FARESTART

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

FARESTART
TABLE OF CONTENTS

FINNEY, NEILL & COMPANY, P.S.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
FareStart

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of FareStart (a nonprofit organization) and its subsidiary, which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of FareStart and its subsidiary as of December 31, 2025 and 2024, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 opinion.

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.

9757 Greenwood Avenue North • Seattle, WA 98103 • (206) 298-9811 • FAX: 298-9772

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 GAAS 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 GAAS 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.

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. 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 information is 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 June 18, 2026, 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, Neill & Company, P.S.

June 18, 2026
Seattle, Washington

FARESTART
Consolidated Statements of Financial Position
December 31, 2025 and 2024

ASSETS	2025	2024
Current Assets		
Cash and cash equivalents	$ 5,879,254	$ 5,777,057
Investments, at fair value	3,765,851	-
Accounts receivable, net	651,661	465,428
Public contracts receivable	191,592	450,752
Promises to give - current	1,128,994	1,574,360
Contribution receivable for rent - current (Note 10)	728,923	735,797
Prepaid expenses	329,068	180,601
Employee Retention Credit receivable	-	2,356,314
Inventory	96,200	65,280
Total Current Assets	12,771,543	11,605,589
Investments, at fair value - board designated	601,133	562,701
Promises to give - long-term, net	229,643	500,087
Contribution receivable for rent, net of current (Note 10)	382,820	1,102,168
Operating lease right-of-use assets	184,322	232,202
Property and equipment, net	7,759,415	8,033,485
	$ 21,928,876	$ 22,036,232

LIABILITIES AND NET ASSETS	2025	2024
Current Liabilities		
Accounts payable	$ 300,358	$ 552,692
Accrued payroll expenses	840,794	740,185
Accrued interest expense	18,153	18,154
Notes payable - current (Note 7)	49,731	46,217
Operating lease liability, current	51,415	43,117
Contract liabilities	246,530	202,681
Total Current Liabilities	1,506,981	1,603,046
Notes payable, net of current (Note 7)	2,835,974	2,858,217
Operating lease liability, net of current	139,869	191,283
Total Liabilities	4,482,824	4,652,546
Net Assets		
Without donor restrictions	14,553,775	13,214,795
With donor restrictions	2,892,277	4,168,891
Total Net Assets	17,446,052	17,383,686
	$ 21,928,876	$ 22,036,232

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

FareStart
Consolidated Statement of Activities
Year Ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue			
Food service revenue	$ 5,659,771	-	$ 5,659,771
Food service revenue from public contracts	183,873	-	183,873
In-kind contributions - food	238,668	-	238,668
	6,082,312	-	6,082,312
Cost of goods sold	1,969,823	-	1,969,823
Net Operating Revenue	4,112,489	-	4,112,489
Public Support and Other Revenue			
Private grants	680,000	459,156	1,139,156
Public contracts	1,141,586	-	1,141,586
Contributions - operating	3,689,377	1,968,619	5,657,996
In-kind contributions - non-food (Note 8)	1,269,766	9,775	1,279,541
Special events	2,328,893	-	2,328,893
Consulting services	252,349	-	252,349
Investment income and other	605,627	-	605,627
Total Public Support and Other Revenue	9,967,598	2,437,550	12,405,148
Net Assets Released from Restrictions			
Expiration of time restrictions	125,582	(125,582)	-
Satisfaction of purpose restrictions	3,588,582	(3,588,582)	-
Total Net Assets Released from Restrictions	3,714,164	(3,714,164)	-
Total Public Support, Revenue, and Other Support	17,794,251	(1,276,614)	16,517,637
Expenses			
Program services	11,929,765	-	11,929,765
Management and general			
FareStart Operations	1,802,443	-	1,802,443
FareStart Properties, LLC	439,478	-	439,478
Fundraising	2,296,271	-	2,296,271
Total Expenses	16,467,957	-	16,467,957
Revenue over (under) expenses	1,326,294	(1,276,614)	49,680
Net realized and unrealized gains (losses) on investments	12,686	-	12,686
Change in Net Assets	1,338,980	(1,276,614)	62,366
Net Assets, beginning of year	13,214,795	4,168,891	17,383,686
Net Assets, end of year	$ 14,553,775	2,892,277	$ 17,446,052

