CONSOLIDATED
FINANCIAL STATEMENTS

Year Ended June 30, 2024

with

Independent Auditors' Report

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Independent Auditors' Report

The Board of Directors
The 4th Dimension Recovery Center

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of The 4th Dimension Recovery Center and Affiliates (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.

Correction of Error

As discussed in *Note 11* to the consolidated financial statements, net assets as of June 30, 2023, have been restated to record a receivable for the employer retention tax credits, and to adjust the accrued vacation liability and refundable advances. Our opinion is not modified with respect to this matter.

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.

Responsibilities of Management for the Consolidated Financial Statements - Continued

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.

Auditors' Responsibilities 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 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 including 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2025, on our consideration of The 4th Dimension Recovery Center's (the Organization) 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 the Organization'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 the Organization's internal control over financial reporting and compliance.

Hoffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon
February 20, 2025

The 4th Dimension Recovery Center

Consolidated Statement of Financial Position

June 30, 2024

ASSETS

Cash and cash equivalents	$ 4,183,763
Certificates of deposit	204,761
Grants and contracts receivable	1,099,491
Prepaid expenses and other assets	241,631
Property and equipment, net *(Note 4)*	492,023
Operating lease right-of-use assets *(Note 5)*	5,024,890
Total assets	**$ 11,246,559**

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	$ 122,220
Accrued payroll liabilities	528,178
Refundable advances	3,547,874
Operating lease liabilities *(Note 5)*	5,135,924
Total liabilities	**9,334,196**
Net assets:	
Without donor restrictions	1,553,370
With donor restrictions *(Note 6)*	358,993
Total net assets	**1,912,363**
Total liabilities and net assets	**$ 11,246,559**

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

The 4th Dimension Recovery Center

Consolidated Statement of Activities

Year Ended June 30, 2024	
Changes in net assets without donor restrictions:	
Operating revenues and support:	
Government grants and contracts	$ 12,765,019
Foundation grants	145,825
Contributions	76,532
Fundraising events (net of direct expenses of $254,544)	155,729
Interest income	13,714
Other income	158,272
Net assets released from restrictions *(Note 6)*	21,588
Total operating revenues and support	**13,336,679**
Operating expenses:	
Program services	11,549,079
Management and general	1,413,095
Fundraising	449,505
Total operating expenses	**13,411,679**
Change in net assets without donor restrictions	**(75,000)**
Changes in net assets with donor restrictions:	
Grants restricted for capital projects	275,000
Foundation grants	80,207
Contributions	3,757
Net assets released from restrictions *(Note 6)*	(21,588)
Change in net assets with donor restrictions	**337,376**
Total change in net assets	**262,376**
Net assets, beginning of year *(Note 11)*	1,649,987
Net assets, end of year	**$ 1,912,363**

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

The 4th Dimension Recovery Center

Consolidated Statement of Functional Expenses

Year Ended June 30, 2024

	Program Services	Management and General	Fundraising	Total
Payroll and related expenses	$ 6,967,980	$ 1,022,982	$ 268,315	$ 8,259,277
Professional services	594,398	114,862	8,304	717,564
Rent and utilities	1,081,529	76,488	21,645	1,179,662
Client support	768,305	-	-	768,305
Recovery supportive housing	945,191	-	-	945,191
Conference and training	137,907	21,260	24,281	183,448
Insurance	3,840	73,780	-	77,620
Marketing	15,216	5,201	8,547	28,964
Communications and IT	60,458	5,020	2,550	68,028
Licenses, fees, and dues	67,365	43,618	17,450	128,433
Travel	330,072	18,945	21,880	370,897
Equipment and furniture	225,585	13,775	4,944	244,304
Supplies	179,616	5,001	5,575	190,192
Community organizing	11,787	-	77	11,864
Contributions	41,473	-	-	41,473
Other expenses	1,669	8,726	15,508	25,903
Depreciation and amortization	116,688	3,437	50,429	170,554
	$ 11,549,079	**$ 1,413,095**	**$ 449,505**	**$ 13,411,679**

