

FARESTART
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

FARESTART

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INDEPENDENT AUDITORS' REPORT

Board of Directors
FareStart

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of FareStart (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the related consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of FareStart as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 Financial Statements section of our report. We are required to be independent of FareStart and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the 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 FareStart's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Auditors' Responsibilities for the Audit of the 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 FareStart'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 FareStart'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.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Similarly, the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the 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 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 to the 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 statements of financial position and activities and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2025, on our consideration of FareStart'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 solely to 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 FareStart'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 FareStart's internal control over financial reporting and compliance.

Finney, Hill & Company, P.S.

May 13, 2025
Seattle, Washington

FARESTART
Consolidated Statements of Financial Position
December 31, 2024 and 2023

| <u>ASSETS</u> | <u>2024</u> | <u>2023</u> |
|------------------------------------------------------------|----------------------|----------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 5,777,057 | \$ 3,366,812 |
| Accounts receivable, net | 465,428 | 675,728 |
| Public contracts receivable | 450,752 | 299,026 |
| Promises to give - current | 1,574,360 | 1,345,845 |
| Contribution receivable for rent - current (Note 11) | 735,797 | 743,291 |
| Prepaid expenses | 180,601 | 171,465 |
| Employee Retention Credit receivable | 2,356,314 | - |
| Inventory | <u>65,280</u> | <u>38,580</u> |
| Total Current Assets | 11,605,589 | 6,640,747 |
| Investments, at fair value - board restricted | 562,701 | 535,705 |
| Employee Retention Credit receivable, net | - | 2,112,820 |
| Promises to give - long-term, net | 500,087 | 920,422 |
| Contribution receivable for rent, net of current (Note 11) | 1,102,168 | 1,838,190 |
| Operating lease right-of-use assets | 232,202 | 303,241 |
| Property and equipment, net | <u>8,033,485</u> | <u>8,018,099</u> |
| | <u>\$ 22,036,232</u> | <u>\$ 20,369,224</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities | | |
| Accounts payable | \$ 552,692 | \$ 752,453 |
| Accrued payroll expenses | 740,185 | 598,385 |
| Accrued interest expense | 18,154 | - |
| Notes payable - current (Note 8) | 46,217 | - |
| Operating lease liability, current | 43,117 | 157,840 |
| Contract liabilities | <u>202,681</u> | <u>101,012</u> |
| Total Current Liabilities | 1,603,046 | 1,609,690 |
| Notes payable, net of current (Note 8) | 2,858,217 | - |
| Operating lease liability, net of current | <u>191,283</u> | <u>156,520</u> |
| Total Liabilities | <u>4,652,546</u> | <u>1,766,210</u> |
| Net Assets | | |
| Without donor restrictions | 13,214,795 | 13,085,487 |
| With donor restrictions | <u>4,168,891</u> | <u>5,517,527</u> |
| Total Net Assets | <u>17,383,686</u> | <u>18,603,014</u> |
| | <u>\$ 22,036,232</u> | <u>\$ 20,369,224</u> |

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

FARESTART
Consolidated Statement of Activities
Year Ended December 31, 2024

| | Without Donor Restrictions | With Donor Restrictions | Total |
|------------------------------------------------------------------|-------------------------------|----------------------------|----------------------|
| Operating Revenue | | | |
| Food service revenue | \$ 4,732,069 | - | \$ 4,732,069 |
| Food service revenue from public contracts | 254,468 | - | 254,468 |
| In-kind contributions - food | 288,507 | - | 288,507 |
| | <u>5,275,044</u> | <u>-</u> | <u>5,275,044</u> |
| Cost of goods sold | 1,689,453 | - | 1,689,453 |
| Net Operating Revenue | <u>3,585,591</u> | <u>-</u> | <u>3,585,591</u> |
| Public Support and Other Revenue | | | |
| Private grants | 745,924 | 1,873,838 | 2,619,762 |
| Public contracts | 903,316 | 291,000 | 1,194,316 |
| Contributions - operating | 814,593 | 3,792,725 | 4,607,318 |
| In-kind contributions - non-food (Note 9) | 653,762 | - | 653,762 |
| Special events, net of direct benefits to donors of \$366,384 | 1,727,094 | - | 1,727,094 |
| Consulting services | 220,050 | - | 220,050 |
| Investment income and other | 416,534 | - | 416,534 |
| Total Public Support and Other Revenue | <u>5,481,273</u> | <u>5,957,563</u> | <u>11,438,836</u> |
| Net Assets Released from Restrictions | | | |
| Expiration of time restrictions | 938,515 | (938,515) | - |
| Satisfaction of purpose restrictions | 6,367,684 | (6,367,684) | - |
| Total Net Assets Released from Restrictions | <u>7,306,199</u> | <u>(7,306,199)</u> | <u>-</u> |
| Total Public Support, Revenue, and Other Support | <u>16,373,063</u> | <u>(1,348,636)</u> | <u>15,024,427</u> |
| Expenses | | | |
| Program services | 11,974,772 | - | 11,974,772 |
| Management and general | | | |
| FareStart Operations | 2,062,249 | - | 2,062,249 |
| FareStart Properties, LLC | 415,522 | - | 415,522 |
| Fundraising | 1,795,461 | - | 1,795,461 |
| Total Expenses | <u>16,248,004</u> | <u>-</u> | <u>16,248,004</u> |
| Revenue over (under) expenses | 125,059 | (1,348,636) | (1,223,577) |
| Net realized and unrealized gains (losses) on investments | 4,249 | - | 4,249 |
| Change in Net Assets | 129,308 | (1,348,636) | (1,219,328) |
| Net Assets, beginning of year | 13,085,487 | 5,517,527 | 18,603,014 |
| Net Assets, end of year | <u>\$ 13,214,795</u> | <u>4,168,891</u> | <u>\$ 17,383,686</u> |

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

FARESTART
Consolidated Statement of Activities
Year Ended December 31, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|------------------------------------------------------------------|-------------------------------|----------------------------|----------------------|
| Operating Revenue | | | |
| Food service revenue | \$ 3,804,829 | - | \$ 3,804,829 |
| Food service revenue from public contracts | 1,869,852 | - | 1,869,852 |
| In-kind contributions - food | 413,568 | - | 413,568 |
| | <u>6,088,249</u> | <u>-</u> | <u>6,088,249</u> |
| Cost of goods sold | 2,272,227 | - | 2,272,227 |
| Net Operating Revenue | <u>3,816,022</u> | <u>-</u> | <u>3,816,022</u> |
| Public Support and Other Revenue | | | |
| Private grants | 1,198,107 | 3,829,844 | 5,027,951 |
| Public contracts | 1,430,482 | - | 1,430,482 |
| Contributions - operating | 2,538,667 | 1,156,490 | 3,695,157 |
| In-kind contributions - non-food (Note 9) | 1,214,035 | - | 1,214,035 |
| Special events, net of direct benefits to donors of \$223,458 | 1,812,072 | - | 1,812,072 |
| Consulting services | 233,949 | - | 233,949 |
| Other revenue - Employee Retention Credits | 2,112,823 | - | 2,112,823 |
| Investment income and other | 80,772 | - | 80,772 |
| Total Public Support and Other Revenue | <u>10,620,907</u> | <u>4,986,334</u> | <u>15,607,241</u> |
| Net Assets Released from Restrictions | | | |
| Expiration of time restrictions | 751,674 | (751,674) | - |
| Satisfaction of purpose restrictions | 2,605,287 | (2,605,287) | - |
| Total Net Assets Released from Restrictions | <u>3,356,961</u> | <u>(3,356,961)</u> | <u>-</u> |
| Total Public Support, Revenue, and Other Support | <u>17,793,890</u> | <u>1,629,373</u> | <u>19,423,263</u> |
| Expenses | | | |
| Program services | 14,162,930 | - | 14,162,930 |
| Management and general | | | |
| FareStart Operations | 3,289,685 | - | 3,289,685 |
| FareStart Properties, LLC | 194,777 | - | 194,777 |
| Fundraising | 1,870,426 | - | 1,870,426 |
| Total Expenses | <u>19,517,818</u> | <u>-</u> | <u>19,517,818</u> |
| Revenue over (under) expenses | (1,723,928) | 1,629,373 | (94,555) |
| Net realized and unrealized gains (losses) on investments | 11,782 | - | 11,782 |
| Change in Net Assets | (1,712,146) | 1,629,373 | (82,773) |
| Net Assets, beginning of year | 14,797,633 | 3,888,154 | 18,685,787 |
| Net Assets, end of year | <u>\$ 13,085,487</u> | <u>5,517,527</u> | <u>\$ 18,603,014</u> |