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
	5,275,044	-	5,275,044
Cost of goods sold	1,689,453	-	1,689,453
Net Operating Revenue	3,585,591	-	3,585,591
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 8)	653,762	-	653,762
Special events	2,093,478		2,093,478
Consulting services	220,050	-	220,050
Investment income and other	416,534	-	416,534
Total Public Support and Other Revenue	5,847,657	5,957,563	11,805,220
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	7,306,199	(7,306,199)	-
Total Public Support, Revenue, and Other Support	16,739,447	(1,348,636)	15,390,811
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	2,161,845	-	2,161,845
Total Expenses	16,614,388	-	16,614,388
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	$ 13,214,795	4,168,891	$ 17,383,686

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

FareStart

Consolidated Statement of Functional Expenses

Year Ended December 31, 2025

	Adult Food Pathway Program	Hunger Relief	Consulting	Youth Barista and Customer Service Programs	**Total Programs**	Management and General: FareStart	Management and General: FareStart Properties, LLC	**Total Management and General**	**Fundraising**	**Total All Services**
Salaries and wages	$ 2,696,888	2,298,048	396,488	1,210,176	**6,601,600**	989,511	-	**989,511**	**974,256**	**$ 8,565,367**
Payroll taxes and benefits	603,995	541,752	73,177	275,363	**1,494,287**	158,239	-	**158,239**	**158,541**	**1,811,067**
Total wages and related expenses	3,300,883	2,839,800	469,665	1,485,539	**8,095,887**	1,147,750	-	**1,147,750**	**1,132,797**	**10,376,434**
Restaurant and café operating expenses:										
Linen services	60,792	15,516	-	2,450	**78,758**	-	-	**-**	**-**	**78,758**
Paper supplies	35,624	58,170	-	75,111	**168,905**	-	-	**-**	**-**	**168,905**
Repairs and maintenance	15,650	41,850	562	6,736	**64,798**	3,578	-	**3,578**	**-**	**68,376**
Other	55,115	153,510	2,019	10,244	**220,888**	12,859	7,355	**20,214**	**46,776**	**287,878**
Total restaurant and café operating expenses	167,181	269,046	2,581	94,541	**533,349**	16,437	7,355	**23,792**	**46,776**	**603,917**
Bad debt and other losses	-	-	-	-	**-**	5,917	-	**5,917**	**-**	**5,917**
Board and staff development	5,850	5,477	560	3,065	**14,952**	13,136	-	**13,136**	**4**	**28,092**
Interest	-	-	-	-	**-**	-	245,621	**245,621**	**-**	**245,621**
Loss on asset impairment	-	47,388	-	-	**47,388**	148	-	**148**	**-**	**47,536**
Occupancy	163,997	966,942	15,981	42,025	**1,188,945**	92,771	-	**92,771**	**3,242**	**1,284,958**
Dues and subscriptions, including software	59,376	50,146	6,655	27,678	**143,855**	127,889	-	**127,889**	**65,036**	**336,780**
Event and outreach	2,092	1,823	712	1,088	**5,715**	2,819	-	**2,819**	**330,962**	**339,496**
Other expense	106,385	96,374	37,815	49,040	**289,614**	166,892	-	**166,892**	**78,682**	**535,188**
Professional fees	283,744	208,175	21,272	123,321	**636,512**	154,491	-	**154,491**	**270,318**	**1,061,321**
Student support	474,014	-	-	176,694	**650,708**	-	-	**-**	**-**	**650,708**
Supplies, postage, equipment and copies	65,898	22,650	3,685	22,290	**114,523**	18,818	-	**18,818**	**368,454**	**501,795**
Depreciation	90,865	85,066	8,698	23,688	**208,317**	55,375	186,502	**241,877**	**-**	**450,194**
Total expenses as shown on the Statement of Activities	4,720,285	4,592,887	567,624	2,048,969	**11,929,765**	1,802,443	439,478	**2,241,921**	**2,296,271**	**16,467,957**
Cost of goods sold:										
Food purchases and other	293,442	1,106,298	-	331,415	**1,731,155**	-	-	**-**	**-**	**1,731,155**
In-kind donations of food	-	238,668	-	-	**238,668**	-	-	**-**	**-**	**238,668**
Total cost of goods sold	293,442	1,344,966	-	331,415	**1,969,823**	-	-	**-**	**-**	**1,969,823**
Total	$ 5,013,727	5,937,853	567,624	2,380,384	**13,899,588**	1,802,443	439,478	**2,241,921**	**2,296,271**	**$ 18,437,780**