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

The 4th Dimension Recovery Center

Consolidated Statement of Cash Flows

Year Ended June 30, 2024	
Cash flows from operating activities:	
Change in net assets	$ 262,376
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	170,554
Grants restricted for capital projects	(275,000)
Change in operating right-of-use assets and operating lease liabilities	111,034
Net change in:	
Grants and contracts receivable	(82,675)
Employee retention credits receivable	600,005
Prepaid expenses and other assets	(110,480)
Accounts payable and accrued expenses	(28,564)
Accrued payroll liabilities	155,574
Refundable advances	(352,911)
Net cash provided by operating activities	**449,913**
Cash flows from investing activities:	
Reinvestment of interest income	(4,761)
Purchase of property and equipment	(228,229)
Net cash used by investing activities	**(232,990)**
Cash flows from financing activities:	
Proceeds from grants restricted for capital projects	50,000
Net cash provided by financing activities	**50,000**
Net increase in cash and cash equivalents	**266,923**
Cash and cash equivalents, beginning of year	3,916,840
Cash and cash equivalents, end of year	**$ 4,183,763**

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

1. Nature of Activities

The 4th Dimension Recovery Center (4D Recovery) is a Recovery Community Organization (RCO) in the greater Portland, Oregon area whose mission is to provide a variety of substance use recovery support services to young people ages 18 to 35. The Organization partners with systems, communities, and individuals to deliver age-specific recovery services that are sensitive to race, ethnicity, culture, and gender identity. The Organization supports all pathways to recovery and offers a variety of services to support consumer needs, including peer mentoring, recovery meetings and events, community center spaces, leadership development, and housing supports.

2. Summary of Significant Accounting Policies

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

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of 4D Recovery, Northwest Instituto Latino De Adicciones (NWIL), and Painted Horse Recovery (PHR) (collectively, the Organization). All inter-organizational accounts and transactions have been eliminated.

Consolidation is required because of 4D Recovery's controlling interest in these entities.

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

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on other assets or liabilities are 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 restrictions (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.

2. Summary of Significant Accounting Policies - Continued

Use of Estimates - The preparation of 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 financial statements and the reported amounts of revenues, gains and other support, and expenses during the year. Actual results could differ from these estimates. Significant estimates made by management include depreciation and amortization expense (based on estimated useful lives of the underlying assets) and the allocation of certain expenses by function.

Cash and Cash Equivalents - For purposes of the consolidated financial statements, the Organization considers all liquid investments having initial maturities of three months or less to be cash equivalents.

Certificates of Deposit - Certificates of deposit are carried at cost plus accrued interest.

Property and Equipment - Property and equipment is stated at cost or estimated fair value at date of donation. Expenditures for assets with a cost greater than $5,000 and those that materially increase the estimated useful lives of assets are capitalized. Depreciation and amortization are provided using the straight-line method over estimated useful lives ranging from 2 to 15 years. Gains or losses on disposals of property and equipment are included in other income in the accompanying consolidated statement of activities.

Revenue Recognition - The Organization's major sources of support and revenue and related revenue recognition policies are summarized as follows:

Government Grants and Contracts Revenue - The Organization's government grants and contracts revenue is substantially derived from federal, state, and local government sources, which are considered conditional contributions and conditioned upon certain barriers (typically specific performance requirements and/or the incurrence of allowable qualifying expenses). Amounts received are recognized as revenue when the Organization has satisfied the related barrier. At June 30, 2024, the Organization had approximately $21.9 million in cost reimbursable grants that have not been recognized as revenue because qualifying expenditures have not yet been incurred. Included in this amount is $3,547,874, which was received in advance and reported in the consolidated statement of financial position as refundable advances. All grants and contracts receivable are due within one year.

Contributions - The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions received are reflected as with or without donor restrictions, depending on the existence and/or nature of the donor restrictions.

2. Summary of Significant Accounting Policies - Continued

Revenue Recognition - Continued

Contributions - Continued - Contributions of cash and other assets that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, 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.

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. The expenses that are allocated include payroll and related expenses, which are allocated on the basis of estimates of time and effort. All other expenses are allocated by the function of the benefit provided by the expenditure.

Income Taxes - 4D Recovery, NWIL and PHR are all exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. They are not classified as private foundations.

Management does not believe 4D Recovery, NWIL or PHR have any uncertain tax positions. 4D Recovery, NWIL and PHR have not incurred any interest or penalties associated with their 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.

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, within one year of the consolidated statement of financial position date, consist of the following at June 30, 2024:

Cash and cash equivalents	$ 4,183,763
Certificates of deposit	204,761
Grants and contracts receivable	1,099,491
	5,488,015
Less amounts unavailable for general expenditures within one year:	
Net assets with donor restrictions	(358,993)
	$ 5,129,022

4. Property and Equipment - Net

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

Land	$ 75,415
Leasehold improvements	442,335
Vehicles	342,075
Equipment	22,806
Assets in progress	61,276
	943,907
Less: accumulated depreciation and amortization	(451,884)
	$ 492,023

5. 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 a finance lease.

