, building and improvements, furniture and equipment, and vehicles in excess of \$5,000 are capitalized, and reported at cost when purchased and at fair market value when acquired by gift. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the respective assets, which is generally 3 to 32 years.

Impairment of Long-Lived Assets - The Organization reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment losses have been recognized during the year ended June 30, 2024.

Loan Fees - Loan fees are netted with notes payable and are amortized over the related term of the note payable. Amortization expense is included with interest expense in the accompanying consolidated statement of functional expense.

New Narrative

Notes to Consolidated Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Obligations under Capital Grants - Obligations under capital grants represent funds received from governmental agencies for the construction of facilities. The Organization must maintain the facilities for their original intended purposes for a certain amount of time or compliance period.

Revenue Recognition - Revenue from various sources are recognized as follows:

Grants and Contracts and Contributions - If the transfer of assets is determined to be a contribution, the Organization evaluates whether the contribution is conditional based upon whether the agreement includes both: (1) a barrier that must be overcome to be entitled to the funds; and (2) either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Activities funded by governments are often carried out for the benefit of the general public, rather than to obtain goods or services for the government's own use or proprietary benefit. Accordingly, if the primary beneficiary of the activity is the general public, rather than the government itself, the transaction is treated as nonreciprocal (i.e., a contribution).

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the donor's commitment is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. At June 30, 2024, the Organization had approximately \$6,100,000 in cost reimbursable grants that have not been recognized as revenue because qualifying expenditures have not yet been incurred. Amounts received prior to meeting the conditions are reported as refundable advances in the consolidated statement of financial position.

Contributions received with donor stipulations that limit the use of the donated assets are reported as net assets with donor restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Contributions and grants received with donor-imposed restrictions are recorded as net assets without donor restrictions if those restrictions are satisfied in the same reporting period. Otherwise, contributions with donor-imposed restrictions are recorded as increases in net assets with donor restrictions, depending on the nature of the restriction.

Capital Grants Recognized - These grants are amortized and recorded into revenue over the applicable compliance period or upon expiration of the compliance requirements.

New Narrative

Notes to Consolidated Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Revenue Recognition - Continued

Contributed Nonfinancial Assets - Under GAAP, significant services received which create or enhance a non-financial asset or require specialized skills that the Organization would have purchased if not donated are recognized in the consolidated statement of activities.

Contributed services are recorded based on their estimated fair value. During the year ended June 30, 2024, no contributed services were recorded.

In-kind contributions of land, buildings, equipment, and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of the Organization's activities. During the year ended June 30, 2024, no contributed land, buildings, equipment, or other materials were recorded.

Contributions of capital assets without donor stipulations concerning the use of such long-lived assets are reported as revenues in the net assets without donor restrictions class.

Contributions of cash or other assets restricted to the acquisition of capital assets with such donor stipulations are reported as revenues in the net assets with donor restrictions class; the restrictions are considered to be released at the time of acquisition of such long-lived assets in accordance with the donor's intent.

The Organization receives materials and supplies that are restricted for specific programs. Donated materials are recorded at fair value based on the current cost to acquire the items. Management performs an evaluation of the expected use of the prizes by recipients and discounts the value to the estimated use of the donated items.

Fee for Service - Fee for service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services. These amounts are due from third party payers and include variable consideration and price concessions due to coverage. Revenue is recognized as performance obligations are satisfied, which is at the point in time the services are provided. Payments received in advance are included in deferred revenue, a contract liability.

Rental Income - Rental income is recognized using the straight-line method over the life of the related lease. Rental payments received in advance are deferred until earned.

Developer Fees - Developer fees are earned from the various development projects managed by NN in accordance with the applicable agreements.

Pharmacy Revenue – Pharmacy revenue, net of costs of replenishing pharmaceuticals (costs of sales), are recognized as revenue upon exchange of consideration and delivery of the pharmaceuticals to the customer or patients.

New Narrative

Notes to Consolidated Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Income Taxes - NN is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying consolidated financial statements, as NN has no activities subject to unrelated business income tax. The Organization is not classified as a private foundation.

HPMO is taxed as a corporation and pays tax at the entity level on any taxable income. No provision for income taxes is made in the accompanying consolidated financial statements, as any amounts would not be material to the consolidated financial statements.

GAAP prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and provides guidance on various related matters such as interest, penalties, and required disclosures. Management does not believe the Organization has any uncertain tax positions. The Organization has not incurred any interest or penalties associated with its tax positions, and there are currently no examinations for any tax periods in progress. Interest or penalties assessed by taxing authorities, if any, would be included with management and general expenses.