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

FARESTART
Consolidated Statement of Functional Expenses
Year Ended December 31, 2024

| | Food Service Training Program | Hunger Relief | Consulting | Barista and Customer Service Program | Total Programs | Management and General | | Total Management and Fundraising | Total All Services | |
|-----------------------------------------------------------------------------------------|-------------------------------|------------------|----------------|--------------------------------------|--------------------------|------------------------|---------------------------|----------------------------------|-------------------------|-----------------------------|
| | | | | | | FareStart | FareStart Properties, LLC | General | Fundraising | |
| Salaries and wages | \$ 2,598,542 | 2,443,939 | 288,028 | 887,047 | 6,217,556 | 1,170,774 | - | 1,170,774 | 939,463 | \$ 8,327,793 |
| Payroll taxes and benefits | 614,010 | 611,308 | 58,925 | 226,845 | 1,511,088 | 258,089 | - | 258,089 | 173,224 | 1,942,401 |
| Total wages and related expenses | 3,212,552 | 3,055,247 | 346,953 | 1,113,892 | 7,728,644 | 1,428,863 | - | 1,428,863 | 1,112,687 | 10,270,194 |
| Restaurant and café operating expenses: | | | | | | | | | | |
| Linen services | 17,963 | 33,377 | - | 4,091 | 55,431 | - | - | - | - | 55,431 |
| Paper supplies | 14,838 | 63,164 | - | 45,322 | 123,324 | - | - | - | - | 123,324 |
| Repairs and maintenance | 14,010 | 34,943 | 804 | 4,136 | 53,893 | 7,261 | - | 7,261 | - | 61,154 |
| Other | 65,938 | 156,098 | 2,300 | 16,179 | 240,515 | 12,365 | - | 12,365 | 59,298 | 312,178 |
| Total restaurant and café operating expenses | 112,749 | 287,582 | 3,104 | 69,728 | 473,163 | 19,626 | - | 19,626 | 59,298 | 552,087 |
| Bad debt and other losses | - | - | - | - | - | 11,728 | - | 11,728 | - | 11,728 |
| Bank charges | 16,896 | 28 | - | 4,929 | 21,853 | 25,105 | 273 | 25,378 | 51,306 | 98,537 |
| Board and staff development | 7,706 | 9,631 | 572 | 2,736 | 20,645 | 18,446 | - | 18,446 | 54 | 39,145 |
| Interest | - | - | - | - | - | - | 231,661 | 231,661 | - | 231,661 |
| Loss on asset impairment | - | - | - | - | - | 72,655 | - | 72,655 | - | 72,655 |
| Occupancy | 145,109 | 1,129,532 | 9,484 | 99,158 | 1,383,283 | 85,702 | - | 85,702 | - | 1,468,985 |
| Other expense | 104,717 | 185,032 | 43,720 | 50,096 | 383,565 | 119,230 | - | 119,230 | 375,318 | 878,113 |
| Professional fees | 259,880 | 255,569 | 13,802 | 76,970 | 606,221 | 224,629 | - | 224,629 | 144,701 | 975,551 |
| Re-grant expense | - | - | 13,500 | 0 | 13,500 | - | - | - | - | 13,500 |
| Student support | 383,016 | - | - | 87,648 | 470,664 | - | - | - | - | 470,664 |
| Supplies, postage, equipment and copies | 69,432 | 64,741 | 3,803 | 20,430 | 158,406 | 39,145 | - | 39,145 | 52,097 | 249,648 |
| Depreciation and amortization | 101,284 | 408,522 | 9,268 | 195,754 | 714,828 | 17,120 | 183,588 | 200,708 | - | 915,536 |
| Total expenses as shown on the Statement of Activities | <u>4,413,341</u> | <u>5,395,884</u> | <u>444,206</u> | <u>1,721,341</u> | <u>11,974,772</u> | <u>2,062,249</u> | <u>415,522</u> | <u>2,477,771</u> | <u>1,795,461</u> | <u>16,248,004</u> |
| Cost of goods sold: | | | | | | | | | | |
| Food purchases and other | 133,296 | 959,056 | - | 308,594 | 1,400,946 | - | - | - | - | 1,400,946 |
| In-kind donations of food | - | 288,507 | - | - | 288,507 | - | - | - | - | 288,507 |
| Total cost of goods sold | <u>133,296</u> | <u>1,247,563</u> | <u>-</u> | <u>308,594</u> | <u>1,689,453</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,689,453</u> |
| Special event expenses included with support and revenue on the statement of activities | - | - | - | - | - | - | - | - | 366,384 | 366,384 |
| Total | <u>\$ 4,546,637</u> | <u>6,643,447</u> | <u>444,206</u> | <u>2,029,935</u> | <u>13,664,225</u> | <u>2,062,249</u> | <u>415,522</u> | <u>2,477,771</u> | <u>2,161,845</u> | <u>\$ 18,303,841</u> |

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

FARESTART
Consolidated Statement of Functional Expenses
Year Ended December 31, 2023

