Report of Independent Auditors
and Financial Statements

Evergreen Treatment Services

December 31, 2025 and 2024

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Report of Independent Auditors

The Board of Directors
Evergreen Treatment Services

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Evergreen Treatment Services, which comprise the statements of financial position as of December 31, 2025 and 2024, 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 accompanying financial statements present fairly, in all material respects, the financial position of Evergreen Treatment Services as of December 31, 2025 and 2024, 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 (GAAS). 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 Evergreen Treatment Services and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Evergreen Treatment Services' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 financial statements.

In performing an audit in accordance with GAAS, 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 Evergreen Treatment Services' 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 Evergreen Treatment Services' 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.

Baker Tilly US, LLP

Everett, Washington
May 5, 2026

Financial Statements

Evergreen Treatment Services
Statements of Financial Position
December 31, 2025 and 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,870,176	$ 2,033,730
Contract funds receivable, net	5,031,343	4,287,007
Accounts receivable, net	1,815,625	2,674,066
Prepaid expenses and other assets	263,743	128,479
Total current assets	10,980,887	9,123,282
PROPERTY AND EQUIPMENT		
Land	4,143,807	4,143,807
Building	-	1,406,193
Office furniture, fixtures, and equipment	6,031,240	5,959,709
Leasehold improvements	3,225,698	3,252,322
Construction in progress	4,730,046	1,888,730
	18,130,791	16,650,761
Less accumulated depreciation and amortization	(6,767,348)	(6,048,925)
Total property and equipment, net	11,363,443	10,601,836
OPERATING LEASE RIGHT-OF-USE ASSETS	3,222,550	1,906,120
DEPOSITS	72,554	31,131
Total assets	$ 25,639,434	$ 21,662,369

See accompanying notes.

Evergreen Treatment Services
Statements of Financial Position
December 31, 2025 and 2024

	2025	2024
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 933,902	$ 1,302,844
Accrued vacation	1,497,569	1,218,939
Accrued expenses	1,422,297	1,233,773
Long-term debt, current portion	3,104,020	260,637
Operating lease liabilities, current portion	973,250	662,859
Deferred revenue	74,748	74,748
Total current liabilities	8,005,786	4,753,800
LONG-TERM DEBT, net of current portion	-	3,469,417
OPERATING LEASE LIABILITIES, net of current portion	2,530,526	1,460,755
Total liabilities	10,536,312	9,683,972
NET ASSETS WITHOUT DONOR RESTRICTIONS	15,103,122	11,978,397
Total liabilities and net assets	$ 25,639,434	$ 21,662,369

See accompanying notes.

Evergreen Treatment Services
Statements of Activities
Years Ended December 31, 2025 and 2024

	2025	2024
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Contract revenue - government	$ 44,282,802	$ 45,269,846
Client fees	2,287,464	1,986,040
Contributions	1,310,779	347,388
Other revenue	1,678,617	1,556,730
Impairment loss of property and equipment	(1,376,827)	(4,532,804)
Total revenues and support without donor restrictions	48,182,835	44,627,200
EXPENSES		
Program services		
Clinic services	18,555,309	16,890,867
REACH	18,758,321	19,067,731
Total program services	37,313,630	35,958,598
Management and general	7,173,763	6,463,578
Development	570,717	471,293
Total expenses	45,058,110	42,893,469
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	3,124,725	1,733,731
NET ASSETS, beginning of year	11,978,397	10,244,666
NET ASSETS, end of year	$ 15,103,122	$ 11,978,397

See accompanying notes.