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

FareStart

Consolidated Statement of Functional Expenses
Year Ended December 31, 2024

	Adult Food Pathway Program	Hunger Relief	Consulting	Youth Barista and Customer Service Programs	**Total Programs**	Management and General		**Total Management and General**	**Fundraising**	**Total All Services**
						FareStart	FareStart Properties, LLC			
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**
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**
Event and outreach	-	-	-	-	**-**	-	-	**-**	**366,384**	**366,384**
Other expense	121,613	185,060	43,720	55,025	**405,418**	212,257	273	**212,530**	**426,624**	**1,044,572**
Professional fees	259,880	255,569	13,802	76,970	**606,221**	156,707	-	**156,707**	**144,701**	**907,629**
Re-grant expense	-	-	13,500	-	**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	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	4,413,341	5,395,884	444,206	1,721,341	**11,974,772**	2,062,249	415,522	**2,477,771**	**2,161,845**	**16,614,388**
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	133,296	1,247,563	-	308,594	**1,689,453**	-	-	**-**	**-**	**1,689,453**
Total	$ 4,546,637	6,643,447	444,206	2,029,935	**13,664,225**	2,062,249	415,522	**2,477,771**	**2,161,845**	**18,303,841**

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

FARESTART
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows provided (used) in operating activities:		
Cash received from:		
Public contracts	$ 3,757,060	$ 799,096
Private grants	1,854,966	2,811,582
Donors	7,986,889	6,334,412
Food sales	5,736,763	5,233,597
Consulting services	296,198	321,719
Interest, dividends and other	592,941	393,797
Cash paid for:		
Personnel	(10,275,825)	(10,128,394)
Services and supplies	(5,567,335)	(5,020,167)
Interest	(218,135)	(190,601)
Net cash provided (used) in operating activities	4,163,522	555,041
Cash flows provided (used) in investing activities:		
Sale of investments	457,471	-
Purchases of investments	(4,249,068)	(22,747)
Purchases of property and equipment	(223,512)	(1,003,577)
Net cash provided (used) in investing activities	(4,015,109)	(1,026,324)
Cash flows provided (used) in financing activities:		
Payment of notes payable	(46,216)	(36,010)
Proceeds from notes payable	-	2,917,538
Net cash provided (used) in financing activities	(46,216)	2,881,528
Net increase (decrease) in cash and cash equivalents	102,197	2,410,245
Cash and cash equivalents at beginning of year	5,777,057	3,366,812
Cash and cash equivalents at end of year	$ 5,879,254	$ 5,777,057

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

FareStart

Consolidated Statements of Cash Flows, continued

Years Ended December 31, 2025 and 2024

Reconciliation of Changes in Net Assets to Net Cash Provided (Used) By Operating Activities:	2025	2024
Changes in net assets	$ 62,366	$ (1,219,328)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	477,681	938,442
Loss on disposal of assets	47,388	72,655
Net realized and unrealized (gains) losses on investments	(12,686)	(4,249)
Decrease (increase) in:		
Accounts receivable	(186,233)	210,300
Public contracts receivable	259,160	(151,726)
Promises to give	715,810	191,820
Contribution receivable for rent	726,222	743,516
Prepaid expenses	(148,467)	(9,136)
Inventory	(30,920)	(26,700)
Employee Retention Credit Receivable	2,356,314	(243,494)
Right-of-use assets	47,880	71,039
(Decrease) increase in:		
Accounts payable	(252,334)	(199,761)
Accrued expenses	100,609	141,800
Accrued interest	(1)	18,154
Contract liabilities	43,849	101,669
Lease liabilities	(43,116)	(79,960)
Net cash provided (used) by operating activities	$ 4,163,522	$ 555,041

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

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 social enterprises 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 settings within a supportive environment that includes wraparound social services such as emergency housing, mental health support, transportation, and more. The organization's goal is personal stability and economic mobility for people overcoming employment barriers.