Functional Allocation of Expenses - Costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Those expenses include payroll and related costs, which are allocated based on estimates of time and effort; program expenses and supplies, which are allocated based on number of clients; and occupancy, insurance, depreciation expense, and interest expense, which are allocated on the basis of square footage.

Management does not believe significant time or effort has been expended on fundraising activities, and therefore, has not presented an estimated fundraising expense in the accompanying consolidated financial statements.

Adoption of New Accounting Standard - Effective July 1, 2023, the Organization adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326)*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the consolidated financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance of ASU 2016-13 were accounts receivable and rental receivable.

The impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in new/enhanced disclosures only.

New Narrative

Notes to Consolidated Financial Statements - Continued

3. Liquidity and Availability of Resources

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use and within one year of the consolidated statement of financial position date, consist of the following at June 30, 2024:

Cash and cash equivalents	\$ 613,413
Investments	1,331,920
Accounts receivable - net	1,495,895
Grants and contracts receivable	3,856,045
Rental receivable	170,656
Pharmacy receivable	<u>235,203</u>
 Total financial assets available within one year	7,703,132
 Less:	
Amounts unavailable for general expenditure within one year:	
Restricted by donors as to purpose	<u>(104,331)</u>
	 <u>\$ 7,598,801</u>

As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Organization has a line of credit with a maximum commitment of \$1,200,000 which management can draw upon (*Note 8*).

4. Investments and Fair Value Measurements

Investments consist of the following at June 30, 2024:

Cash held for investment purposes	\$ 24,381
Equity securities	479,760
Fixed income securities	785,191
Real estate investment fund	<u>42,588</u>
	 <u>\$ 1,331,920</u>

New Narrative

Notes to Consolidated Financial Statements - Continued

4. Investments and Fair Value Measurements - Continued

Investments measured at fair value on a recurring basis have been determined using quotations by the investment broker and are as follows at June 30, 2024:

	Level 1
Equity securities	\$ 479,760
Fixed income securities	785,191
Real estate investment fund	<u>42,588</u>
	<u><u>\$ 1,307,539</u></u>

5. Grants and Contracts Receivable

Grants and contracts receivable are due from the following sources at June 30, 2024:

Multnomah County	\$ 2,257,187
Washington County	634,250
State of Oregon	473,823
CareOregon	413,112
Other	<u>77,673</u>
	<u><u>\$ 3,856,045</u></u>

New Narrative

Notes to Consolidated Financial Statements - Continued

6. Property and Equipment - Net of Accumulated Depreciation

Property and equipment consist of the following at June 30, 2024:

Land	\$ 4,952,170
Building and improvements	24,496,066
Furniture and equipment	1,049,958
Vehicles	<u>1,019,912</u>
	31,518,106
Less accumulated depreciation	<u>(8,804,019)</u>
	22,714,087
Construction in process	<u>3,790,264</u>
	<u>\$ 26,504,351</u>

The Organization's property and equipment have been partially financed by certain funding arrangements that require certain real property to be used for low-income and affordable housing.

Construction in process includes a residential treatment facility that will be put into service in November 2024 with an estimated cost to complete of \$2,200,000 and another residential treatment facility that will be put into service in late in 2025 with an estimated cost to complete of \$1,500,000.

7. Leases

The Organization determines if an arrangement is a lease or a service contract at inception. A contract is determined to be or contain a lease if the contract conveys the right to control the use of an identified asset in exchange for consideration. When an arrangement is a lease, the Organization determines whether it is an operating or finance lease.

New Narrative

Notes to Consolidated Financial Statements - Continued

7. Leases - Continued

Leases result in recognition of right-of-use (ROU) assets and lease liabilities on the consolidated statement of financial position. ROU assets represent the right to use an underlying asset for the lease term. Lease liabilities represent the obligation to make lease payments, measured on a discounted basis. At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability, adjusted for any direct costs, prepaid or deferred rent, and lease incentives. The Organization has elected not to separate lease components from non-lease components, and to apply the short-term lease exception, which does not require the capitalization of leases with a term of 12 months or less. Short-term leases are recognized as expense on a straight-line basis over the term of the lease. Variable lease payments, if any, are recognized as expense in the period in which the obligation for payment is incurred. The Organization considers any options to extend or terminate a lease when determining the lease term, and only options that the Organization believes are reasonably certain to be exercised are included in the measurement of the ROU assets and lease liabilities.

