Report of Independent Auditors
and Consolidated Financial Statements

Treehouse and Subsidiary

June 30, 2025 and 2024

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Report of Independent Auditors

The Board of Directors
Treehouse

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Treehouse and its subsidiary (the Organization), which comprise the consolidated statements of financial position as of June 30, 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 Treehouse and its subsidiary as of June 30, 2025 and 2024, and the results of their changes in 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). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's 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 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Baker Tilly US, LLP

Seattle, Washington
April 27, 2026

Consolidated Financial Statements

Treehouse and Subsidiary
Consolidated Statements of Financial Position
June 30, 2025 and 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 15,093,752	$ 6,235,598
Investments	4,576,835	3,993,437
Current pledges receivable, net	648,933	527,401
In-kind rent receivable	-	63,804
Contracts and other receivables	982,555	2,670,043
Inventories	308,772	324,163
Prepaid expenses and other assets	312,780	370,676
Total current assets	21,923,627	14,185,122
LONG-TERM ASSETS		
Long-term portion of pledges receivable, net	232,005	358,333
Property and equipment, net	501,681	707,175
Operating right-of-use assets	1,735,031	154,986
Finance right-of-use assets	41,747	52,825
Interest in 2100 Building	5,928,947	7,097,000
Endowment investments	7,168,097	6,419,855
Total long-term assets	15,607,508	14,790,174
Total assets	$ 37,531,135	$ 28,975,296
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 79,809	$ 68,718
Other accruals and liabilities	220,073	213,784
Accrued salaries and related costs	945,690	1,188,696
Operating lease liability	405,798	164,317
Finance lease liability	11,482	12,937
Total current liabilities	1,662,852	1,648,452
LONG-TERM LIABILITIES		
Long-term portion of operating lease liability	1,347,641	-
Long-term portion of finance lease liability	32,166	40,452
Total liabilities	3,042,659	1,688,904
NET ASSETS		
Without donor restrictions	27,507,532	20,845,630
With donor restrictions	6,980,944	6,440,762
Total net assets	34,488,476	27,286,392
	$ 37,531,135	$ 28,975,296

See accompanying notes.

Treehouse and Subsidiary
Consolidated Statement of Activities
Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Contributions and grants	$ 16,452,140	$ 905,500	$ 17,357,640
In-kind contributions	897,597	-	897,597
Contract revenue	9,254,954	-	9,254,954
Other revenue	1,341,624	-	1,341,624
Net assets released from restrictions	1,199,049	(1,199,049)	-
Total revenue	29,145,364	(293,549)	28,851,815
EXPENSES			
Program services	18,115,948	-	18,115,948
Management and general	932,347	-	932,347
Fundraising	3,130,178	-	3,130,178
Total expenses	22,178,473	-	22,178,473
CHANGES IN OPERATING NET ASSETS	6,966,891	(293,549)	6,673,342
NONOPERATING ACTIVITY			
Investment return, net	942,980	833,731	1,776,711
Impairment in 2100 Building	(1,222,000)	-	(1,222,000)
Property related income	150,504	-	150,504
Property related expenses	(176,473)	-	(176,473)
Total nonoperating activity	(304,989)	833,731	528,742
TOTAL CHANGE IN NET ASSETS	6,661,902	540,182	7,202,084
NET ASSETS, beginning of year	20,845,630	6,440,762	27,286,392
NET ASSETS, end of year	$ 27,507,532	$ 6,980,944	$ 34,488,476

See accompanying notes.