2024

2024 was a significant transition year as we fully transitioned back to our social enterprise model in the post-pandemic environment, focusing on quality job training for students. We reopened the FareStart Restaurant for breakfast, lunch, private events, and Guest Chef Night events. These social enterprises, in addition to our contract community and school meals program, enabled us to expand on-the-job training opportunities for students and help support our mission.

We enrolled 268 youth and adults across our training programs to develop skills needed to obtain employment. 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 started to see greater impact the latter part of the year that should continue into 2025 and beyond.

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 and 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 youth and young adult programming. Training takes place outside of our facilities, 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.

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 provided students with on-the-job training opportunities.

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

2025

In 2025, FareStart continued to advance its mission of transforming lives through food and job training. The organization strengthened its core job training programs by enhancing curriculum, expanding job placement support, and improving its internal processes to operate more efficiently and effectively in serving individuals overcoming barriers. FareStart also grew its social enterprises, directly supporting the organization's mission with hands-on workforce development and sustainability. In response to a shifting landscape, the organization made a strategic decision to wind down its Mobile Community Market. FareStart continues to address food insecurity by partnering with nonprofits and schools to deliver prepared meals, the majority of which serve food-insecure communities.

Across our job training programs, FareStart enrolled 366 students – a 36% increase in enrollment over 2024; 132 graduates – a 75% increase over 2024; and 91 job placements - a 121% increase over 2024. We also distributed 531,713 meals to nonprofits, schools, daycare centers and more.

Over the past year, we continued to deliver both onsite and partner-based job training programs, including the Food Pathways Program, Barista & Customer Service Program, Online Customer Service Program, and the Echo Glen Program. We expanded the reach of our Online Customer Service Program by adding new schools, and following strong results, the Echo Glen Program has successfully transitioned out of its pilot phase and will continue as an ongoing offering.

We continue to provide consulting to nonprofit workforce development organizations across the United States. We also partnered with the Workforce Development Council of Seattle-King County and other organizations to better support hospitality employers in attracting and retaining top talent, including FareStart graduates and other employees overcoming barriers to employment. In 2025, we worked with 60 organizations.

In 2024 and 2025, FareStart received funding support through public contracts, including federal support from the United States Department of Agriculture Supplemental Nutrition Assistance Program ("SNAP"), administered by the Washington State Department of Social and Health Services. The organization also received public funding from the Washington State Department of Commerce and the City of Seattle. In 2025, FareStart received funding from the U.S. Department of Labor to support its partnership with the Workforce Development Council, and funding from the Washington State Employment Security Department. In addition to public funding, FareStart generates philanthropic support through fundraising events, campaigns, grants, and annual giving. Growing our social enterprises remains critical to our mission and sustainability.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

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 $2,892,277 and $4,168,891 at December 31, 2025 and 2024, 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, 2025 and 2024.

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.

Investments

Investments consist of investments in mutual 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.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

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, 2025 and 2024, the allowance for credit losses was $36,749 and $36,749, 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 $0 was recorded as of December 31, 2025 and 2024. 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 $20,357 and $49,913 was recorded as of December 31, 2025 and 2024.

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.