| | Food Service | | Barista and Customer Service | | Total Programs | Management and General | | Total Management and | | Total All Services |
|-----------------------------------------------------------------------------------------|------------------|---------------|------------------------------|-----------|-------------------|------------------------|-----------------|----------------------|------------------|----------------------|
| | Training Program | Hunger Relief | Consulting | Program | | FareStart | Properties, LLC | General | Fundraising | |
| Salaries and wages | \$ 2,243,447 | 4,227,316 | 648,089 | 415,676 | 7,534,528 | 1,497,709 | - | 1,497,709 | 1,013,943 | \$ 10,046,180 |
| Payroll taxes and benefits | 531,822 | 1,169,593 | 149,688 | 114,268 | 1,965,371 | 339,939 | - | 339,939 | 197,535 | 2,502,845 |
| Total wages and related expenses | 2,775,269 | 5,396,909 | 797,777 | 529,944 | 9,499,899 | 1,837,648 | - | 1,837,648 | 1,211,478 | 12,549,025 |
| Restaurant and café operating expenses: | | | | | | | | | | |
| Linen services | 3,081 | 42,174 | - | 4,288 | 49,543 | 6,770 | - | 6,770 | - | 56,313 |
| Paper supplies | - | 187,331 | - | 59,975 | 247,306 | - | - | - | - | 247,306 |
| Repairs and maintenance | 11,831 | 10,491 | - | 3,044 | 25,366 | 22,466 | - | 22,466 | - | 47,832 |
| Other | 41,943 | 218,992 | 3,861 | 6,899 | 271,695 | 24,287 | - | 24,287 | 2,681 | 298,663 |
| Total restaurant and café operating expenses | 56,855 | 458,988 | 3,861 | 74,206 | 593,910 | 53,523 | - | 53,523 | 2,681 | 650,114 |
| Advertising | (1) | (3) | - | - | (4) | 1,249 | - | 1,249 | 11,675 | 12,920 |
| Bad debt and other losses | - | - | - | - | - | 12,997 | - | 12,997 | - | 12,997 |
| Bank charges | 7,099 | 15,953 | 1,409 | 2,127 | 26,588 | 8,862 | 15 | 8,877 | 53,287 | 88,752 |
| Board and staff development | 6,778 | 10,059 | 1,415 | 1,102 | 19,354 | 20,086 | - | 20,086 | 5,559 | 44,999 |
| Interest | 5,642 | 12,679 | 1,120 | 1,690 | 21,131 | 7,044 | - | 7,044 | - | 28,175 |
| Loss on asset impairment | 2,598 | 5,839 | 516 | 778 | 9,731 | 164,598 | - | 164,598 | - | 174,329 |
| Occupancy | 387,692 | 922,378 | 42,372 | 132,587 | 1,485,029 | 139,078 | 14,216 | 153,294 | - | 1,638,323 |
| Other expense | 81,102 | 194,579 | 56,410 | 18,877 | 350,968 | 150,730 | - | 150,730 | 482,000 | 983,698 |
| Professional fees | 331,773 | 799,553 | 65,118 | 97,916 | 1,294,360 | 817,358 | - | 817,358 | 45,249 | 2,156,967 |
| Re-grant expense | 2,026 | 2,025 | 21,179 | 270 | 25,500 | - | - | - | - | 25,500 |
| Student support | 601,034 | - | - | - | 601,034 | 1,316 | - | 1,316 | - | 602,350 |
| Supplies, postage, equipment and copies | 6,439 | 14,715 | 855 | 1,147 | 23,156 | 4,438 | - | 4,438 | 58,497 | 86,091 |
| Depreciation and amortization | 56,677 | 127,364 | 11,251 | 16,982 | 212,274 | 70,758 | 180,546 | 251,304 | - | 463,578 |
| Total expenses as shown on the Statement of Activities | 4,320,983 | 7,961,038 | 1,003,283 | 877,626 | 14,162,930 | 3,289,685 | 194,777 | 3,484,462 | 1,870,426 | 19,517,818 |
| Cost of goods sold: | | | | | | | | | | |
| Food purchases and other | 9,033 | 1,579,407 | - | 270,219 | 1,858,659 | - | - | - | - | 1,858,659 |
| In-kind donations of food | - | 413,568 | - | - | 413,568 | - | - | - | - | 413,568 |
| Total cost of goods sold | 9,033 | 1,992,975 | - | 270,219 | 2,272,227 | - | - | - | - | 2,272,227 |
| Special event expenses included with support and revenue on the statement of activities | - | - | - | - | - | - | - | - | 223,458 | 223,458 |
| Total | \$ 4,330,016 | 9,954,013 | 1,003,283 | 1,147,845 | 16,435,157 | 3,289,685 | 194,777 | 3,484,462 | 2,093,884 | \$ 22,013,503 |

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

FARESTART
Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023

| | 2024 | 2023 |
|------------------------------------------------------|--------------|--------------|
| Cash flows provided (used) in operating activities: | | |
| Cash received from: | | |
| Public contracts | \$ 799,096 | \$ 1,985,628 |
| Private grants | 2,811,582 | 5,027,951 |
| Donors | 6,334,412 | 3,809,766 |
| Food sales | 5,233,597 | 5,925,477 |
| Consulting services | 321,719 | 279,430 |
| Interest, dividends and other | 393,797 | 80,775 |
| Cash paid for: | | |
| Personnel | (10,128,394) | (12,636,223) |
| Services and supplies | (5,020,167) | (5,744,834) |
| Interest | (190,601) | (28,175) |
| Net cash provided (used) in operating activities | 555,041 | (1,300,205) |
| Cash flows provided (used) in investing activities: | | |
| Sale (purchase) of investments | (22,747) | 1,112,052 |
| Purchases of property and equipment | (1,003,577) | (45,915) |
| Net cash provided (used) in investing activities | (1,026,324) | 1,066,137 |
| Cash flows provided (used) in financing activities: | | |
| Payment of financing lease liability | - | (5,998) |
| Payment of notes payable | (36,010) | - |
| Proceeds from notes payable | 2,917,538 | - |
| Net cash provided (used) in financing activities | 2,881,528 | (5,998) |
| Net increase (decrease) in cash and cash equivalents | 2,410,245 | (240,066) |
| Cash and cash equivalents at beginning of year | 3,366,812 | 3,606,878 |
| Cash and cash equivalents at end of year | \$ 5,777,057 | \$ 3,366,812 |

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

FARESTART
Consolidated Statements of Cash Flows, continued
Years Ended December 31, 2024 and 2023

| Reconciliation of Changes in Net Assets to Net Cash | 2024 | 2023 |
|-----------------------------------------------------------------------------------------------------|----------------|----------------|
| Provided (Used) By Operating Activities: | | |
| Changes in net assets | \$ (1,219,328) | \$ (82,773) |
| Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 938,442 | 463,578 |
| Loss on disposal of assets | 72,655 | 124,365 |
| Net realized and unrealized (gains) losses on investments | (4,249) | (11,782) |
| Decrease (increase) in: | | |
| Accounts receivable | 210,300 | 250,796 |
| Public contracts receivable | (151,726) | 555,146 |
| Promises to give | 191,820 | (1,697,463) |
| Contribution receivable for rent | 743,516 | 751,674 |
| Prepaid expenses | (9,136) | 117,627 |
| Inventory | (26,700) | 71,886 |
| Employee Retention Credit Receivable | (243,494) | (2,112,820) |
| Right-of-use assets | 71,039 | 92,417 |
| (Decrease) increase in: | | |
| Accounts payable | (199,761) | 236,760 |
| Accrued expenses | 141,800 | (45,332) |
| Accrued interest | 18,154 | - |
| Contract liabilities | 101,669 | 45,481 |
| Lease liabilities | (79,960) | (59,765) |
| Net cash provided (used) by operating activities | \$ 555,041 | \$ (1,300,205) |

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

FARESTART
Notes to Consolidated Financial Statements
Years Ended December 31, 2024 and 2023

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Founded in 1992, FareStart is a nonprofit social enterprise organization that transforms lives, disrupts poverty, and nourishes communities through food, life skills, and job training. Our food-based businesses serve as classrooms for adults and young people to learn on-the-job skills that will prepare them for career pathways within and beyond the food service industry. Students learn and hone these skills in real-world situations while being in a supportive environment that includes wraparound social services such as emergency housing, mental health support, transportation, and more. Our end goal is personal stability and economic mobility for people overcoming barriers to employment.

2023

In 2023, we continued to rebuild post-pandemic and move back toward our shared support model—balancing donations and earned revenue from our businesses—to support our job training programs and create more impact.

We enrolled nearly 240 youth and adults across our training programs so students could learn new skills to obtain jobs. FareStart helped facilitate 85 job placements and promotions. As we refocused our efforts toward on-the-job training within our businesses, we graduated our final cohort of Online Learning Program adult students. This program was launched in response to the pandemic so we could continue to train students in a virtual environment.

We ended 2023 with two core job training programs:

- 1) Food Pathways Program, which was launched in 2022, provides adults 18+ years of age with six months of training. Students learn self-empowerment skills, financial literacy and other life skills while learning on-the-job skills within our food security programs that will prepare students for careers in culinary and other food-based industries.

- 2) Barista & Customer Service Program, which promotes education advancement and job readiness for young adults age 15½ - 24 years of age. Students receive up to seven weeks of training working with expert baristas. In 2023, most of the program participants returned to on-the-job training within our social enterprises. We partnered with Seattle Public Schools' Interagency Academy and Nova High School, Y Social Impact Center and Gifts of Hope.

We support food security across our community, with nearly 900,000 meals provided to local nonprofits, shelters and schools. As we scaled back to pre-pandemic meal production levels, we continued to activate our Mobile Community Market, which supported 159 events across South King County.

FareStart also provided consulting, training, and resources to 44 other nonprofit workforce development organizations across the country.

As government pandemic funding continued to wane, FareStart has been focused on relaunching our social enterprise businesses, building business plans that were executed in 2024. Prior to the pandemic, our businesses provided 50% of our revenue, enabling us to sustainably fund our mission while providing job training.