Evergreen Treatment Services
Statements of Functional Expenses
Year Ended December 31, 2025

	Program Services		Supporting Activities		
	Clinic Services	REACH	Development	Management and General	Total Expenses
EXPENSES					
Salaries and wages	$ 11,316,267	$ 13,280,830	$ 330,191	$ 4,526,341	$ 29,453,629
Taxes and benefits	2,410,010	2,953,245	60,779	963,943	6,387,977
Contract services	548,251	57,039	-	77,289	682,579
Professional services	557,642	152,123	26,486	929,749	1,666,000
Supplies - general	155,165	127,870	496	89,108	372,639
Supplies - medical services	725,677	20,059	-	-	745,736
Liability insurance	221,388	235,614	5,480	59,784	522,266
Travel	51,695	13,163	297	19,341	84,496
Client assistance	77,397	853,924	-	-	931,321
Training	23,498	104,491	2,400	31,707	162,096
Occupancy	909,857	410,001	22,435	234,992	1,577,285
Internet and communication	74,900	103,710	807	21,311	200,728
Building repair and maintenance	369,334	51,233	21	4,593	425,181
Equipment lease and maintenance	91,006	11,660	-	1,786	104,452
Vehicles	58,673	98,195	-	-	156,868
Fundraising events	191	-	99,229	14,689	114,109
Depreciation	739,171	259,336	739	7,914	1,007,160
Interest	168,854	57	-	-	168,911
Other	56,333	25,771	21,357	191,216	294,677
Total expenses	$ 18,555,309	$ 18,758,321	$ 570,717	$ 7,173,763	$ 45,058,110

See accompanying notes.

Evergreen Treatment Services
Statements of Functional Expenses
Year Ended December 31, 2024

	Program Services		Supporting Activities		
	Clinic Services	REACH	Development	Management and General	Total Expenses
EXPENSES					
Salaries and wages	$ 10,105,206	$ 13,022,089	$ 262,768	$ 3,783,321	$ 27,173,384
Taxes and benefits	2,476,296	3,167,704	62,789	930,326	6,637,115
Contract services	519,747	69,199	-	212,416	801,362
Professional services	353,523	116,129	41,341	941,378	1,452,371
Supplies - general	184,579	159,859	435	97,435	442,308
Supplies - medical services	769,690	17,389	-	8,239	795,318
Liability insurance	180,416	212,877	4,304	46,800	444,397
Travel	66,914	12,327	154	15,936	95,331
Client assistance	56,140	1,383,283	-	1,198	1,440,621
Training	23,133	52,958	1,180	12,433	89,704
Occupancy	746,398	335,067	11,277	118,009	1,210,751
Internet and communication	92,785	125,687	985	38,962	258,419
Building repair and maintenance	95,609	39,141	-	2,391	137,141
Equipment lease and maintenance	103,183	10,828	-	1,808	115,819
Vehicles	30,796	98,606	-	-	129,402
Fundraising events	326	-	68,049	4,596	72,971
Depreciation	772,711	205,751	991	25,066	1,004,519
Interest	238,599	-	-	5,438	244,037
Other	74,816	38,837	17,020	217,826	348,499
Total expenses	$ 16,890,867	$ 19,067,731	$ 471,293	$ 6,463,578	$ 42,893,469

See accompanying notes.

Evergreen Treatment Services
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,124,725	$ 1,733,731
Adjustments to reconcile changes in net assets to net cash from operating activities		
Depreciation	1,007,160	1,004,519
Noncash lease activity	63,732	(29,875)
Impairment loss of property and equipment	1,376,827	4,532,804
Gain on disposal of property and equipment	(16,253)	(31,887)
Change in assets and liabilities		
Contract funds and accounts receivable	114,105	405,853
Prepaid expenses and other assets	(176,687)	(46,484)
Accounts payable	(368,942)	(1,158,136)
Accrued liabilities	467,154	(214,360)
Net cash from operating activities	5,591,821	6,196,165
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,151,522)	(2,529,864)
Proceeds from sale of property and equipment	22,181	40,151
Net cash from investing activities	(3,129,341)	(2,489,713)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in line of credit	-	(358,388)
Principal payments on long-term debt	(626,034)	(1,466,386)
Net cash from financing activities	(626,034)	(1,824,774)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,836,446	1,881,678
CASH AND CASH EQUIVALENTS, beginning of year	2,033,730	152,052
CASH AND CASH EQUIVALENTS, end of year	$ 3,870,176	$ 2,033,730
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES		
Right-of-use asset obtained in exchange for lease liability	$ 2,053,664	$ -

See accompanying notes.