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 $450,194 and $915,536 for the years ended December 31, 2025 and 2024. Property and equipment consisted of the following at December 31:

	2025	2024
Non-depreciable property:		
Land	$ 2,442,204	$ 2,442,204
Long-lived assets held for sale	-	49,000
Construction in process	77,254	8,063
	2,519,458	2,499,267
Depreciable property and equipment:		
Building and improvements	8,348,098	8,310,737
Furniture, equipment and software	2,955,720	2,946,605
Vehicles	420,829	520,065
	11,724,647	11,777,407
Total property and equipment	14,244,105	14,276,674
Less accumulated depreciation	(6,484,690)	(6,243,189)
	$ 7,759,415	$ 8,033,485

Long-lived assets held for sale at December 31, 2024 are composed of a vehicle that the Organization was not utilizing. The vehicle was sold 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 in-kind lease expense was $32,583 and $0 in the years ended December 31, 2025 and 2024.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Their amortization is reported as a component of interest expense.

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 $575,409 in conditional promises to give directly related to public grants as of December 31, 2025. They are conditioned on the incurrence of allowable qualifying expenses.

The Organization recognizes revenue from exchange transactions with customers in accordance with ASC 606 when control of promised goods or services is transferred to the customer in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The Organization's revenue from contracts with customers consists primarily of food service revenue, catering revenue, and consulting service revenue.

Consulting service revenue is generated from services provided to other nonprofit organizations operating similar job training programs. The Organization's performance obligation is to provide consulting services under the terms of the related arrangement. Revenue is recognized over time as the services are provided. Amounts billed or collected before services are performed are recorded as contract liabilities and recognized as revenue as the services are provided.

Catering revenue is generated from catering contracts with customers. The Organization's performance obligation is generally to provide catered food and related services for a specified event or delivery. Revenue is recognized at the point in time when the catered food and related services are delivered or the event occurs. Customer deposits or advance payments received before the event or delivery date are recorded as contract liabilities and recognized as revenue when the catering services are provided.

Special events generally include both an exchange transaction component and a contribution component. The exchange transaction component represents the estimated fair value of direct benefits provided to attendees or sponsors and is recognized as special events revenue when the event takes place and the related benefits are provided. Amounts received in excess of the fair value of direct benefits provided are accounted for as contributions and recognized in accordance with the Organization's contribution revenue recognition policy.

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.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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, 2025 and 2024.

FareStart recognizes income tax related interest in interest expense and penalties in operating expenses. During the years ended December 31, 2025 and 2024, FareStart recognized no income tax related interest or penalties.

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 of employees or training hours of students.

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.

Advertising expenses

Advertising is expensed as incurred. For the years ended December 31, 2025 and 2024, advertising expense was $16,313 and $15,224, 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 impairment losses of $0 an $71,000 recognized for the years ended December 31, 2025 and 2024.

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

Subsequent events have been evaluated through June 18, 2026, 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:

	2025	2024
Cash and cash equivalents	$ 5,879,254	$ 5,777,057
Investments	3,765,851	-
Accounts receivable, net	651,661	465,428
Federal awards receivable	191,592	450,752
Promises to give, net	1,358,637	2,074,447
Investments - board designated	601,133	562,701
Subtotal	12,448,128	9,330,385
Less amounts not available to be used within one year:		
Board-designated funds	(601,133)	(562,701)
Promises to give, current - for restricted gifts	(750,000)	(1,574,360)
Promises to give - due after one year, net	(229,643)	(500,087)
	(1,580,776)	(2,637,148)
Financial assets available to meet general expeditures over the next twelve months	$ 10,867,352	$ 6,693,237

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 $500,000 at December 31, 2025. 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.

NOTE 4 – INVESTMENTS

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

	2025	2024
Money market funds	$ 486	$ 2,819
Mutual funds	4,366,498	559,882
	$ 4,366,984	$ 562,701

Interest income for the years ended December 31, 2025 and 2024, includes $0 and $243,491 recognized on the release of discount associated with the Employee Retention Credit receivable. Interest income for the years ended December 31, 2025 and 2024, includes $419,467 and $0 recognized on the interest received on the Employee Retention Credit that was refunded by the IRS.

Changes in net unrealized gains (losses) on investments are comprised of unrealized gains (losses) of $12,686 and $4,249 for the years ended December 31, 2025 and 2024. Each type of investment is held in a single investment fund, which may subject the Organization to market risk.