FARESTART

Notes to Consolidated Financial Statements, continued
Years Ended December 31, 2024 and 2023

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

2024

2024 was a significant transition year as we focused on providing quality job training for students and launched several social enterprise businesses. We reopened the FareStart Restaurant for breakfast, lunch, private catered events, box lunches, and Guest Chef Night events. These businesses, in addition to our contract community meals program, enabled us to expand on-the-job training opportunities for students and begin diversifying our revenue streams.

We enrolled 268 youth and adults across our training programs so students could learn new skills to obtain jobs. FareStart helped facilitate 47 job placements and promotions and supported 32 students obtaining high school credit.

After experiencing lower-than-anticipated enrollment, retention, and job placement rates in the first half of the year, we reassessed our job training programs to ensure they met the needs of students in the post-pandemic landscape. We blended the best of our past with lessons learned during the pandemic, creating a training model that aligns with best practices and the lived experiences of the people we serve. We started to see greater impact the latter part of the year.

We ended 2024 with two core job training programs:

- 1) Food Pathways Program, which provides adults 18+ years of age with 12 weeks of training. Students learn self-empowerment skills, financial literacy and other durable life skills while learning on-the-job culinary skills within our social enterprises that will prepare students for jobs.
- 2) Barista & Customer Service Program, which promotes job readiness for young adults ages 18 - 24 years, provides nine weeks of training. Students learn self-empowerment skills, financial literacy and other durable life skills while learning on-the-job barista skills within our café social enterprises that will prepare students for jobs.

FareStart also worked with external partners to create two early intervention career-connected learning programs that support programming for youth and young adults. Training takes place outside of our businesses and social services support is provided by the partners.

- 1) Online Customer Service Program, which continues our partnership with Seattle Public Schools (during the school year) and Gifts of Hope (in the summer). The six-week online program trains youth and young adults ages 15 ½ to 21. Students learn customer service, durable life skills, and job readiness skills while earning high school credit (Seattle Public Schools only).
- 2) Echo Glen Program was launched in early 2024 as a two-year pilot with Echo Glen Children's Center in Snoqualmie, a rehabilitation facility for youth and young adults ages 13-25. The goal is to prepare residents to return to the community with the skills needed to succeed. The program provides up to 10 weeks of barista, customer service, culinary, and other hospitality on-the-job skills at Echo Glen's facility.

FARESTART

Notes to Consolidated Financial Statements, continued Years Ended December 31, 2024 and 2023

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

We supported food security by distributing over 500,000 meals to local nonprofits, shelters and schools. We continued to activate our Mobile Community Market, which supported 139 events across South King County, reaching over 5,100 non-unique households. These activities also provide on-the-job training opportunities for students.

FareStart provided consulting, training, and resources to 59 nonprofit workforce development organizations nationwide.

In both 2023 and 2024, FareStart received significant funds via public contracts, including federal funding via United States Department of Agriculture Supplemental Nutrition Assistance Program (“SNAP”) administered through the Department of Social and Health Services for the State of Washington, the Department of Commerce, as well as smaller individual amounts of funding from the City of Seattle and King County. FareStart typically generates philanthropy-related funding via fundraising events, major campaigns, grants, and annual giving. Growing our businesses remain critical to diversifying our revenue and realizing our mission in a post-pandemic environment.

Principles of consolidation

The consolidated financial statements include the accounts of FareStart and its wholly owned subsidiary, FareStart Properties, LLC (FSP LLC). All material intercompany transactions between the entities have been eliminated.

Basis of presentation

The accompanying consolidated financial statements have been prepared in conformity with the disclosure and display requirements of the Presentation of Financial Statements for Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. This Topic establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset classes according to donor imposed restrictions: net assets without donor restrictions and net assets with donor restrictions.

The net assets of FareStart are classified as follows:

- Net assets without donor restrictions are available without restriction for support of FareStart’s operations.
- Net assets with donor restrictions are restricted by donors to be used for certain purposes or in future periods and consisted of \$4,168,891 and \$5,517,527 at December 31, 2024 and 2023, respectively. Other donor restrictions may be perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. FareStart had no net assets with perpetual restrictions at December 31, 2024 and 2023.

Basis of accounting

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and cash equivalents

Cash and cash equivalents consist of general checking, savings, and money market accounts. FareStart maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. FareStart has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

These notes are an integral part of the consolidated financial statements.

FARESTART

Notes to Consolidated Financial Statements, continued
Years Ended December 31, 2024 and 2023

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Investments

Investments consist of investments in mutual funds and exchange traded funds which are classified as available-for-sale securities carried at fair value. Net unrealized investment gains (losses) related to available-for-sale securities are recorded in the total change in net assets. Interest and dividends earned are reported in investment income. FareStart uses quoted market prices or public market information to determine the fair value of its investments.

Accounts receivable

Accounts receivable includes amounts owing from contract meal sales and consulting and is stated at net realizable value and is unsecured. Management provides for uncollectible accounts receivable through a provision for bad debt and an adjustment to the allowance for credit losses based on its assessment of the current status of individual accounts using the probability of default/loss given default method. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable. Accounts receivable are considered past due when not paid in accordance with the various contract and grant agreements. As of December 31, 2024 and 2023, the allowance for credit losses was \$36,749 and \$32,122, respectively.

Receivables from contracts with customers are reported as accounts receivable, net in the accompanying consolidated statements of financial position. Contract liabilities are included in the accompanying consolidated statements of financial position.

Promises to give

Unconditional promises to give are stated at net realizable value when received. In accordance with financial accounting standards, unconditional promises to give are recognized as support in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits 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. FareStart uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. An allowance of \$0 and \$21,250 was recorded as of December 31, 2024 and 2023. Promises to give – long-term are due within three years. The long-term pledges are recorded at present value, discounted at the rate that reflects the relative risk of achieving the cash flows and the time value of money. A discount of \$49,913 and \$92,394 was recorded as of December 31, 2024 and 2023.

Inventory

Inventory is stated at the lower of cost or net realizable value under the first-in, first-out method of accounting, and consists of food and supplies.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 and expenses during the reporting period. Actual results could differ from those estimates.

FARESTART

Notes to Consolidated Financial Statements, continued
Years Ended December 31, 2024 and 2023

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Property and equipment

Property and equipment are stated at cost or, if donated, at market value at date of donation. Property and equipment with an original cost of \$5,000 or greater are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, principally three to seven years for furniture and equipment, five years for vehicles, five to fifteen years for leasehold improvements and forty years for buildings. Depreciation expense was \$915,536 and \$463,578 for the years ended December 31, 2024 and 2023. Property and equipment consisted of the following at December 31:

| | <u>2024</u> | <u>2023</u> |
|-------------------------------------|---------------------|---------------------|
| Non-depreciable property: | | |
| Land | \$ 2,442,204 | \$ 2,442,204 |
| Long-lived assets held for sale | 49,000 | 120,000 |
| Construction in process | 8,063 | - |
| | <u>2,499,267</u> | <u>2,562,204</u> |
| Depreciable property and equipment: | | |
| Building and improvements | 8,310,737 | 8,848,816 |
| Furniture, equipment and software | 2,946,605 | 3,103,533 |
| Vehicles | 520,065 | 564,828 |
| | <u>11,777,407</u> | <u>12,517,177</u> |
| Total property and equipment | 14,276,674 | 15,079,381 |
| Less accumulated depreciation | <u>(6,243,189)</u> | <u>(7,061,282)</u> |
| | <u>\$ 8,033,485</u> | <u>\$ 8,018,099</u> |

Long-lived assets held for sale are composed of a vehicle that the Organization is not utilizing. A sale of the vehicle is anticipated in 2025. The Organization recognized an impairment loss of \$71,000 in the year ended December 31, 2024 when the decision to sell was made. The impairment loss is based on the anticipated value of the vehicle in a sale transaction.