Treehouse and Subsidiary
Consolidated Statement of Activities
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Contributions and grants	$ 10,620,080	$ 75,000	$ 10,695,080
In-kind contributions	1,138,898	-	1,138,898
Contract revenue	10,960,639	-	10,960,639
Other revenue	52,817	-	52,817
Net assets released from restrictions	1,586,484	(1,586,484)	-
Total revenue	24,358,918	(1,511,484)	22,847,434
EXPENSES			
Program services	21,027,660	-	21,027,660
Management and general	1,767,655	-	1,767,655
Fundraising	3,527,142	-	3,527,142
Total expenses	26,322,457	-	26,322,457
CHANGES IN OPERATING NET ASSETS	(1,963,539)	(1,511,484)	(3,475,023)
NONOPERATING ACTIVITY			
Investment return, net	786,797	832,973	1,619,770
Property related income	118,235	-	118,235
Property related expenses	(158,583)	-	(158,583)
Total nonoperating activity	746,449	832,973	1,579,422
TOTAL CHANGE IN NET ASSETS	(1,217,090)	(678,511)	(1,895,601)
NET ASSETS, beginning of year	22,062,720	7,119,273	29,181,993
NET ASSETS, end of year	$ 20,845,630	$ 6,440,762	$ 27,286,392

See accompanying notes.

Treehouse and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2025

	Program Services				Support Services			
	Education	Enrichment	Policy and Systems Change	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Payroll, taxes, and benefits	$ 10,755,369	$ 1,198,183	$ 1,476,294	$ 13,429,846	$ 660,885	$ 2,106,490	$ 2,767,375	$ 16,197,221
Assistance to specific young people	216,504	2,653,714	-	2,870,218	-	1,097	1,097	2,871,315
Professional services	364,288	5,895	66,489	436,672	96,170	413,536	509,706	946,378
Technology and hardware	270,903	-	18,195	289,098	37,139	117,388	154,527	443,625
Occupancy	205,875	209,079	13,828	428,782	30,632	26,117	56,749	485,531
Professional development	7,625	-	1,114	8,739	1,453	489	1,942	10,681
Special events	-	-	-	-	-	161,998	161,998	161,998
Travel	140,077	18,231	1,400	159,708	2,685	7,800	10,485	170,193
Insurance	106,432	-	7,148	113,580	18,267	13,502	31,769	145,349
Depreciation	139,049	-	9,339	148,388	23,866	17,640	41,506	189,894
Other expenses	115,873	106,860	8,184	230,917	61,250	264,121	325,371	556,288
Total expenses	$ 12,321,995	$ 4,191,962	$ 1,601,991	$ 18,115,948	$ 932,347	$ 3,130,178	$ 4,062,525	$ 22,178,473

See accompanying notes.

Treehouse and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services				Support Services			
	Education	Enrichment	Policy and Systems Change	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Payroll, taxes, and benefits	$ 10,718,209	$ 2,532,929	$ 891,006	$ 14,142,144	$ 1,580,099	$ 2,314,023	$ 3,894,122	$ 18,036,266
Assistance to specific young people	291,410	2,872,873	-	3,164,283	-	273	273	3,164,556
Extended foster care	-	1,461,368	-	1,461,368	-	-	-	1,461,368
Professional services	169,551	116,088	133,225	418,864	53,977	187,877	241,854	660,718
Technology and hardware	239,708	159,805	27,773	427,286	68,666	133,274	201,940	629,226
Occupancy	114,972	330,986	13,321	459,279	(36,505)	26,899	(9,606)	449,673
Professional development	30,468	17,637	2,746	50,851	7,392	6,251	13,643	64,494
Special events	-	-	-	-	-	227,020	227,020	227,020
Travel	305,400	32,418	8,896	346,714	11,087	18,045	29,132	375,846
Insurance	58,393	38,929	6,765	104,087	20,818	13,662	34,480	138,567
Depreciation	100,852	67,235	11,685	179,772	35,954	23,595	59,549	239,321
Other expenses	115,457	143,536	14,287	273,012	26,167	576,223	602,390	875,402
Total expenses	$ 12,144,420	$ 7,773,804	$ 1,109,704	$ 21,027,660	$ 1,767,655	$ 3,527,142	$ 5,294,797	$ 26,322,457

See accompanying notes.