NOTE 4 – INVESTMENTS

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

	2025	2024
Interest	$ 419,505	$ 109
Dividends	153,298	147,855
	$ 572,803	$ 147,964

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.

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 4.3% and 5.0% as of December 31, 2025 and 2024, respectively.

Promises to give consisted of the following at December 31:

	2025	2024
Amounts due in:		
Less than one year	$ 1,128,994	$ 1,574,360
One to five years	250,000	550,000
	1,378,994	2,124,360
Less: allowance for uncollectible pledges	-	-
Less: discount	(20,357)	(49,913)
	$ 1,358,637	$ 2,074,447

NOTE 7 – 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, 2025 and 2024. Principal and interest payments are due monthly in accordance with the terms of the note. The outstanding principal balance was $2,917,773 and $2,963,990 at December 31, 2025 and 2024. The Note is collateralized by real estate.

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

2026	$ 49,731
2027	2,868,042
Thereafter	-
	2,917,773
Debt issuance costs, net of accumulated amortization	(32,068)
	$ 2,885,705

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

NOTE 8 – IN-KIND CONTRIBUTIONS – GOODS AND SERVICES

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

	2025			
	Goods	Services	Food and Other	Total
Food Pathway program	$ 30,120	15,749	-	$ 45,869
Hunger Relief	101,483	10,925	238,668	351,076
Online Customer Service Program	518	688	-	1,206
Contract Services	562	650	-	1,212
Consulting	2,160	1,117	-	3,277
Barista and customer service program	12,874	6,695	-	19,569
Management and general	59,306	6,996	-	66,302
Fundraising	309,698	-	720,000	1,029,698
	$ 516,721	42,820	958,668	$ 1,518,209

	2024			
	Goods	Services	Food and Other	Total
Food Pathway program	$ 37,292	57,017	-	$ 94,309
Hunger Relief	-	1,043	288,507	289,550
Management and general	231,399	1,600	-	232,999
Fundraising	325,411	-	-	325,411
	$ 594,102	59,660	288,507	$ 942,269

FareStart received a real estate donation in 2025. The Organization elected to monetize this specific contribution and sold it for $720,000 in 2025.

NOTE 9 – RELATED PARTY TRANSACTIONS

Board of Director Contributions

During the years ended December 31, 2025 and 2024, respectively, FareStart received $248,546 and $201,023 in contributions from the members of the Board of Directors. Additionally, $10,000 and $0 of promises to give are recorded as receivable from members of the Board of Directors as of December 31, 2025 and 2024.

NOTE 10 – LEASE COMMITMENTS

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 $438,872 and $387,791 for the years ended December 31, 2025 and 2024. The agreement terminates March 2038 and was amended in 2024. Transactions associated with the lease are eliminated in consolidation as disclosed in Note 16.

FareStart leased 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.

NOTE 10 – LEASE COMMITMENTS

Operating Leases, continued

The Organization recognized $446,407 of accelerated depreciation on leasehold improvements at the location when the decision was made in 2024 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:

	2025	2024
Operating lease expense	$ 56,469	$ 125,909

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

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 51,706	$ 128,085
ROU assets obtained in exchange for new operating lease liabilities	$ -	$ 220,886
Weighted-average remaining lease term in years for operating leases	4.75	4.86
Weighted-average discount rate for operating leases	4.22%	4.05%

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

	Operating
2026	$ 51,415
2027	47,713
2028	50,575
2029	53,610
2030	4,689
Thereafter	-
Total undiscounted cash flows	208,002
Less: present value discount	(16,718)
Total lease liabilities	$ 191,284

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 $1,111,743 and $1,837,965 at December 31, 2025 and 2024.

NOTE 10 – LEASE COMMITMENTS, continued

In-Kind Leases, continued

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 Contribution	Discount Receivable (Interest Portion)	Total
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
2030	92,884	(31,637)	61,247
Thereafter	149,686	(45,843)	103,843
	$ 1,377,061	(265,318)	$ 1,111,743

The in-kind portion of rent expense included in occupancy expense was $815,866 and $800,532 for the years ended December 31, 2025 and 2024.