The Organization leases offices, real property, vehicles, and equipment under operating and financing leases with 3 to 10 year initial terms. Some leases may include renewal options which can extend the lease term. The exercise of these renewal options is generally at the discretion of the Organization and only lease options that the Organization believes are reasonably certain to be exercised are included in the measurement of the lease assets and liabilities. The lease agreements do not include any residual value guarantees or restrictive covenants. The discount rates are generally based on the Organization's line of credit interest rate, as the discount rates implicit in the Organization's leases cannot be readily determined.

The following summarizes the line items in the consolidated statement of financial position at June 30, 2024:

Classification		
Right-of-use assets:		
Financing leases	Property and equipment - net	\$ 328,101
Operating leases	Operating right-of-use assets	<u>2,630,059</u>
Total right-of-use assets		<u>\$ 2,958,160</u>
Lease liabilities:		
Financing leases	Lease liabilities	\$ 357,495
Operating leases	Lease liabilities	<u>2,656,039</u>
Total lease liabilities		<u>\$ 3,013,534</u>

New Narrative

Notes to Consolidated Financial Statements - Continued

7. Leases - Continued

Lease expense (included in occupancy expense in the accompanying consolidated statement of function expense) was composed of the following for the year ended June 30, 2024:

Finance lease expense:	
Amortization of right-of-use assets	\$ 125,581
Interest on lease liabilities	48,669
Operating lease expense	702,201
Short-term lease expense	313,948
Variable lease expense	<u>73,762</u>
	<u><u>\$ 1,264,161</u></u>

The following summarizes the cash flow information related to leases for the year ended June 30, 2024:

Cash paid for amounts included in the measurement of lease liabilities for:	
Operating cash flows from finance leases (i.e. Interest)	\$ 47,870
Financing cash flows from finance leases (i.e. principal portion)	107,556
Operating cash flows from operating leases	652,360
Right-of-use assets obtained in exchange for new:	
Finance lease liabilities	\$ 181,149
Operating lease liabilities	2,051,592

Weighted-average lease term and discount rate were as follows at June 30, 2024:

Weighted-average remaining lease term (in years) for:	
Finance leases	3.10
Operating leases	4.38
Weighted-average discount rate for:	
Finance lease liabilities	12.10%
Operating lease liabilities	8.64%

New Narrative

Notes to Consolidated Financial Statements - Continued

7. Leases - Continued

The future maturities (payments) of lease liabilities were as follows as of June 30, 2024:

Years Ending June 30,	Finance	Operating	Total
2025	\$ 159,712	\$ 754,033	\$ 913,745
2026	130,785	740,707	871,492
2027	96,797	718,384	815,181
2028	37,456	538,499	575,955
2029	-	432,560	432,560
	424,750	3,184,183	3,608,933
Less present value discount	(67,255)	(528,144)	(595,399)
	<u>\$ 357,495</u>	<u>\$ 2,656,039</u>	<u>\$ 3,013,534</u>

8. Line of Credit

The Organization had a revolving line of credit secured by assets, for up to \$1,200,000 bearing an interest rate of 0.5 percentage points over the Prime rate as published by the Wall Street Journal (9.0 percent at June 30, 2024). The line of credit matures in July 2025. There was no outstanding balance at June 30, 2024.

New Narrative

Notes to Consolidated Financial Statements - Continued

9. Notes Payable - Net of Loan Fees

Notes payable consist of the following at June 30, 2024:

Lender/Property Security	Monthly Payment	Interest Rate Percent	Maturity Date	Loan Balance
Community Housing Fund:				
Clover Court CHF	1,658	4.00	August 2033	\$ 144,853
Lifeworks NW:				
Tom Brewer	542	-	June 2028	26,000
Umpqua Bank:				
Garden Row	2,535	5.00	April 2028	305,217
Flow House	1,414	3.55 (v)	February 2026	193,071
Christopher, Glynn Terrace, Matthews, Meusch, Sandvig	18,230	4.00	October 2031	1,363,868
Pluss, Sage	5,920	6.99 (v)	October 2033 (b)	813,122
Admin, Annex, SCC, MPC, Sisters	19,590	6.63 (v)	March 2034 (b)	2,783,840
Maple	9,743	6.76 (v)	June 2034 (b)	1,385,868
US Bank - NOAH				
Douglas Fir	5,276	6.00	June 2039	910,000
Washington County				
Pluss Apartments	1,265	3.00	September 2039	160,931
Clover Court	- (a)	-	December 2046	378,259
Tom Brewer I	1,189	3.00	June 2032	28,527
Tom Brewer II	-	-	September 2035	77,500
Total notes payable, net of loan fees				\$ 8,571,056

(a) Annual payments beginning December 2019 through December 2034 are based on half of NN's cash flow after debt payment to Clover Court CHF loan. Payments from December 2035 through December 2045 are based on 85 percent of positive cash flow. The last payment in December 2046 will be the remaining payment of \$200,000 less the total previous payments.