Treehouse and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 7,202,084	$ (1,895,601)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	189,894	239,321
Amortization	9,987	9,230
Net realized and unrealized losses (gains) on investments	(1,036,003)	(962,371)
Realized loss in 2100 Building	1,222,000	-
Changes in allowance and discounts on receivables	(7,960)	(69,482)
Loss on disposal of furniture and equipment	-	(9,384)
Operating lease expense	370,756	335,209
Amortization of finance lease	11,078	4,990
Changes in operating assets and liabilities	-	
Pledges receivable	12,756	1,160,833
In-kind rent receivable	63,804	135,637
Contracts and other receivables	1,687,488	(1,772,850)
Inventories	15,391	(57,544)
Deposits held in trust	(15,058)	1,058
Prepaid expenses and other assets	62,964	(12,013)
Accounts payable and other accruals and liabilities	17,380	108,681
Deferred revenue	-	(1,482,639)
Operating lease liability	(361,678)	(335,209)
Accrued salaries and related costs	(243,006)	311,058
Net cash from (used in) operating activities	9,201,877	(4,291,076)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of investments	(295,635)	(262,874)
Purchase of furniture and equipment	(38,347)	(15,600)
Net cash used in investing activities	(333,982)	(278,474)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Payments under finance lease obligations	(9,741)	(4,425)
Net cash used in financing activities	(9,741)	(4,425)
NET CHANGE IN CASH AND CASH EQUIVALENTS	8,858,154	(4,573,975)
CASH AND CASH EQUIVALENTS, beginning of year	6,235,598	10,809,573
CASH AND CASH EQUIVALENTS, end of year	$ 15,093,752	$ 6,235,598
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Right-of-use assets obtained in exchange for		
Operating lease liabilities	$ 1,908,032	$ -
Finance lease liabilities	$ -	$ 59,866

See accompanying notes.

Note 1 – Organization

Founded in 1988 Treehouse (the Organization) envisions – and strives to create – a world where every young person who has experienced foster care has the opportunities and support they need to pursue their dreams and launch successfully into adulthood. Treehouse removes barriers through systems change and legislative advocacy. Treehouse partners with approximately 5,400 youth each year across the following programs:

- *Graduation Success* – Graduation Success partners with high school aged youth in foster care to engage and invest in their education and future. Partnering with social workers, caregivers, teachers, and school counselors, Treehouse Education Specialists provide academic planning, coaching, and support to cultivate each youth's engagement and investment in their education and future. Treehouse paves the way to high school graduation, hope, and opportunity. Effective with the 2023/24 school year Graduation Success commenced expansion to partner with 8th grade.

- *Young Adult Services* – Young Adult Services continues Treehouse's partnership with young adults after graduation by providing ongoing access to goal setting, navigation and financial, and material resources.

- *Educational Advocacy* – Serving youth between the ages of pre-K through 12th grade, Treehouse Education Advocates partner with schools, social workers, foster families, and youth in foster care to resolve difficult issues and remove barriers to school success.

- *Treehouse Store* – Youth in foster care and their caregivers can shop for high-quality clothing, shoes, school supplies, toys, books, free tickets to events, and other essentials at the free store.

- *Just-in-Time Funding* – Treehouse provides funding for youth in foster care to explore interests and engage in their communities, removing financial barriers to their personal growth and development. Through Just-in-Time Funding, Treehouse funds opportunities such as school and athletic fees, arts and music programs, summer camps, and more.

- *Holiday Magic* – Holiday Magic is a joint holiday gift program for children in foster care between the Department of Children, Youth and Families (DCYF), and Treehouse. DCYF contracts with Treehouse to administer the program, raise community funds and provide more than 4,000 youth across the state a meaningful holiday gift.

- *Driver's Assistance* – Treehouse removes many transportation-related financial burdens for youth in foster care, including the cost of auto insurance and driver's education. Driver's Assistance supports reliable transportation during and after high school, allowing youth to focus on pursuing academic and career opportunities.

- *Tribal Engagement* – Treehouse provides support for tribal youth with culturally competent educational coaching, opportunities, and the development of self-advocacy skills.