Leases

Operating leases are included in right-of-use (ROU) assets and lease liabilities on the Organization's statements of financial position. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The ROU lease asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonable certain the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to apply the short-term lease exemption to all classes of underlying assets. Short-term lease expense was \$0 and \$0 in the years ended December 31, 2024 and 2023.

FARESTART

Notes to Consolidated Financial Statements, continued
Years Ended December 31, 2024 and 2023

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, investments 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. A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

Conditional promises to give are not included as revenue or pledge receivable until such time as the conditions are substantially met. The organization had outstanding \$771,293 in conditional promises to give directly related to public grants as of December 31, 2024. Of the outstanding conditional promises to give related to public grants, \$726,728 was awarded by U.S. Government donors and \$44,565 was awarded by multilateral agencies or other donors.

Food service revenue, including catering contracts is recognized upon delivery. Consulting fees are recognized and billed in the month services are provided to other non-profit organizations operating similar job training programs. The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Restricted and unrestricted support

Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of unrestricted activities as net assets released from restrictions.

Gifts of property and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Donated goods and services

Donated food, goods and use of facilities are recorded as contributions at their estimated fair values at the date of donation. In accordance with financial accounting standards, the consolidated financial statements reflect only those donated services requiring specific expertise that FareStart would otherwise need to purchase. FareStart utilizes contributed non-financial food, goods and services in the reporting period.

In addition, FareStart receives a substantial amount of services donated by people interested in FareStart's programs. The consolidated financial statements do not reflect the value of these donated services. The kinds of services provided generally involve the contribution of time to the training and hunger relief programs and special events.

These notes are an integral part of the consolidated financial statements.

FARESTART

Notes to Consolidated Financial Statements, continued Years Ended December 31, 2024 and 2023

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services. Wages and related expenses are allocated based on time and effort. Most other expenses, including occupancy, professional fees and depreciation are allocated based on headcount.

A portion of food waste in the kitchen operations is allocated from food cost of goods sold to student support expenses. FareStart operates a production and training kitchen. As a result, FareStart incurs additional food waste above and beyond the waste that would normally be associated with a production kitchen that does not train students.

Federal income taxes

The Internal Revenue Service has recognized FareStart as exempt from federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and is classified as an organization other than a private foundation under Section 509(a)(1).

FSP LLC is not a taxpaying entity for federal income tax purposes, and thus no income tax expense has been recorded in the consolidated financial statements. Income from FSP LLC is taxed to the member in its respective tax return. Differences between tax and financial statement income result primarily from 1) the use of accelerated depreciation for federal income tax purposes and 2) the expensing of organization and start-up costs for financial reporting purposes versus capitalization and amortization for federal income tax purposes.

FareStart accounts for tax positions in accordance with the Recognition and Initial Measurement Sections of the Income Taxes Topic of the Financial Accounting Standards Board Accounting Standards Codification. With few exceptions, FareStart is subject to federal and state income tax examinations by tax authorities for the prior three years. Management has reviewed FareStart's tax positions and determined there were no uncertain tax positions as of December 31, 2024 and 2023.

FareStart recognizes income tax related interest in interest expense and penalties in operating expenses. During the years ended December 31, 2024 and 2023, FareStart recognized no income tax related interest or penalties.

Advertising expenses

Advertising is expensed as incurred. For the years ended December 31, 2024 and 2023, advertising expense was \$15,224 and \$12,920, respectively.

Impairment of Long-Lived Assets

FareStart reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation techniques. There were no impairment losses recognized for the years ended December 31, 2024 and 2023.

FARESTART

Notes to Consolidated Financial Statements, continued Years Ended December 31, 2024 and 2023

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Reclassification

Certain balances in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE 2 – SUBSEQUENT EVENTS

In 2025, FareStart executed a short term agreement in which the landlord provided FareStart 782 square feet of space to operate a coffee kiosk for the Barista and Customer Service program at no cost to FareStart.

In 2025, the FareStart Board of Directors approved a resolution to enter into a \$291,000 promissory note and deed of trust to securitize a grant provided by Washington State Department of Commerce. There is no expectation of repayment so long as the grant funds are used in accordance with the underlying contract for 10 years.

Subsequent events have been evaluated through May 13, 2025, which is the date the consolidated financial statements were available to be issued.

NOTE 3 – LIQUIDITY

FareStart concluded the years ended December 31 with the following liquid or near-liquid resources:

| | <u>2024</u> | <u>2023</u> |
|----------------------------------------------------------------------------------------|---------------------|---------------------|
| Operating cash | \$ 5,777,057 | \$ 3,366,812 |
| Accounts receivable, net | 465,428 | 675,728 |
| Federal awards receivable | 450,752 | 299,026 |
| Promises to give, net | 2,074,447 | 2,266,267 |
| Board designated reserve | 301 | 301 |
| FareStart property reserve | <u>562,400</u> | <u>535,404</u> |
| Subtotal | 9,330,385 | 7,143,538 |
| Less amounts not available to be used within one year: | | |
| Board-designated funds | (562,701) | (535,705) |
| Promises to give, current - for restricted gifts | (1,574,360) | (1,264,489) |
| Promises to give - due after one year, net | <u>(500,087)</u> | <u>(806,778)</u> |
| | <u>(2,637,148)</u> | <u>(2,606,972)</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 6,693,237</u> | <u>\$ 4,536,566</u> |

Both of the reserve accounts are board-designated reserves with the objective of setting aside funds to be drawn upon in the event of a liquidity need resulting from events outside ordinary operations. The institution's target for this total reserve is \$515,000 at December 31, 2024. The reserve funds are held in lower-risk investments which prioritize principal preservation over growth. All board-designated funds can be made available to meet operating needs if necessary.

These notes are an integral part of the consolidated financial statements.

FARESTART

Notes to Consolidated Financial Statements, continued
Years Ended December 31, 2024 and 2023

NOTE 4 – INVESTMENTS – BOARD RESTRICTED

The following schedule summarizes the composition of the Organization’s board restricted investments as stated at fair value as of December 31:

| | <u>2024</u> | <u>2023</u> |
|--------------------|-------------------|-------------------|
| Money market funds | \$ 2,819 | \$ 2,795 |
| Mutual funds | <u>559,882</u> | <u>532,910</u> |
| | <u>\$ 562,701</u> | <u>\$ 535,705</u> |

The Organization’s board has designated net assets without donor restrictions equal to the fair value of investments – board restricted presented above for the purpose of enabling the Organization to meet long-term objectives.

Interest income for the years ended December 31, 2024 and 2023, includes \$243,491 and \$0 recognized on the release of discount associated with the Employee Retention Credit receivable.

Changes in net unrealized gains (losses) on investments are comprised of unrealized gains (losses) of \$4,249 and \$11,782 for the years ended December 31, 2024 and 2023. Each type of investment is held in a single investment fund, which may subject the Organization to market risk.

Investment income consists of the following for the years ended December 31:

| | <u>2024</u> | <u>2023</u> |
|-----------|-------------------|------------------|
| Interest | \$ 109 | \$ 43,173 |
| Dividends | <u>147,855</u> | <u>37,602</u> |
| | <u>\$ 147,964</u> | <u>\$ 80,775</u> |

NOTE 5 - FAIR VALUE MEASUREMENTS

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under this topic are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that FareStart has the ability to access at the measurement date.

Level 2: Inputs to the valuation methodology include:

- a. Quoted prices for similar assets or liabilities in active markets,
- b. Quoted prices for identical or similar assets or liabilities in inactive markets,
- c. Inputs other than quoted prices that are observable for the asset or liability,
- d. Inputs that are 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.

These notes are an integral part of the consolidated financial statements.

FARESTART

Notes to Consolidated Financial Statements, continued
Years Ended December 31, 2024 and 2023

NOTE 5 - FAIR VALUE MEASUREMENTS, continued

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value:

Investments in money market funds: Valued at the daily closing price as reported by the fund. These investments are registered with the SEC and are required to publish their daily net asset value (NAV) and to transact at that price.