(b) Unamortized loan fees at June 30, 2024 are \$6,057, \$21,021, and \$14,132, respectively.

(v) Interest rates for these notes are variable interest. Umpqua rates are based on 5-year average yield of US Treasury securities plus 2.5 percent.

New Narrative

Notes to Consolidated Financial Statements - Continued

9. Notes Payable - Net of Loan Fees - Continued

Certain notes payable contain various covenants regarding the consolidated financial statement amounts, ratios, and activities of the Organization.

Future maturities (payments) of notes payable are as follows at June 30, 2024:

Years Ending June 30,	Amount
2025	\$ 334,260
2026	518,528
2027	339,244
2028	587,822
2029	348,558
Thereafter	6,105,595
Cash flow contingent payments	<u>378,259</u>
	8,612,266
Unamortized loan fees	<u>(41,210)</u>
Total notes payable, net of loan fees	<u>\$ 8,571,056</u>

The carrying values of certain property assets owned by the Organization used as collateral for the notes payable previously described are as follows at June 30, 2024:

Douglas Fir	\$ 4,724,113
Admin, Annex, SCC, MPC, Sisters	2,965,976
Maple	2,279,660
Clover Court	2,108,019
Tom Brewer	1,552,939
Pluss, Sage	848,701
Christopher, Glynn Terrace, Matthews, Meusch, Sandvig	833,723
Garden Row	455,744
Flow House	<u>431,059</u>
	\$ 16,199,934

New Narrative

Notes to Consolidated Financial Statements - Continued

10. Obligations Under Capital Grants

NN has been awarded grants from governmental agencies for the construction of facilities to operate several of their programs. The grants have varying payback provisions if the facilities are sold, disposed of, or not used for their intended purpose. Terms range from 15 to 60 years. The grants are amortized into revenue upon satisfaction of the conditions according to the terms of agreements.

Capital grants by funder consist of the following at June 30, 2024:

Oregon Health Authority	\$ 4,049,889
Oregon Housing and Community Services	2,101,264
Portland Housing Bureau	1,422,410
Washington County	1,234,463
Federal Home Loan Bank	990,000
Multnomah County	313,333
Other	<u>30,000</u>
	<u>\$ 10,141,359</u>

11. Net Assets with Donor Restrictions and Net Assets Released from Restrictions

At June 30, 2024, net assets with donor restrictions totaled \$104,331 for the Northstar program.

During the year ended June 30, 2024 the Organization released \$212,636 from donor restrictions by incurring expenses or the occurrence of events specified by the donors.

12. Grants and Contracts

Grants and contracts revenue consists of amounts recognized from the following sources for the year ended June 30, 2024:

Multnomah County	\$ 8,907,097
State of Oregon	3,302,155
Washington County	2,859,268
CareOregon	2,632,477
United Way	751,467
Other	<u>742,622</u>
	<u>\$ 19,195,086</u>

New Narrative

Notes to Consolidated Financial Statements - Continued

13. Retirement Plan

The Organization has a defined contribution plan (the Plan) under section 401(k) of the Internal Revenue Code, covering full-time employees who have at least three months of service. The Organization makes safe harbor matching contributions to the Plan equal to 100 percent of participant contributions up to 3 percent of eligible compensation, plus a 50 percent match of all remaining contributions up to 5 percent of eligible compensation. Additional discretionary contributions may be made at the discretion of the Organization. The Organization's contribution to the Plan for the year ended June 30, 2024, was approximately \$418,000.

14. Concentration of Credit Risk and Contingencies

The Organization's financial instruments consist primarily of cash, which may subject the Organization to concentrations of credit risk as, from time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation. Certain receivables also subject the Organization to concentrations of credit risk.

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

The Organization's revenues are concentrated with 50.7 percent of total revenues and other support coming from four agencies for the year ended June 30, 2024.