- *Dual Systems Youth* – Treehouse provides access to basic and special education, transition planning and post-secondary opportunities for youth who have experienced both foster care and incarceration.

In December 2021 and February 2022, Treehouse received donations of partial ownership in property at 2100 24th Avenue South in Seattle, Washington and formed the 2100 Building LLC (2100 LLC), a wholly owned disregarded entity. The donated property is an office building in which Treehouse and other tenants reside. See Note 8.

Note 2 – Summary of Significant Accounting Policies

Financial statement presentation – Treehouse reports information regarding its consolidated financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Contributions that are received are recorded as with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Donor restricted contributions are reclassified to net assets without donor restrictions when the restrictions are met. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction is met in the year in which the support is initially recognized.

Principles of consolidation – The consolidated financial statements include the accounts of Treehouse and the 2100 LLC, collectively, the Organization. All significant intercompany transactions have been eliminated in the consolidated financial statements.

Use of estimates – The preparation of consolidated financial statements in accordance with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Cash and cash equivalents – Cash and cash equivalents include cash, money market funds, and short-term securities with an original maturity of three months or less. Money market balances held in investment accounts are included with investments on the consolidated statement of financial position. Treehouse has cash and cash equivalent balances in excess of federally insured limits.

Leases – Treehouse determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use assets and lease liabilities in the consolidated statements of financial position. Right-of-use (ROU) assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term; ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. Treehouse does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Fair value measurements – Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

Level 1 – Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3 – Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

Revenue recognition

Contributions and grants – The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give (pledge), 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 substantially met in accordance with Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). Unconditional promises to give are recognized at fair value in the period the pledge is received. In arriving at fair value, management has discounted these contributions using an estimated present value discount rate and has established an allowance for uncollectible balances.

Government and operating grants are treated as conditional contributions and revenue is recognized when a contribution becomes unconditional in accordance with ASU 2018-08. Typically, contract and grant agreements contain a right of return or right of release from obligation provision and the Organization has limited discretion over how funds transferred should be spent. As such, the Organization recognizes revenue for these conditional contributions when the related barrier(s) has been overcome which is to the extent that expenses have been incurred for the purposes specified by the grantors. Grants are stated at the amount the Organization expects to collect from outstanding balances.

The Organization uses the allowance method to determine uncollectible receivables based on historical experience, the aging of outstanding accounts, and management's judgment regarding collectability. Uncollectible amounts are written off after the Organization has exhausted its standard collection efforts. Two donors represented 28% of total contribution and grant revenue for the year ended June 30, 2025. No donors individually exceeded 10% of total contribution and grant revenue for the year ended June 30, 2024. Of the total contribution and grant revenue, $259,615 and $146,070 were from related parties for the years ended June 30, 2025 and 2024, respectively. Three donors compromised 64% and 90% of pledges receivable as of June 30, 2025 and 2024, respectively.

In-kind contributions – In-kind contributions of goods and services are recorded at their estimated fair values at the date of donation and are recognized upon donation or when an unconditional promise is made. In-kind contributions of goods and services are not monetized. Conditional promises to give are not recorded as revenue until such donor conditions are met. Donated services are recognized if they (a) create or enhance nonfinancial assets, or (b) require specialized technical skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Contributed clothing was utilized and offered to young people in the Free Store. The Organization estimates the fair value of clothing on the basis of estimates of wholesale values that would be received for selling similar products. See Note 8 for consideration over the contribution of building interest. In-kind contributions recognized consist of the following for the years ended June 30, 2025 and 2024:

	2025	2024
Donated new and quality used clothing	$ 872,773	$ 1,096,225
Rent and other	24,824	42,673
	$ 897,597	$ 1,138,898

Contract revenue – Revenue under contracts administered by local governments is recorded when services are performed. Contracts receivable represent contracts awarded without a barrier or right of return or earned, but not yet received. Substantially all contract receivables are from the state of Washington as of June 30, 2025 and 2024.