Note 1 – Description of Organization and Summary of Significant Accounting Policies

Nature of organization – Evergreen Treatment Services (the Organization) is a nonprofit provider of outpatient medication assisted treatment and research agency, which was founded in 1973. Since its founding, the Organization treats persons suffering with Opioid Use Disorder (OUD) and has expanded over time to three fixed-site licensed treatment facilities in Washington State. The main clinic location contains two distinct dispensaries and is located in Seattle, and the other two are in Thurston County and South King County of the Greater Puget Sound area. In addition, the Organization also operates one mobile dispensary clinic that provides services in the King County area. The Organization has been awarded a total of five licenses to operate Opioid Treatment Programs (OTPs).

In addition to OTPs, The Organization participates in several drug treatment research programs that span from testing new drug treatment methods to conducting AIDS education and other related treatments for drug use disorders. Research contracts have primarily been funded by the National Institute of Drug Abuse, passed through the University of Washington.

The Organization also operates an intensive street-based outreach, referral, and case management program for homeless adults, many of whom suffer with OUD, substance use disorders (SUD), and mental health conditions known as REACH. Funding for REACH's services comes from many different individual contracts with the King County Department of Community and Human Services, Seattle-King County Department of Public Health, and other governmental related entities. Although each REACH program may have unique objectives and funders, they share a dedication to locating, serving, referring to needed services, and housing to the homeless community in the greater Seattle area.

In 2014, the state of Washington Legislature passed Senate Bill 6312, which directed the state of Washington, Department of Community and Health Services to integrate funding and oversight for behavioral health (mental health and substance use) treatment services. Effective January 1, 2020, the full integration of the Washington Behavioral Health system was finalized. The last step took the form of transitioning Medicaid oversight and payment from the Behavioral Health Organizations (BHOs) to the Managed Care Organizations (MCO). In Washington, several insurance companies elected to become or started MCOs, and the Organization secured direct contracts with them all in the service areas where it provides services. However, in King County, their BHO chose to evolve to become an Accountable Care Organization and, as such, they placed themselves between local Behavioral Health providers, such as the Organization, and the MCOs for patients living in King County. Thus, across the Organization's service area, it has contracts with each of the MCOs that operate in those locations, and in King County, the Organization has a contract with King County Integrated Care Network.

Basis of accounting and presentation – The Organization presents its financial statements in accordance with accounting principles generally accepted in the United States of America. The full accrual basis of accounting is used to record revenues and expenses. Accordingly, all revenues and expenses are recognized when earned and incurred.

Financial statement presentation – The Organization reports information regarding its financial position and activities 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 that are not subject to donor restrictions, as well as voluntary reserves such as separate components of board-designated net assets.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations. At December 31, 2025 and 2024, there were no net assets with donor-imposed restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and 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 on net assets are reported as transfers between the applicable classes of net assets.

Cash and cash equivalents – The Organization defines cash and cash equivalents to include demand deposits, savings accounts, and investments with an original maturity of three months or less, excluding assets whose use is limited or included in its investment portfolio. The Organization maintains its cash and cash equivalent accounts at financial institutions in amounts, which at times, may exceed federally insured limits.

Accounts and contract funds receivable, net – The Organization extends unsecured credit to insurance companies and individuals who privately pay for adult opiate use disorders. The Organization does not accrue interest on past due accounts and accounts that are written off are noted in the patient file because patients often return to the Organization after an absence. As of December 31, 2023, accounts receivable was $3,423,144 and contract funds receivables were $3,943,782.

The Organization has agreements with third-party payors that provide for payments at amounts different from the Organization's established rates. The Organization determines the transaction price based on established billing rates reduced by explicit price concessions provided to third-party payors. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, discount policies, and historical experience. The Organization considers the patient's ability and intent to pay the amount of consideration upon admission. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of patients. At each statement of financial position date, the Organization also recognizes an expected allowance for credit losses, as necessary. 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 allowance estimate is derived from a review of the Organization's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization. The Organization believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Organization's payer mix has remained constant since the Organization's inception.