The Organization's grants and contracts are concentrated with 92.2 percent of total grants and contracts coming from four agencies for the year ended June 30, 2024.

The approximate mix of fee for service payors for the year ended June 30, 2024 was as follows:

Medicaid	98.29	%
Medicare	0.54	
Self-pay	0.14	
Other third-party payors	1.03	
	100.0	%

Amounts received or receivable from various contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Organization if so determined in the future. It is management's belief that no significant amounts received, or receivable will be required to be returned in the future.

New Narrative

Notes to Consolidated Financial Statements - Continued

15. Subsequent Events

Subsequent events have been evaluated by management through June 24, 2025, which is the date the consolidated financial statements were available to be issued.

In April 2025, the Organization sold one of their properties for \$1,100,000.



**CONSOLIDATING
INFORMATION**

New Narrative

Consolidating Schedule of Financial Position

June 30, 2024

ASSETS

	New Narrative	Horizon Property Management of Oregon	Eliminating Entries	Consolidated Total
Cash and cash equivalents	\$ 606,803	\$ 6,610	\$ -	\$ 613,413
Restricted cash	171,241	-	-	171,241
Deposits held in trust	435,990	-	-	435,990
Investments	1,377,220	-	(45,300)	1,331,920
Accounts receivable - net	1,480,111	15,784	-	1,495,895
Grants and contracts receivable	3,856,045	-	-	3,856,045
Rental receivable - net	170,656	-	-	170,656
Pharmacy receivable	235,203	-	-	235,203
Intercompany receivables	82,579	-	(82,579)	-
Inventory	67,914	-	-	67,914
Prepaid expenses	316,259	-	-	316,259
Property and equipment - net	26,504,351	-	-	26,504,351
Operating right-of-use assets	2,630,059	-	-	2,630,059
Total assets	\$37,934,431	\$ 22,394	\$ (127,879)	\$37,828,946

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 1,059,945	\$ -	\$ -	\$ 1,059,945
Intercompany payables	-	82,579	(82,579)	-
Accrued payroll and related expenses	1,748,160	-	-	1,748,160
Deposits held in trust	435,990	-	-	435,990
Deferred revenue - case rate	455,312	-	-	455,312
Refundable advances	643,946	-	-	643,946
Notes payable - net	8,571,056	-	-	8,571,056
Obligations under capital grants	10,141,359	-	-	10,141,359
Lease liabilities	3,013,534	-	-	3,013,534
Total liabilities	26,069,302	82,579	(82,579)	26,069,302

Net assets:

Without donor restrictions:				
Undesignated	4,352,337	(60,185)	(45,300)	4,246,852
Net property, equipment, and leases	7,408,461	-	-	7,408,461
Total without donor restrictions	11,760,798	(60,185)	(45,300)	11,655,313
With donor restrictions	104,331	-	-	104,331
Total net assets	11,865,129	(60,185)	(45,300)	11,759,644
Total liabilities and net assets	\$37,934,431	\$ 22,394	\$ (127,879)	\$37,828,946

New Narrative

Consolidating Schedule of Activities

Year Ended June 30, 2024

	New Narrative	Horizon Property Management of Oregon	Eliminating Entries	Consolidated Total
Revenues and other support:				
Grants and contracts	\$ 19,195,086	\$ -	\$ -	\$ 19,195,086
Capital grants recognized	161,498	-	-	161,498
Contributions	302,020	-	-	302,020
Contributed nonfinancial assets (in-kind)	38,953			38,953
Fee for service	11,826,293	-	-	11,826,293
Rental income	2,310,925	-	-	2,310,925
Developer fees	262,800	-	-	262,800
Pharmacy:				
Revenue	3,847,641	-	-	3,847,641
Cost of sales	(3,236,985)	-	-	(3,236,985)
Pharmacy - net	610,656	-	-	610,656
Investment income	99,603	-	-	99,603
Other income	145,435	57,741	(113,929)	89,247
Total revenues and other support	34,953,269	57,741	(113,929)	34,897,081
Expenses:				
Program services	26,850,456	163,226	(113,929)	26,899,753
Management and general	6,413,066	-	-	6,413,066
Total expenses	33,263,522	163,226	(113,929)	33,312,819
Capital contributions	-	45,300	(45,300)	-
Change in net assets	1,689,747	(60,185)	(45,300)	1,584,262
Net assets, beginning of year	10,175,382	-	-	10,175,382
Net assets, end of year	\$ 11,865,129	\$ (60,185)	\$ (45,300)	\$ 11,759,644