Investments in mutual funds: Valued at fair market value of securities held at year end as provided by broker, which is considered a Level 1 measurement.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while FareStart believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 6 – PROMISES TO GIVE

Multi-year grants receivable for programs are included in promises to give. Promises to give are reported at present value and were discounted at 5.0% and 4.9% as of December 31, 2024 and 2023, respectively.

Promises to give consisted of the following at December 31:

| | <u>2024</u> | <u>2023</u> |
|-------------------------------------------|---------------------|---------------------|
| Amounts due in: | | |
| Less than one year | \$ 1,574,360 | \$ 1,459,489 |
| One to five years | 550,000 | 920,422 |
| | <u>2,124,360</u> | <u>2,379,911</u> |
| Less: allowance for uncollectible pledges | - | (21,250) |
| Less: discount | <u>(49,913)</u> | <u>(92,394)</u> |
| | <u>\$ 2,074,447</u> | <u>\$ 2,266,267</u> |

NOTE 7 - LINE OF CREDIT

FareStart had a \$1,000,000 secured line of credit that expired on October 31, 2023 and was not renewed. Advances on the line of credit are payable on demand and carry interest at 2.0% over the one month internal bank rate, which was 6.12% at January 1, 2023. The line was collateralized by the investments and a bank controlled cash account.

FARESTART

Notes to Consolidated Financial Statements, continued Years Ended December 31, 2024 and 2023

NOTE 8 – NOTES PAYABLE

FSP LLC has a note payable to Symetra Life Insurance Company. The note has a maturity date of February 1, 2027 and bears interest at 2.55% above the 3-year U.S. Treasury Yield, which was 7.35% at December 31, 2024. Principal and interest payments are due monthly in accordance with the terms of the note. The outstanding principal balance was \$2,963,990 and \$0 at December 31, 2024 and 2023. The Note is collateralized by real estate.

Future minimum principal payments under the note for the years ending December 31 are as follows:

| | |
|------------------------------------------------------|--------------------|
| 2025 | \$ 46,217 |
| 2026 | 49,731 |
| 2027 | 2,868,042 |
| Thereafter | - |
| | <u>2,963,990</u> |
| Debt issuance costs, net of accumulated amortization | <u>(59,556)</u> |
| | <u>\$2,904,434</u> |

NOTE 9 – IN-KIND CONTRIBUTIONS – GOODS AND SERVICES

In-kind contributions of goods and services consist of the following for the years ended December 31:

| | <u>2024</u> | | <u>2023</u> | |
|-------------------------------|-------------------|-----------------|-------------------|-----------------|
| | <u>Goods</u> | <u>Services</u> | <u>Goods</u> | <u>Services</u> |
| Food service training program | \$ 37,292 | 57,017 | \$ 1,935 | 688,636 |
| Hunger relief program | - | 1,043 | 7,349 | 16,358 |
| Management and general | 231,399 | 1,600 | 244,155 | 3,463 |
| Fundraising | <u>325,411</u> | <u>-</u> | <u>252,139</u> | <u>-</u> |
| | <u>\$ 594,102</u> | <u>59,660</u> | <u>\$ 505,578</u> | <u>708,457</u> |

NOTE 10 – RELATED PARTY TRANSACTIONS

Board of Director Contributions

During the years ended December 31, 2024 and 2023, respectively, FareStart received \$201,023 and \$225,643 in contributions from the members of the Board of Directors. Additionally, \$0 and \$10,000 of promises to give are recorded as receivable from members of the Board of Directors as of December 31, 2024 and 2023.

FARESTART

Notes to Consolidated Financial Statements, continued Years Ended December 31, 2024 and 2023

NOTE 11 – LEASE COMMITMENTS

Capital Leases

FareStart has financed the purchase of IT equipment of \$79,266 and \$79,266 as of December 31, 2024 and 2023, respectively. Accumulated amortization of \$73,982 and \$58,129 was recorded at December 31, 2024 and 2023, respectively. The lease carries an interest rate of 0% and was paid in full as of December 31, 2023.

Operating Leases

FareStart leases its main office and branch locations pursuant to terms of various operating lease agreements. FareStart leased its main office from FSP LLC for \$387,791 and \$132,384 for the years ended December 31, 2024 and 2023. The agreement terminates March 2038 and was amended in 2024. Transactions associated with the lease are eliminated in consolidation as disclosed in Note 17.

FareStart leases a contract kitchen under a five year lease that began September 1, 2014 and includes the option to renew for two five-year periods beyond the initial lease term. FareStart exercised the first option to renew in 2019. The second renewal was declined and FareStart vacated the contract kitchen in 2024. The Organization recognized \$446,407 of accelerated depreciation on leasehold improvements at the location when the decision was made to not renew the lease.

FareStart leases office equipment under non-cancelable operating lease agreements that terminate in 2026 and 2030.

The components of lease expense were as follows for the years ended December 31:

| | <u>2024</u> | <u>2023</u> |
|----------------------------|-------------------|-------------------|
| Finance lease expense | | |
| Amortization of ROU assets | \$ - | \$ 15,853 |
| Operating lease expense | <u>125,909</u> | <u>218,328</u> |
| | <u>\$ 125,909</u> | <u>\$ 234,181</u> |

Other information related to leases was as follows for the years ended December 31:

| | <u>2024</u> | <u>2023</u> |
|------------------------------------------------------------------------|-------------|-------------|
| Cash paid for amounts included in the measurement of lease liabilities | | |
| Operating cash flows from operating leases | \$ 128,085 | \$ 192,635 |
| ROU assets obtained in exchange for new operating lease liabilities | \$ 220,886 | \$ - |
| Weighted-average remaining lease term in years for finance leases | 0.00 | 0.00 |
| Weighted-average remaining lease term in years for operating leases | 4.86 | 2.86 |
| Weighted-average discount rate for finance leases | 0.00% | 0.00% |
| Weighted-average discount rate for operating leases | 4.05% | 2.61% |

FARESTART

Notes to Consolidated Financial Statements, continued Years Ended December 31, 2024 and 2023

NOTE 11 – LEASE COMMITMENTS, continued

Future minimum lease payments under these non-cancellable leases, for the years ending December 31, are as follows:

| | Finance | Operating |
|-------------------------------|---------|------------|
| 2025 | \$ - | \$ 51,706 |
| 2026 | - | 51,414 |
| 2027 | - | 47,713 |
| 2028 | - | 50,575 |
| 2029 | - | 53,610 |
| Thereafter | - | 4,689 |
| Total undiscounted cash flows | - | 259,707 |
| Less: present value discount | - | (25,307) |
| Total lease liabilities | \$ - | \$ 234,400 |

In-Kind Leases

In 2017, FareStart executed sublease agreements in which the landlord provided FareStart space at no cost. The contribution receivable for rent represents the fair value of rent contributed to FareStart. The landlord provided the facilities in a fully built-out condition ready for foodservice operations and agreed to pay for all operating costs associated with the use of the space over the life of the lease. One agreement is for an initial five-year term with two five-year extensions at no cost to FareStart. The other agreement has been amended to a four year term that expired in 2021. In 2021, the same landlord executed a new sublease agreement for commercial kitchen space for a five year term beginning in January 2022. The fair value of the remaining contributed rent, operating expenses, and use of the build-out and furniture and fixtures to be received is \$1,837,965 and \$2,581,481 at December 31, 2024 and 2023. Discount interest rates of 7.53% - 7.64% for rent and at 4.2% for other contributions were used in the valuation of these contributions.