The Organization writes off receivables when there is information that indicates the payor or patient 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 an offset to credit loss expense in the year of recovery, in accordance with the entity's accounting policy election.

Leases – The Organization recognizes operating and finance lease liabilities and right-of-use (ROU) assets for all leases, including operating leases with an expected term greater than 12 months, on its statements of financial position. Operating lease ROU assets and liabilities are recognized on the statements of financial position at commencement date, which is the date that the Organization gains access to the property or underlying asset. The lease liability is determined based on the present value of the minimum rental payments using an incremental borrowing rate in effect at the time of the lease commencement. The ROU asset is determined based on the lease liability adjusted for lease incentives received. Operating lease cost is recognized over a straight-line basis over the lease term. Certain optional renewal periods were not included in the determination of the lease liability and ROU asset if management determined it was not reasonably certain that the lease would be extended.

The Organization has elected the package of three practical expedients, which permits the Organization not to reassess prior conclusions about lease identification, lease classification, and initial direct costs. In addition, the Organization has elected a short-term lease exemption policy that permits the Organization to not apply the recognition requirements of the lease standard to leases with a term of 12 months or less. The Organization has also elected an accounting policy to not separate lease and nonlease components for certain classes of leases.

Property and equipment – Property and equipment are stated at cost when purchased. Donated property and equipment are recorded as contributions at their estimated fair market values at the date of receipt. Expenditures in excess of $5,000 for additions and major improvements are capitalized; maintenance and repair costs are expensed as incurred. Depreciation is computed using the straight-line method based upon the estimated useful lives of the assets that range from five to 30 years. Leasehold improvements are amortized over the remaining period of the lease or the life of the property, whichever is shorter.

The Organization evaluates property and equipment for impairment when events or changes indicate the carrying amount of an asset may not be recoverable. Accounting standards requires that if the sum of the undiscounted expected future cash flows from a long-lived asset or definite-lived intangible is less than the carrying value of that asset, an asset impairment charge must be recognized. The amount of the impairment charge is calculated as the excess of the asset's carrying value over its fair value, which generally represents the discounted future cash flows from that asset or in the case of assets the Organization expects to sell, at fair value less costs to sell. The Organization determined that there was an event and change in circumstances that indicated property and equipment was impaired during 2025 and 2024. See Note 8 for additional information.

Revenue recognition and deferred revenue – Medication assisted treatment services are recognized at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing the services. These amounts are due from third-party payors (including governmental programs and insurance carriers) and clients and include variable consideration for revenue adjustments. The Organization bills third-party payors (weekly or monthly) after the services are performed and revenue is recognized as performance obligations are satisfied.

The Organization determines the transaction price based on standard bundled rate charges for the services provided reduced by contractual adjustments provided by third-party payors and discounts provided to uninsured clients. The Organization determines its estimates of price concessions based upon contractual agreements and historical experience.

Under the Medicare and Medicaid programs, the Organization is entitled to reimbursement for billed services at rates determined by federal and state governments.

Governmental and private grant agreements are evaluated and determined whether they are nonreciprocal, meaning the Organization has not received a direct benefit of commensurate value in exchange for the resources provided. Instead, revenue is recognized like a conditional contribution when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met.

For governmental and private grant arrangements that are reciprocal, revenue is recognized as services are provided, which is generally as allowable expenditures are incurred.

Contract funds receivable represent amounts due from funding organizations for reimbursable expenses incurred. Cash received under grants and contracts in advance of incurring the related expenses is reported as deferred revenue.

Contributions – Contributions are available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. However, if the restrictions expire in the fiscal year in which the contributions are recognized, they are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions.

Contributed property and equipment are recorded at fair value at date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as increases in net assets with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as increases in net assets without donor restrictions.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, which are provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. During the years ended December 31, 2025 and 2024, the Organization did not recognize revenue from any donated services.

Functional allocation of expenses – The costs incurred in providing program and supporting services have been summarized on the statement of functional expenses and in the statement of activities. These expenses include direct and indirect costs that have been allocated on a consistent basis, among program and support services benefited. Natural expenses are accounted for on a direct cost basis to the program or service upon which the expense is incurred. Indirect expenses require allocation, which is done based on relative full-time equivalent headcount, facilities usage, or activities of personnel.