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2025	2024
Purpose restricted gifts:		
Barista Training	$ 20,000	$ 75,000
Consulting	-	81,818
Community Market	-	12,239
Equipment	4,000	24,000
Other	106,897	63,422
Total purpose restricted gifts	130,897	256,479
Time restricted gifts:		
Contribution receivable for rent	1,111,743	1,837,965
Continued program use, invested in equipment	291,000	291,000
Contributions with payments due in future periods	1,358,637	1,783,447
Total time restricted gifts	2,761,380	3,912,412
Total restricted gifts	$ 2,892,277	$ 4,168,891

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 Virgina be used for the grant purpose for a period of ten years expiring in 2035.

NOTE 12 – REVENUE FROM CONTRACTS WITH CUSTOMERS

FareStart recognized revenue from contracts with consulting customers of $239,300 and $220,050 for the years ended December 31, 2025 and 2024, respectively. These revenues are reported as consulting services on the consolidated statements of activities.

Accounts receivable associated with consulting contracts were $243 and $0 at December 31, 2025 and 2024. In 2023, FareStart began offering catering contracts to customers. FareStart recognized $401,132 and $149,859 under the contracts as food service revenue in the years ended December 31, 2025 and 2024. Accounts receivable associated with catering contracts were $0 and $1,685 at December 31, 2025 and 2024.

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:

	2025	2024
Deferred contract liabilities, beginning of year	$ 202,681	$ 101,012
Revenue recognized that was included in deferred contract liabilities at the beginning of the year:		
Consulting	(20,711)	(40,200)
Catering	(9,982)	(2,000)
Special Events	(67,913)	(28,300)
Other	(2,371)	-
Increase in deferred contract liabilities due to cash received during the period:		
Consulting	41,367	88,000
Catering	22,655	9,982
Special Events	75,955	67,913
Other	4,849	6,274
Deferred contract liabilities, end of year	$ 246,530	$ 202,681

NOTE 13 – EMPLOYEE RETENTION CREDIT

FareStart was 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 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. The credits totaling $2,356,314 were recognized as revenue in 2023 when eligibility was determined under ASC 958-605 and were subject to approval by the IRS and were all processed and received in 2025. In addition to the credits requested, FareStart received $419,467 of interest income from the IRS in 2025, which was recorded as income in the year ended December 31, 2025.

NOTE 13 – EMPLOYEE RETENTION CREDIT, continued

ERC claims remain subject to examination by the Internal Revenue Service. Under current federal law, the period for assessment of any amount attributable to an Employee Retention Credit claimed under Internal Revenue Code Section 3134 does not expire before six years after the latest of the date the original employment tax return for the applicable quarter was filed, the date the return is treated as filed under Internal Revenue Code Section 6501(b)(2), or the date the claim for credit or refund was made. The Organization's applicable assessment period is expected to remain open until October 2029.

NOTE 14 – 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 $197,283 and $199,680 to the plan in the years ended December 31, 2025 and 2024, respectively.

NOTE 15 – ECONOMIC CONCENTRATIONS, CONTINGENCIES AND COMMITMENTS

An individual granting organization provided 22% and 28% of restricted private grant contributions in the years ended December 31, 2025 and 2024, respectively. One federal award funder composed 70% and 35% of government grants receivable as of December 31, 2025 and 2024. One donor composed 20% and 47% of promises to give as of December 31, 2025 and 2024. One landlord comprised 100% of contributions receivable for rent as of both December 31, 2025 and 2024. One vendor supplied 69% and 59% of FareStart's food purchases which are included in cost of goods sold for both of the years ended December 31, 2025 and 2024.

FareStart invests primarily in mutual 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.

In 2025, FareStart entered into a $292,000 construction contract to build out classroom space in 2026.