The full amount of the in-kind contribution was recognized in prior years when the contribution receivable was initially recorded. Net assets with donor restrictions are released annually as a satisfaction of purpose restrictions on the consolidated statement of activities and the related in-kind lease expense is recognized over the period of use, aligning with the period of benefit. The amounts are due in the following years ending December 31:

| | Recognized <u>Contribution</u> | Discount Receivable <u>(Interest Portion)</u> | | <u>Total</u> |
|------------|-----------------------------------|--------------------------------------------------|----|--------------|
| 2025 | \$ 815,866 | (80,069) | \$ | 735,797 |
| 2026 | 832,010 | (103,087) | | 728,923 |
| 2027 | 120,663 | (28,663) | | 92,000 |
| 2028 | 90,261 | (26,841) | | 63,420 |
| 2029 | 91,557 | (29,247) | | 62,310 |
| Thereafter | 241,812 | (86,297) | | 155,515 |
| | \$ 2,192,169 | (354,204) | \$ | 1,837,965 |

The in-kind portion of rent expense included in occupancy expense was \$800,532 and \$785,959 for the years ended December 31, 2024 and 2023.

These notes are an integral part of the consolidated financial statements.

FARESTART

Notes to Consolidated Financial Statements, continued
Years Ended December 31, 2024 and 2023

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31:

| | | |
|---------------------------------------------------|---------------------|---------------------|
| Purpose restricted gifts: | <u>2024</u> | <u>2023</u> |
| Barista Training | \$ 75,000 | \$ - |
| Social Enterprise | - | 500,000 |
| Consulting | 81,818 | - |
| Community Market | 12,239 | 24,477 |
| Equipment | 24,000 | 124,000 |
| Other | <u>63,422</u> | <u>21,302</u> |
| Total purpose restricted gifts | <u>256,479</u> | <u>669,779</u> |
| Time restricted gifts: | | |
| Contribution receivable for rent | 1,837,965 | 2,581,481 |
| Contributions with payments due in future periods | <u>2,074,447</u> | <u>2,266,267</u> |
| Total time restricted gifts | <u>3,912,412</u> | <u>4,847,748</u> |
| Total restricted gifts | <u>\$ 4,168,891</u> | <u>\$ 5,517,527</u> |

In 2024, the Organization received a grant from a governmental agency to fund capital improvements. The grant includes a deed of trust on the property which requires that the location at 700 Virginia be used for the grant purpose for a period of ten years expiring in 2035.

NOTE 13 – REVENUE FROM CONTRACTS WITH CUSTOMERS

FareStart recognized revenue from contracts with consulting customers of \$220,050 and \$233,949 for the years ended December 31, 2024 and 2023, respectively. These revenues are reported as consulting services on the consolidated statements of activities. The following table provides information about significant changes in contract liabilities included on the consolidated statements of financial position for the years ended December 31:

| | | |
|----------------------------------------------------------------------------------------------------|-------------------|------------------|
| | <u>2024</u> | <u>2023</u> |
| Consulting services deferred contract liabilities, beginning of year | \$ 68,500 | \$ 25,000 |
| Revenue recognized that was included in deferred contract liabilities at the beginning of the year | (40,200) | (25,000) |
| Increase in deferred contract liabilities due to cash received during the period | <u>88,000</u> | <u>68,500</u> |
| Consulting services deferred contract liabilities, end of year | <u>\$ 116,300</u> | <u>\$ 68,500</u> |

In 2023, FareStart began offering catering contracts to customers. FareStart recognized \$149,859 and \$44,848 under the contracts as food service revenue in the years ended December 31, 2024 and 2023.

FARESTART

Notes to Consolidated Financial Statements, continued Years Ended December 31, 2024 and 2023

NOTE 13 – REVENUE FROM CONTRACTS WITH CUSTOMERS, continued

The following table provides information about significant changes in contract liabilities included on the consolidated statements of financial position for the years ended December 31:

| | <u>2024</u> | <u>2023</u> |
|----------------------------------------------------------------------------------------------------|-----------------|-----------------|
| Catering deferred contract liabilities, beginning of year | \$ 2,000 | \$ - |
| Revenue recognized that was included in deferred contract liabilities at the beginning of the year | (2,000) | - |
| Increase in deferred contract liabilities due to cash received during the period | <u>9,982</u> | <u>2,000</u> |
| Catering deferred contract liabilities, end of year | <u>\$ 9,982</u> | <u>\$ 2,000</u> |

Accounts receivable associated with catering contracts were \$1,685 and \$0 at December 31, 2024 and 2023.

NOTE 14 – EMPLOYEE RETENTION CREDIT

FareStart is eligible for the Employee Retention Credit (“ERC”) under the CARES Act signed into law on March 27, 2020 and the subsequent extension of the CARES Act. The ERC provides eligible employers with less than 500 employees a refundable tax credit against the employer’s share of social security taxes. The ERC is equal to a maximum credit of \$5,000 per employee in calendar year 2020 and a maximum of \$7,000 per employee per eligible quarter in calendar 2021. The Organization submitted Form 941-X Adjusted Employer’s Quarterly Federal Tax Return or Claim for Refund for the quarters ended June 30, 2020, September 30, 2020, December 31, 2020, March 31, 2021, and June 30, 2021, in October 2023, which have not been processed by the IRS as of December 31, 2024.

The filings were submitted to the IRS during the moratorium on processing new claims that the IRS imposed September 14, 2023. The credits totaling \$2,356,314 were recognized as revenue in 2023 when eligibility was determined under ASC 958-605 and are subject to approval by the IRS now that it has resumed processing new claims. Management does not feel that there is any significant risk to the claim for refund being accepted and processed by the IRS. Based on reported IRS processing times, the ERC receivable is recorded as a non-current asset as of December 31, 2023, and as a current asset as of December 31, 2024, as it is expected to be received in 2025. As such the ERC receivable is reported at present value net of a discount of 0% and 5.56% or \$0 and \$49,913 at December 31, 2024 and 2023, respectively.

NOTE 15 – DEFINED CONTRIBUTION RETIREMENT PLAN

FareStart maintains a 401(k) plan for all eligible employees with a minimum of 90 days of service. The plan requires mandatory employer matching contributions equal to employees’ contributions up to 4% of employee eligible compensation. FareStart contributed \$199,680 and \$218,627 to the plan in the years ended December 31, 2024 and 2023, respectively.

NOTE 16 – ECONOMIC CONCENTRATIONS AND CONTINGENCIES

FareStart receives contract revenue from one government agency which provided 50% and 21% of FareStart’s unrestricted public support and other revenue for the years ended December 31, 2024 and 2023, respectively. These contracts are subject to audit, which could result in adjustments to revenue. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the years ended December 31, 2024 and 2023, no such adjustments were made.

FARESTART

Notes to Consolidated Financial Statements, continued Years Ended December 31, 2024 and 2023

NOTE 16 – ECONOMIC CONCENTRATIONS AND CONTINGENCIES, continued

An individual granting organization provided 28% and 78% of restricted private grant contributions in the years ended December 31, 2024 and 2023, respectively. One federal award funder composed 35% and 57% of government grants receivable as of December 31, 2024 and 2023. One donor composed 47% and 84% of promises to give as of December 31, 2024 and 2023. One landlord comprised 100% of contributions receivable for rent as of both December 31, 2024 and 2023. One vendor supplied 59% and 60% of FareStart's food purchases which are included in cost of goods sold for both of the years ended December 31, 2024 and 2023.

FareStart invests primarily in money market funds, which may subject it to market risk. FareStart owns one property located in Seattle, Washington and operates at two other locations in Seattle, Washington. Future operations could be affected by changes in economic or other conditions in that geographical area.