Income taxes – The Organization is exempt from Federal income tax as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the U.S. government. The Organization has analyzed the tax positions taken and has concluded that as of December 31, 2025 and 2024, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Use of estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications – Certain reclassifications have been made to the 2024 amounts to conform with 2025 presentation. The additional reclassification had no effect on the change in net assets or net asset balances previously reported.

Subsequent events – Subsequent events are events or transactions that occur after the date of the statement of financial position but before the financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the date of the statement of financial position and before the financial statements are available to be issued.

The Organization has evaluated subsequent events through May 5, 2026, which is the date the financial statements were available to be issued.

Note 2 – Concentrations

Credit risk – Financial instruments that potentially subject the Organization to concentrations of credit risk include cash and cash equivalents. The Organization places its temporary cash deposits with major financial institutions. At times, deposits with any one institution may exceed federally insured limits.

Accounts receivable and contract funds receivable consist primarily of amounts due from patients and local and state government agencies. Approximately 77% and 82% of total accounts receivable is due from MCOs and the King County Integrated Care Network as of December 31, 2025 and 2024, respectively.

Government agencies – The Organization is partly funded under fee-for-service grants and contracts with various state, county, and city agencies. During fiscal years 2025 and 2024, grants and contracts from these agencies accounted for approximately 50% and 46% of total revenues and support, respectively. The receipt of governmental funding is subject to audit by various governmental agencies, the outcome of which is not known until the audits are completed. Management is aware of these risks and has contingency plans available.

The Organization provides services to many of its patients under contractual arrangements with the Medicaid program, for which the Organization receives payments at predetermined fixed rates. Revenues recognized in fiscal year 2025 for services rendered to Medicaid patients, net of explicit price concessions, amounted to $18,157,530 or 38% of total support and revenue. Revenues recognized in fiscal year 2024 for services rendered to Medicaid patients, net of explicit price concessions, amounted to $16,852,239 or 38% of total support and revenue. The revenue is included in the contract revenue – government line within the statement of activities. Laws and regulations governing the Medicaid program are extremely complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Organization's grant and contract funding is subject to various risks, including changes in government policy and potential executive orders issued by the current federal administration. These recent executive orders may result in modifications, delays, or cancellations of such grant and contract funding that could adversely impact the Organization's ability to fulfill its commitments under existing grants and contracts. The Organization has assessed these risks and believes that any potential impact from such executive orders is uncertain. The ultimate effect on the Organization's financial position and changes in net assets will depend on future governmental actions and the timing of their implementation. The Organization will continue to monitor developments related to these executive orders and will take appropriate actions as necessary.

Note 3 – Leases

At December 31, 2025 and 2024, the Organization had a number of noncancelable operating leases that expire through 2032. Rental expenses for these leases totaled $1,056,570 and $1,038,748 for the years ended December 31, 2025 and 2024, respectively. Operating cash flows from operating leases was $902,977 and $835,399 for the years ended December 31, 2025 and 2024, respectively. ROU assets obtained in exchange for new lease liabilities was $2,053,664 and $0 for the years ended December 31, 2025 and 2024, respectively.

Future minimum lease payments under these leases are as follows:

2026	$ 1,175,251
2027	1,155,860
2028	826,567
2029	358,360
2030	351,470
Thereafter	191,711
Total	4,059,219
Less amounts representing imputed interest	(555,443)
Total minimum lease payments	$ 3,503,776

The weighted average remaining lease term for operating leases is 2.97 and 2.64 years as of December 31, 2025 and 2024, respectively. The weighted average incremental borrowing rate for operating leases is 5.82% and 5.75% as of December 31, 2025 and 2024, respectively.

Note 4 – Line of Credit

The Organization maintains a line of credit with a bank for borrowings up to $850,000, which is due on demand. Interest is charged at prime rate plus 1.00% (6.75% at December 31, 2025) and is payable monthly. There was no outstanding balance on this line of credit as of December 31, 2025 and 2024. This line of credit is secured by the assets of the Organization.