Investments – Investments in equity and fixed income securities are stated at fair value using Level 1 inputs (quoted prices on national exchanges). Money market funds are stated at cost plus accrued interest. Realized and unrealized gains and losses are included in the consolidated statements of activities. Investments comprise the following for the years ended June 30, 2025 and 2024:

	June 30,	
	2025	2024
Equity securities		
Domestic	$ 4,897,104	$ 4,128,404
International	3,204,531	2,609,458
Fixed income securities		
US fixed	112,199	129,591
Intermediate and long-term bond funds	1,304,318	1,326,463
Short-term bond funds	1,173,979	1,158,034
International	1,052,801	1,061,342
	$ 11,744,932	$ 10,413,292

Investments are presented in the consolidated statements of financial position as follows as of June 30, 2025 and 2024:

	2025	2024
Investments (current assets)	$ 4,576,835	$ 3,993,437
Endowment investments	7,168,097	6,419,855
	$ 11,744,932	$ 10,413,292

Investment income comprises the following for the years ended June 30, 2025 and 2024:

	June 30,	
	2025	2024
Interest and dividends	$ 743,640	$ 657,398
Realized gains (losses)	(2,932)	9,990
Unrealized gains	1,066,003	982,382
Fees	(30,000)	(30,000)
	$ 1,776,711	$ 1,619,770

Inventories – Inventories include new and quality used clothing and other items for children. Purchased new inventory is valued at cost. Donated new inventory and quality used clothing is valued at net realizable value.

Unemployment trust and other deposits – Treehouse participates in a program to reduce its unemployment insurance costs. Accordingly, Treehouse has made deposits with the organization that sponsors this program (and Treehouse does not pay unemployment insurance to the state of Washington). These deposits are used to reimburse the state of Washington for unemployment benefits paid to employees who have terminated their employment with Treehouse. Treehouse's unemployment trust deposits are expected to cover claims for unemployment benefits that management expects to incur and therefore no liability has been recorded. If any claims are in excess of the unemployment trust deposits, Treehouse will fund such claims when incurred.

The Organization also maintains a deposit trust account for the rents received from tenants as part of the property management agreement further discussed in Note 8.

Property and equipment, net – Furniture, equipment, and leasehold improvements are recorded at cost if purchased, or at estimated fair value at the date of receipt if donated. All purchases under $5,000 are expensed when acquired. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, which are generally three to fifteen years. Property and equipment consist of the following as of June 30, 2025 and 2024:

	June 30,	
	2025	2024
Computer equipment	$ 813,583	$ 813,583
Office furniture and fixtures	440,420	441,757
Vehicles	61,030	61,030
Leasehold improvements	1,156,772	1,171,036
	2,471,805	2,487,406
Accumulated depreciation	(1,970,124)	(1,780,231)
Property and equipment, net	$ 501,681	$ 707,175

Depreciation expense for the years ended June 30, 2025 and 2024, was $189,984 and $239,321, respectively.

Functional allocation of expenses – The costs of providing the various programs and other activities are summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs are allocated among the programs and supporting services benefited. The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent, which is allocated on a square-footage basis. Salaries, payroll taxes, and benefits are allocated on the basis of estimates of time and effort, and indirect overhead operating expenses are allocated based on full-time equivalent (FTE).

Income taxes – The Internal Revenue Service has recognized Treehouse as exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code (IRC) except to the extent of unrelated business taxable income as defined under IRC Sections 511 through 515. Any unrelated business income generated is not significant; therefore, no provision for income taxes has been recorded. As a wholly owned subsidiary, 2100 LLC is treated as a disregarded entity for federal income tax purposes. Treehouse follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Income Taxes*, relating to accounting for uncertain tax positions. ASC 740-10 prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters such as derecognition, interest, penalties and disclosures required. Management does not believe Treehouse has an uncertain tax position as of and for the fiscal periods ended June 30, 2025 and 2024.