NOTE 17 – SUMMARIZED CONSOLIDATING SCHEDULES FOR 2024

The consolidated financial statements include the accounts of FareStart and its subsidiary, FSP LLC. Therefore the consolidated financial statements reflect the ongoing operating activities of FareStart as well as the operations of FSP LLC.

| | FareStart | FareStart Properties, LLC | Eliminating Entries | Consolidated Balances |
|----------------------------------|---------------|------------------------------|------------------------|--------------------------|
| Assets | \$ 14,177,310 | 10,050,571 | (2,191,649) | \$ 22,036,232 |
| Liabilities | \$ 5,071,315 | 2,990,982 | (3,409,751) | \$ 4,652,546 |
| Net Assets | 9,105,995 | 7,059,589 | 1,218,102 | 17,383,686 |
| Total Net Assets and Liabilities | \$ 14,177,310 | 10,050,571 | (2,191,649) | \$ 22,036,232 |

FARESTART

Notes to Consolidated Financial Statements, continued Years Ended December 31, 2024 and 2023

NOTE 17 – SUMMARIZED CONSOLIDATING SCHEDULES FOR 2024, continued

As reflected in the schedule below, FareStart recorded a decrease in consolidated net assets of \$1,219,328, reflecting expenses in excess of revenue at FareStart of \$1,110,425, due primarily to depreciation and in-kind lease expense, and a net decrease of \$108,903 at FSP LLC, due primarily to building depreciation expense.

| | FareStart | | | Consolidated Balances |
|-----------------------------------------------------------|-----------------------|--------------------|------------------------|--------------------------|
| | FareStart | Properties, LLC | Eliminating Entries | |
| Operating revenue | \$ 5,275,044 | - | - | \$ 5,275,044 |
| Cost of goods sold | 1,689,453 | - | - | 1,689,453 |
| Net Operating Revenue | <u>3,585,591</u> | <u>-</u> | <u>-</u> | <u>3,585,591</u> |
| Unrestricted Public Support and Other Revenue | | | | |
| Grants, contracts and contributions | 2,463,833 | - | - | 2,463,833 |
| In-kind contributions - other | 653,762 | - | - | 653,762 |
| Special events, net of direct benefits to donors | 1,727,094 | - | - | 1,727,094 |
| Services and membership dues - Catalyst Kitchens | 220,050 | - | - | 220,050 |
| Investment income and other | 726,373 | 616,458 | (926,297) | 416,534 |
| Total Unrestricted Public Support and other revenue | <u>5,791,112</u> | <u>616,458</u> | <u>(926,297)</u> | <u>5,481,273</u> |
| Total Unrestricted Support and Revenue | <u>9,376,703</u> | <u>616,458</u> | <u>(926,297)</u> | <u>9,066,864</u> |
| Expenses: | | | | |
| Wages and related expenses | 10,270,194 | - | - | 10,270,194 |
| Restaurant and café operating expenses | 552,087 | - | - | 552,087 |
| Bank charges, bad debt and other expenses | 109,992 | 273 | - | 110,265 |
| Board and staff development | 39,145 | - | - | 39,145 |
| Interest | 228,667 | 231,661 | (228,667) | 231,661 |
| Loss on asset impairment | 72,655 | - | - | 72,655 |
| Occupancy | 1,856,776 | - | (387,791) | 1,468,985 |
| Other expense | 878,113 | - | - | 878,113 |
| Professional fees | 975,551 | 309,839 | (309,839) | 975,551 |
| Re-grant expense | 13,500 | - | - | 13,500 |
| Student support | 470,664 | - | - | 470,664 |
| Supplies, postage and copies | 249,648 | - | - | 249,648 |
| Depreciation and amortization | 731,948 | 183,588 | - | 915,536 |
| Total Expenses | <u>16,448,940</u> | <u>725,361</u> | <u>(926,297)</u> | <u>16,248,004</u> |
| Net realized and unrealized gains (losses) on investments | 4,249 | - | - | 4,249 |
| Restricted revenue | 5,957,563 | - | - | 5,957,563 |
| Total change in net assets | <u>\$ (1,110,425)</u> | <u>(108,903)</u> | <u>-</u> | <u>\$ (1,219,328)</u> |

These notes are an integral part of the consolidated financial statements.

Supplementary Financial Information

FARESTART
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2024

| | Federal Assistance Listing | Pass-Through Entity Identifying Number | Expenditures | | Total |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------------------|---------------------------------------------|--------------------------|-------|
| | | | Pass-Through Awards of Federal Expenditures | Loan Balance Outstanding | |
| | | | | | |
| Department of Agriculture: | | | | | |
| Food and Nutrition Service | | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Pass-Through Program From Washington State Department of Social and Health Services - Basic Food Employment and Training | | | | | |
| *10.561 | 2412-58001 | \$ 233,688 | - | \$ 233,688 | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Pass-Through Program From Washington State Department of Social and Health Services - Basic Food Employment and Training | | | | | |
| *10.561 | 2312-50515 | 619,566 | - | 619,566 | |
| Subtotal Supplemental Nutrition Assistance Program/Cluster | | 853,254 | - | 853,254 | |
| Subtotal Department of Agriculture | | 853,254 | - | 853,254 | |
| Total Expenditures of Federal Awards | | \$ 853,254 | - | \$ 853,254 | |

* Denotes Major Program

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of FareStart under programs of the federal government for the year ended December 31, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of FareStart, it is not intended to and does not present the financial position, changes in net assets or cash flows of FareStart.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 – INDIRECT COSTS

FareStart has elected to use the 10% de minimis indirect cost rate for contract 2312-50515. Contract 2412-58001 provides for a 15% indirect cost rate.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Directors
FareStart

We have audited, in accordance with the 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, the consolidated financial statements of FareStart (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 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, and have issued our report thereon dated May 13, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered FareStart's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FareStart's internal control. Accordingly, we do not express an opinion on the effectiveness of FareStart's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards*, continued**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether FareStart's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finney, Hill & Company, P.S.

Seattle, Washington
May 13, 2025

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By the Uniform Guidance

Board of Directors
FareStart

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited FareStart's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of FareStart's major federal programs for the year ended December 31, 2024. FareStart's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, FareStart complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of FareStart and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of FareStart's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to FareStart's federal programs.

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By the Uniform Guidance, continued

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on FareStart's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about FareStart's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 FareStart's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of FareStart's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of FareStart's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By the Uniform Guidance, continued

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Finney, Neill & Company, P.S.

Seattle, Washington
May 13, 2025

FARESTART
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2024

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditors’ report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? _____ yes X no

Identification of major programs:

| | | |
|------------|----------------------------------------------------------------------------------------|--|
| <u>ALN</u> | <u>Name of Federal Program</u> | |
| 10.561 | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualifies as low-risk auditee? _____ yes X no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

FARESTART
Schedule of Findings and Questioned Costs
Year Ended December 31, 2024

Section IV - Summary Schedule of Prior Audit Findings

None

FARESTART
Schedule of Expenditures of State Awards
Year Ended December 31, 2024

| State Program Sponsor <i>Pass-Through Grantor</i> Program Title | State Identifying Number | Grant Period | State Expenditures |
|------------------------------------------------------------------------------|-----------------------------|----------------------------|-----------------------|
| Washington State Department of Commerce | | | |
| Capital Improvements for Social Enterprise Renovation | 25-96647-058 | 12/23/2024 - 06/30/2025 | \$ 291,000 |
| | | | <u>291,000</u> |
| Washington State Department of Health | | | |
| Market Match | CBO29391-0 | 04/5/2024 - 02/28/2025 | 102 |
| | | | <u>102</u> |
| Washington State Department of Children, Youth & Families | | | |
| Echo Glen Children's Center Program | 2312-52368 | 11/20/2023 - 10/31/2024 | 42,000 |
| Echo Glen Children's Center Program | 2412-59644 | 11/1/2024 - 10/31/2025 | 8,333 |
| | | | <u>50,333</u> |
| Total Expenditures of State Awards | | | <u>\$ 341,435</u> |

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of state awards (the Schedule) includes the activity of FareStart under programs of the State of Washington for the year ended December 31, 2024. The information in this schedule is presented in accordance with the requirements of the Government Accountability Office 2018 Revised Yellow Book. Because the schedule presents only a selected portion of the operations of FareStart, it is not intended to and does not present the financial position, changes in net assets or cash flows of FareStart.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Expenditures reported on the Schedule reflect total billings to state programs for eligible costs expended during the year ended December 31, 2024.