Note 5 – Long-Term Debt

Long-term debt consisted of the following at December 31:

	2025	2024
Note payable to Craft3, payable in monthly installments of $32,152, for 60 months with a balloon payment in month 60, including interest at 5%, secured by land, due December 2026.	$ 3,104,020	$ 3,730,054
Less current portion of long-term debt	3,104,020	260,637
Total long-term debt	$ -	$ 3,469,417

Note 6 – Liquidity and Availability

The Organization has approximately $10,717,000 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents of $3,870,000 and receivables of $6,847,000 at December 31, 2025. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The receivables are expected to be collected within one year.

The Organization has approximately $8,995,000 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents of $2,034,000 and receivables of $6,961,000 at December 31, 2024. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

Note 7 – Retirement Plan

The Organization sponsors a retirement plan that is available to substantially all employees. Under the plan, employees may elect to defer a portion of their salary subject to annual limits under Section 403(b) of the Internal Revenue Code.

The retirement plan contains provisions whereby the Organization may match a percentage of employee contributions. The Organization matched contributions up to 6% of the employee contribution. Total employer contributions for December 31, 2025 and 2024, were $572,572 and $517,794, respectively.

Note 8 – Purchase of 1700 Airport Way Property

On December 3, 2018, the Organization and King County Department of Community and Human Services Behavioral Health and Recovery Division formally entered into an amendment to their Substance Use Disorder Treatment Services contract (the Contract) that was agreed to in March 2018. The amendment added $900,000 of County funds to the Organization for the anticipated purchase of a facility (1700 Airport Way) for the purpose of providing behavioral health services, including medication assisted treatment and SUD outpatient treatment. Upon purchasing the facility, the Organization was required to execute and record a covenant (among other documents) that requires behavioral health services specified in the Contract to be provided at the site for no less than twenty years. In the event of default of the Contract that is not cured in a timeframe agreed to by the County, the County will be entitled to a Recovery Amount that equals the Amount of Funds advanced to the Organization less the cumulative principal reductions awarded prior to the time of the breach. The Organization believes all significant conditions have been met in the grant agreement that will expire during 2031.

In February 2021, the Organization entered into a purchase and sale agreement for the purchase of the 1700 Airport Way property for $9.5 million. On May 5, 2021, the purchase of the property was finalized and the Organization entered into a lease termination agreement with the landlord effective on that same date.

The purchase of the property was financed as follows:

Note payable - Craft3	$ 5,500,000
State of Washington - Department of Commerce	2,950,000
City of Seattle	1,000,000
Earnest money	50,000
	$ 9,500,000

The cost of acquiring the 1700 Airport Way property was partially financed from the City of Seattle for $1,000,000 and the state of Washington for $2,950,000. The funding is collateralized by a deed of trust on the property, which remains in effect until the year 2041 for the city of Seattle, and the year 2031 for the state of Washington. In the event the property is sold, the loan is subject to additional contingent interest representing the lenders' pro rata interest in the appreciated value of the property. Under the terms of the agreement, as long as the property is not sold or used for an unauthorized purpose, the deed of trust will be forgiven upon maturity. The Organization recorded these agreements as contributions within revenues and support in fiscal year 2021 instead of as a liability because the Organization has no plans to sell the property before the final agreement matures in 2041 and does not anticipate that plans will change.

In January 2024, a flood occurred at the 1700 Airport Way property. Due to the flood, property and equipment was impaired. The fair value was measured based on the purchase price of the property and equipment when it was acquired in 2021. The impairment in 2024 was recognized based on the square footage no longer used after the flood occurred compared to the total square footage of the property. During 2025, the remaining portion of the property and equipment was impaired. The net impact of the impairment on property and equipment was as follows:

	2025	2024
Building	$ 1,406,193	$ 3,950,000
Leasehold improvements	26,624	1,004,909
Office furniture, fixtures, and equipment	192,569	201,516
Less accumulated depreciation and amortization	(248,559)	(623,621)
Total impairment loss	$ 1,376,827	$ 4,532,804

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