Operating and nonoperating activity – Operating activities represent support and revenues and expenses solely related to the Organization's primary activities for the direct purpose of fulfilling its mission. Nonoperating activity consists of income and losses from investments and the 2100 LLC and is not part of the Organization's primary mission. Nonoperating activity totals $1,750,743 and $1,579,422 for the years ended June 30, 2025 and 2024, respectively.

Subsequent events – Treehouse has evaluated subsequent events through the date these consolidated financial statements were available to be issued, which was April 27, 2026.

Note 3 – Liquidity and Availability of Financial Assets

Treehouse's policy is to maintain cash and operating reserves (collectively, the Reserves) representing a minimum of four to six months of operating expenses including the following:

- Cash and short-term investments representing a minimum of two months of normal operating expenses, which are budgeted at $1.5 million per month for fiscal year 2025.
- Remaining reserves may include certificate of deposits or fixed income investments held in the Working Capital Reserve Fund and the Board Designated Reserve Fund.
- Operating expenses, for determining reserves, are defined as the 12 months forward looking average cash basis expenses.

As part of its liquidity management, Treehouse invests cash in excess of daily requirements in various short-term investments including certificates of deposit and short-term treasury instruments.

The following reflects Treehouse's availability of financial assets as of the consolidated statements of financial position dates. Financial assets are reduced by the amounts not available for general use within one year of the consolidated statements of financial position dates because of contractual or donor-imposed restrictions or internal designations. Internal designations can be changed based on board approval.

	Fiscal Period Ended June 30	
	2025	2024
Financial assets, at year-end		
Cash and cash equivalents	$ 15,093,752	$ 6,235,597
Investments	11,744,932	10,413,292
Contracts receivable	982,555	2,670,043
Promises to give	880,938	885,734
	28,702,177	20,204,666
Less those unavailable for general expenditures within one year		
Due to donor time restrictions	262,979	358,334
Due to endowment purpose restriction	6,069,032	5,452,291
	6,332,011	5,810,625
Financial assets available to meet cash needs for general expenditures within one year	$ 22,370,166	$ 14,394,041

Note 4 – Pledges Receivable

Pledges receivable as of June 30, 2025 and 2024, are as follows:

	June 30,	
	2025	2024
Receivable in less than one year	$ 648,933	$ 566,333
Receivable in one to five years	262,979	358,334
	911,912	924,667
Less allowance for uncollectible pledges	(9,817)	(5,000)
	902,095	919,667
Less discounts to present value	(21,157)	(33,933)
Pledges receivable, net	$ 880,938	$ 885,734

These assets are presented in the consolidated financial statements as of June 30, 2025 and 2024, as follows:

	June 30, 2025	June 30, 2024
Current pledges receivable, net	$ 648,933	$ 527,401
Long-term pledges receivable, net	232,005	358,333
Pledges receivable, net	$ 880,938	$ 885,734

Note 5 – Restricted Net Assets

Certain net assets with donor restrictions consist of contributions restricted for particular purposes or time periods, and are composed of the following as of June 30, 2025 and 2024:

	June 30, 2025	June 30, 2024
Contribution receivable for rent (restricted for time)	$ -	$ 63,804
Contributions with payments due in future periods (restricted for time)	911,912	924,667
	$ 911,912	$ 988,471

In addition to net assets restricted for time or purpose, the remaining net assets with donor restrictions to be held in the endowment consisted of the following as of June 30, 2025 and 2024:

	June 30, 2025	June 30, 2024
Education Endowment Fund	$ 870,977	$ 784,920
Treehouse Endowment Fund	819,771	721,686
Operations Endowment Fund	4,378,284	3,945,685
	$ 6,069,032	$ 5,452,291

Note 6 – Endowment Funds

The Education Endowment and Operations Endowment Funds were formed by two principal donors to provide a recurring base of funds to achieve the goals as requested by the donors. The donors allow an amount up to 5% of the fund balance to be released from restrictions annually on December 31 without regard to the investment performance. The amount released is available to Treehouse for expenditure to fund educational programs and operational needs. Each year, the amounts released are shown as being transferred to net assets without donor restrictions. The donors require Treehouse to invest the endowment funds in equity securities and, as such, all other investment earnings or losses related to these endowments in excess of the amounts released are retained and presented in the consolidated financial statements as a component of net assets with donor restrictions.