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 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 its offices under operating leases with 5-to-10-year initial terms. Some leases may include renewal options which can extend the lease term. The exercise of these renewal options are 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 Organization has elected to use the risk-free rate of return as the discount rate as neither the rate implicit in the lease nor the Organization's incremental borrowing rate are readily available.

Lease expense was composed of the following at June 30, 2024:

Operating lease expense	$ 802,445
Short-term lease expense	42,477
Variable lease expense	228,565
	$ 1,073,487

5. Leases - Continued

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

Cash paid for amounts included in the measurement of lease liabilities for operating leases included in operating cash flows	$	724,074
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	$	3,375,277

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

Weighted-average remaining lease term (in years) for operating leases	4.9
Weighted-average discount rate for operating leases	3.9%

The maturities of operating lease liabilities were as follows at June 30, 2024:

Years Ending June 30,		**Amount**
2025	$	1,191,416
2026		1,133,457
2027		1,042,552
2028		995,113
2029		924,110
Thereafter		370,099
		5,656,747
Less present value discount		(520,823)
Operating lease liabilities	$	5,135,924

6. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30, 2024:

Restricted for capital projects.	$ 275,000
Other purpose restrictions	83,993
	$ 358,993

During the year ended June 30, 2024, net assets of $21,588, were released from restrictions due to the accomplishment of the restricted purposes.

7. Employee Benefit Plan

The Organization has a defined contribution retirement plan (the Plan) covering substantially all employees. The Plan was established under Section 403(b) of the Internal Revenue Code. Employee contributions to the Plan in the form of salary deferrals are immediately vested.

Under the terms of the Plan, the Organization may make discretionary matching contributions and discretionary nonelective contributions. Employer contributions to the Plan totaled $85,494 during the year ended June 30, 2024.

8. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, certificates of deposit, and government grants and contracts receivable. Cash and cash equivalent balances and certificates of deposit are insured by the Federal Deposit Insurance Corporation up to specified limits. The Organization’s cash and cash equivalents typically include amounts in excess of these limits. A majority of the Organizations grants and contracts receivable are due from local government agencies and not considered a significant credit risk by management.

9. Contingency

Amounts received from government grants and contracts are subject to audit and potential adjustment by these agencies. It is management's belief that no material amounts will be required to be returned in the future.

10. Subsequent Events

Management has evaluated subsequent events through February 20, 2025, the date the consolidated financial statements were available for issue.

Subsequent to June 30, 2024, the Organization received a $4 million grant from the Oregon Department of Administrative Services for the purchase of two buildings that will be used for program services. One building was purchased for approximately $1.6 million and another building is expected to be purchased for a total cost of approximately $3.3 million. To finance remaining costs of the buildings, including building improvements, the Organization expects to obtain a loan from a bank for $1.785 million, with interest at 6.5 percent per annum.

11. Prior Period Adjustments

During the year ended June 30, 2024, management determined that employer retention credits, accrued vacation liability, and certain refundable advances had not been properly accounted for in accordance with GAAP as of June 30, 2023. Employer retention credits should have been accounted for using guidance from Accounting Standards Codification 958-605: *Not-for-Profit Entities - Revenue Recognition*. Revenue should have been recognized when the Organization qualified for the credits, which was during the year ended June 30, 2023, not when the credits were received, which was July 2023. The entire balance of unused vacation benefits should have been recognized. Lastly, the balance of a conditional grant was incorrectly included in net assets with donor restrictions instead of refundable advances.

Accordingly, net assets at June 30, 2023, as previously reported, have been restated as follows:

	Net Assts Without Donor Restrictions	Net Assts With Donor Restrictions	Total
Net assets at June 30, 2023, as previously reported	$ 1,066,556	$ 89,993	$ 1,156,549
To record an employer retention credits receivable	600,005	-	600,005
To adjust the accrued vacation liability	(38,191)	-	(38,191)
To adjust refundable advances	-	(68,376)	(68,376)
Net assets at June 30, 2023, as restated	$ 1,628,370	$ 21,617	$ 1,649,987

The change in net assets during the year ended June 30, 2023, as previously reported, would have increased by $527,030, had these items been properly recorded in accordance with GAAP. The change in net assets without donor restrictions would have increased by $561,815 and the change in net assets with donor restrictions would have decreased by $34,785.