NOTE 16 – SUMMARIZED CONSOLIDATING SCHEDULES FOR 2025

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	$ 14,952,161	10,430,135	(3,453,420)	$ 21,928,876
Liabilities	$ 4,463,180	3,473,064	(3,453,420)	$ 4,482,824
Net Assets	10,488,981	6,957,071	-	17,446,052
Total Net Assets and Liabilities	$ 14,952,161	10,430,135	(3,453,420)	$ 21,928,876

NOTE 16 – SUMMARIZED CONSOLIDATING SCHEDULES FOR 2025, continued

As reflected in the schedule below, FareStart recorded an increase in consolidated net assets of $62,366, reflecting revenue in excess of expenses at FareStart of $164,885, and a net decrease of $102,519 at FSP LLC.

	FareStart	FareStart Properties	Eliminating Entries	Consolidated Balances
Operating revenue	$ 6,082,312			$ 6,082,312
Cost of goods sold	1,969,823	-	-	1,969,823
Net Operating Revenue	4,112,489	-	-	4,112,489
Unrestricted Public Support and Other Revenue				
Grants, contracts and contributions	5,510,963	-	-	5,510,963
In-kind contributions - other	1,269,766	-	-	1,269,766
Special events	2,328,893	-	-	2,328,893
Consulting services	252,349	-	-	252,349
Investment income and other	951,344	697,879	(1,043,596)	605,627
Total Unrestricted Public Support and Other Revenue	10,313,315	697,879	(1,043,596)	9,967,598
Total Unrestricted Support and Revenue	14,425,804	697,879	(1,043,596)	14,080,087
Expenses:				
Wages and related expenses	10,376,434	-	-	10,376,434
Restaurant and café operating expenses	596,562	7,355	-	603,917
Bad debt and other losses	5,917	-	-	5,917
Board and staff development	28,092	-	-	28,092
Interest	243,804	245,621	(243,804)	245,621
Loss on asset impairment	47,536	-	-	47,536
Occupancy	1,723,830	-	(438,872)	1,284,958
Dues and subscriptions, including software	336,780	-	-	336,780
Event and outreach	339,496	-	-	339,496
Other expense	535,188	-	-	535,188
Professional fees	1,061,321	360,920	(360,920)	1,061,321
Student support	650,708	-	-	650,708
Supplies, postage and copies	501,795	-	-	501,795
Depreciation and amortization	263,692	186,502	-	450,194
Total Expenses	16,711,155	800,398	(1,043,596)	16,467,957
Net realized and unrealized gains (losses) on investments	12,686	-	-	12,686
Restricted revenue	2,437,550	-	-	2,437,550
Total change in net assets	$ 164,885	(102,519)	-	$ 62,366

Supplementary Financial Information

FareStart

Schedule of Expenditures of State Awards
Year Ended December 31, 2025

State Program Sponsor *Pass-Through Grantor* Program Title	State Identifying Number	Grant Period	State Expenditures
Washington State Department of Social and Health Services			
Basic Food Employment & Training	2412-58194	10/01/2024 - 09/30/2025	$ 64,664
			64,664
Washington State Department of Health			
Market Match	CBO29391-0	04/5/2024 - 02/28/2025	256
			256
Washington State Department of Children, Youth & Families			
Echo Glen Children's Center Program	2512-66744	11/1/2024 - 10/31/2025	41,667
Echo Glen Children's Center Program	2412-59644	11/1/2024 - 10/31/2025	8,333
			50,000
Total Expenditures of State Awards			$ 114,920

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, 2025. 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, 2025.

FINNEY, NEILL & COMPANY, P.S.
CERTIFIED PUBLIC ACCOUNTANTS

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) and its subsidiary, which comprise the consolidated statement of financial position as of December 31, 2025, 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 June 18, 2026.

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.

9757 Greenwood Avenue North • Seattle, WA 98103 • (206) 298-9811 • FAX: 298-9772

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, Neill & Company, P.S.

Seattle, Washington
June 18, 2026

FareStart
Schedule of Findings and Questioned Costs
Year Ended December 31, 2025

None

FARESTART
Schedule of Prior Audit Findings
Year Ended December 31, 2025

There were no audit findings for the year ended December 31, 2024.