The Treehouse Endowment Fund, composed of a restricted endowment corpus and board-designated gains and additions, has been established to support the educational goals of youth who have experienced foster care. Gains or additions in excess of the corpus are designated as without donor restriction, and, at the direction of the board, such funds may be withdrawn should such action be determined to be necessary or appropriate. There is no designated spending policy for this fund, but the board of directors may approve distributions from this fund.

The Janis Avery Futures Fund is a board-designated fund dedicated to supporting Treehouse at the sole discretion of the Board of Directors in order to sustain operations and innovative spirit over the long-term. There is no spending policy for this fund, but the board of directors may approve distributions to Treehouse operations from this fund at its sole discretion.

As required by accounting principles generally accepted in the United States, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The board of directors has interpreted the state of Washington Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds (other than the Operations and Educational Endowment Funds). As a result of this interpretation, Treehouse classifies as net assets with donor restrictions (other than the Operations and Educational Endowment Funds) (a) the original value of gifts donated to the donor restricted endowment, plus (b) the original value of subsequent gifts to the donor restricted endowment. The remaining portion of donor-restricted endowment funds, representing the earnings from the Fund, that is not classified in donor restricted net assets is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by Treehouse in a manner consistent with the standard of prudence prescribed by UPMIFA. Funds designated by the board of directors, to be treated as the Fund's quasi-endowment funds, are classified as board-designated net assets. In accordance with UPMIFA, Treehouse considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the fund
- The purposes of Treehouse and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of Treehouse
- The investment policies of Treehouse

Endowment net assets consist of the following as of June 30, 2025 and 2024:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 6,069,032	$ 6,069,032
Board-designated quasi-endowment fund	1,099,065	-	1,099,065
	$ 1,099,065	$ 6,069,032	$ 7,168,097

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 5,452,291	$ 5,452,291
Board-designated quasi-endowment fund	967,564	-	967,564
	$ 967,564	$ 5,452,291	$ 6,419,855

Changes in endowment net assets are as follows for the years ended June 30, 2025 and 2024:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 967,564	$ 5,452,291	$ 6,419,855
Investment return, net	131,501	833,731	965,232
Net assets appropriated and released from restrictions	-	(216,990)	(216,990)
Endowment net assets, end of year	$ 1,099,065	$ 6,069,032	$ 7,168,097

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 859,282	$ 4,834,333	$ 5,693,615
Investment return, net	108,282	832,973	941,255
Net assets appropriated and released from restrictions	-	(215,015)	(215,015)
Endowment net assets, end of year	$ 967,564	$ 5,452,291	$ 6,419,855

Return objectives and risk parameters – Treehouse adopted an investment policy that was approved by the board of directors for endowment assets that attempts to provide a total return strategy, seeking to generate a combination of long-term capital appreciation and current income in a manner consistent with a long-term horizon. In accordance with the donors' stipulations, Treehouse's investment policy states that the assets in the Operations and Education Endowment Funds are to be invested in equity securities. Treehouse's investment policy states that the assets in the Treehouse Endowment and Janis Avery Futures Funds are to be invested in any mix of equity and fixed income securities. Investment performance for all funds is evaluated against market indices representing the broad asset classes as specified in the investment policy.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, Treehouse relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending policy and how the investment objectives relate to spending policy – Treehouse follows the donors' request of appropriating for distribution each year 5% of the fund balance of its Operations and Education Endowment Funds' value.

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level of original value of the gifts donated. There were no deficiencies of this nature as of June 30, 2025 and 2024.

Note 7 – Leases

Treehouse evaluates current contracts to determine which meet the criteria of a lease. The ROU assets represent Treehouse’s right to use underlying assets for the lease term, and the lease liabilities represent Treehouse’s obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. Treehouse has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments.

The weighted-average discount rate associated with operating leases as of June 30, 2025 and 2024, was 4.38% and 4.87%, respectively, while the weighted-average discount rate associated with finance leases as of June 30, 2025 and 2024, was 2.25% and 3.70%, respectively.

The weighted-average remaining lease term associated with operating leases as of June 30, 2025 and 2024, was 4.5 years and 0.51 years, respectively, while the weighted-average remaining lease term associated with finance leases as of June 30, 2025 and 2024, was 3.67 and 4.69 years, respectively.

Total operating lease cost for the years ended June 30, 2025 and 2024, was $370,756 and $335,209, respectively. Total finance lease expense for the years ended June 30, 2025 and 2024, was $11,078 and $4,990, respectively.

Cash paid for operating leases for the years ended June 30, 2025 and 2024, totaled $361,678 and $335,209, respectively. Cash paid for finance leases for the years ended June 30, 2025 and 2024, totaled $9,741 and $4,425, respectively.

Future maturities of lease liabilities (cash portion) are presented in the following table for the fiscal year ended June 30:

	Finance	Operating
2026	$ 11,482	$ 405,798
2027	12,171	420,648
2028	12,902	433,254
2029	8,938	446,291
2030	-	226,470
Total undiscounted cash flows	45,494	1,932,462
Less present value discount	(1,846)	(179,023)
Total lease payments	$ 43,648	$ 1,753,439

Effective January 1, 2023, Treehouse signed an amended office lease agreement extending the lease to January 1, 2025. The lease agreement provides for payments below market rates. Contribution receivable for rent as presented on the statements of financial position represents the fair value of rent contributed to Treehouse in excess of actual rent to be paid as specified in the lease. The full amount of the contributed rent recognized through June 30, 2025 and 2024, was $66,911.

On February 12, 2025, Treehouse entered into a new sixty-month office lease effective January 1, 2025, with a total value of $1,908,032. The value of the lease is included in the total lease liabilities above. The new lease agreement does not provide for payments below market rates; there is no contribution receivable for rent related to the new lease.

Note 8 – 2100 LLC

Effective December 2021, the Organization formed the 2100 LLC, a disregarded entity for federal tax purposes and a wholly owned subsidiary of Treehouse. Effective December 30, 2021, and February 2, 2022, 10% ownership and an additional 13.5% ownership of the building and property (collectively, the Property) were donated to the 2100 LLC by the Legacy Owner. The fair market value of these donations totaled $7,097,000 based on third-party appraisal of local comparable properties. The investment in the building is accounted for under the equity method. During the year ended June 30, 2025, the Organization determined the investment had been impaired and recorded an impairment loss of $1,222,000. Concurrent with the December 2021 donation, the 2100 LLC and Legacy Owner entered into a Tenancy in Common Agreement defining their relationship as co-tenants. Each co-tenant shares in the income and expense of the Property and funds required for building operations or reserves, according to their undivided interest in the Property. Treehouse did not provide funding to 2100 LLC operations for the years ended June 30, 2025 and 2024. The co-tenant owning a majority interest in the Property has the right to operate and manage the building. In the event a co-tenant desires to sell their interest in the Property, they must first provide the offer to the other co-tenant. Effective January 1, 2023, the property agreement was amended to extend the existing lease, which was set to expire on January 1, 2023, for an additional term from January 2, 2023 through December 31, 2024. The amendment established revised annual rental rates for the extension period and updated certain terms related to common areas, kitchen use, security measures, condition of the premises, and broker provisions. Effective September 1, 2022, the Organization receives $500 per month in its role of managing the new property manager.

Note 9 – Retirement Plan

Treehouse sponsors a defined contribution 403(b) plan for employees who meet the eligibility requirements set forth in the plan. Treehouse's contributions were $295,044 and $345,565 for the years ended June 30, 2025 and 2024, respectively.