

**THE SOPHIA WAY
(A WASHINGTON NONPROFIT CORPORATION)
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**



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**THE SOPHIA WAY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Sophia Way
Bellevue, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Sophia Way (a Washington nonprofit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Sophia Way as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 The Sophia Way 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Sophia Way'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Sophia Way'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.



CliftonLarsonAllen LLP

Bellevue, Washington
July 31, 2025

THE SOPHIA WAY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023

ASSETS	2024	2023
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 699,705	\$ 587,663
Grants and Pledges Receivable, Current	701,187	689,462
Contributed Facility Receivable, Current	38,100	38,433
Other Assets	255,559	239,789
Total Current Assets	1,694,551	1,555,347
NONCURRENT ASSETS		
Cash - Operating and Replacement Reserves	340,365	640,365
Grants and Pledges Receivable, Net of Current Portion	30,000	-
Contributed Facility Receivable, Net of Current Portion	3,951	38,428
Money Market	100,834	102,717
Prepaid Rent	5,843	5,820
Operating Lease Right-of-Use Asset	866,157	968,483
Finance Lease Right-of-Use Asset	22,972	8,943
Equipment and Leasehold Improvements, Net	34,058	41,879
Total Noncurrent Assets	1,404,180	1,806,635
Total Assets	\$ 3,098,731	\$ 3,361,982
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 29,057	\$ 79,868
Accrued Payroll, Related Taxes, and Benefits	168,699	151,880
Current Lease Liability - Operating	18,785	16,111
Current Lease Liability - Finance	11,481	3,274
Note Payable, Current Portion	1,500	1,500
Total Current Liabilities	229,522	252,633
LONG-TERM LIABILITIES		
Long-Term Lease Liability - Operating	5,681	24,467
Long-Term Lease Liability - Finance	12,251	5,889
Note Payable	375	1,875
Total Long-Term Liabilities	18,307	32,231
Total Liabilities	247,829	284,864
NET ASSETS		
Without Donor Restrictions:		
Board-Designated	50,000	50,000
Undesignated	2,472,496	2,698,522
Total	2,522,496	2,748,522
With Donor Restrictions		
Total Net Assets	328,406	328,596
Total Liabilities and Net Assets	\$ 3,098,731	\$ 3,361,982

See accompanying Notes to Financial Statements.

THE SOPHIA WAY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
City and County Grants	\$ 1,886,804	\$ -	\$ 1,886,804
Contributions	1,622,862	264,800	1,887,662
Donated Nonfinancial Assets	975,618	-	975,618
Investment Return and Other	6,237	-	6,237
Net Assets Released from Restriction	264,990	(264,990)	-
Total Revenue and Support	4,756,511	(190)	4,756,321
EXPENSES			
Program Services	3,572,908	-	3,572,908
General and Administrative	1,067,062	-	1,067,062
Fundraising	342,567	-	342,567
Total Expenses	4,982,537	-	4,982,537
CHANGE IN NET ASSETS	(226,026)	(190)	(226,216)
Net Assets - Beginning of Year	2,748,522	328,596	3,077,118
NET ASSETS - END OF YEAR	\$ 2,522,496	\$ 328,406	\$ 2,850,902

See accompanying Notes to Financial Statements.

THE SOPHIA WAY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
City and County Grants	\$ 1,826,715	\$ -	\$ 1,826,715
Contributions	1,475,040	-	1,475,040
Donated Nonfinancial Assets	845,930	-	845,930
Investment Return and Other	9,594	-	9,594
Net Assets Released from Restriction	<u>152,320</u>	<u>(152,320)</u>	<u>-</u>
Total Revenue and Support	4,309,599	(152,320)	4,157,279
 EXPENSES			
Program Services	3,145,184	-	3,145,184
General and Administrative	799,371	-	799,371
Fundraising	<u>366,122</u>	<u>-</u>	<u>366,122</u>
Total Expenses	<u>4,310,677</u>	<u>-</u>	<u>4,310,677</u>
 CHANGE IN NET ASSETS	(1,078)	(152,320)	(153,398)
 Net Assets - Beginning of Year	<u>2,749,600</u>	<u>480,916</u>	<u>3,230,516</u>
 NET ASSETS - END OF YEAR	<u><u>\$ 2,748,522</u></u>	<u><u>\$ 328,596</u></u>	<u><u>\$ 3,077,118</u></u>

See accompanying Notes to Financial Statements.

THE SOPHIA WAY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,766,870	\$ 471,758	\$ 244,379	\$ 2,483,007
Payroll Taxes	122,952	131,464	13,193	267,609
Employee Benefits	129,017	52,104	9,249	190,370
Total Personnel Expenses	<u>2,018,839</u>	<u>655,326</u>	<u>266,821</u>	<u>2,940,986</u>
Donated Nonfinancial Assets	951,645	38,433	-	990,078
Rent	-	111,605	-	111,605
Client Assistance	272,034	7,457	1,988	281,479
Professional Fees	1,994	84,786	48,383	135,163
Office	21,058	-	1,888	22,946
Utilities	181,175	-	-	181,175
Other Expenses	7,759	16,714	-	24,473
Venue and Catering	55,968	52,011	-	107,979
Depreciation	-	7,821	-	7,821
Marketing	305	13,475	-	13,780
Information Technology	8,017	9,212	4,875	22,104
Insurance	-	17,401	-	17,401
Postage and Delivery	-	16	9,270	9,286
Travel	-	-	67	67
Repairs and Maintenance	5,656	-	-	5,656
Dues and Subscriptions	15,983	18,380	8,030	42,393
Staff Development and Appreciation	30,477	29,047	1,223	60,747
Interest and Bank Fees	1,998	5,278	22	7,298
Total Functional Expenses	<u>\$ 3,572,908</u>	<u>\$ 1,067,062</u>	<u>\$ 342,567</u>	<u>\$ 4,982,537</u>

See accompanying Notes to Financial Statements.

THE SOPHIA WAY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,650,631	\$ 214,899	\$ 185,256	\$ 2,050,786
Payroll Taxes	177,262	23,614	35,452	236,328
Employee Benefits	91,716	39,162	14,728	145,606
Total Personnel Expenses	<u>1,919,609</u>	<u>277,675</u>	<u>235,436</u>	<u>2,432,720</u>
Donated Nonfinancial Assets	746,302	35,807	-	782,109
Rent	-	111,246	-	111,246
Client Assistance	298,065	-	-	298,065
Professional Fees	1,455	248,722	-	250,177
Office	2,674	18,944	-	21,618
Utilities	147,125	10,327	-	157,452
Other Expenses	-	11,795	-	11,795
Venue and Catering	-	-	91,873	91,873
Depreciation	-	7,821	-	7,821
Bad Debt	-	-	-	-
Marketing	-	-	10,235	10,235
Information Technology	5,053	4,454	-	9,507
Insurance	-	9,291	-	9,291
Postage and Delivery	-	492	16,048	16,540
Travel	20	139	11	170
Repairs and Maintenance	14,225	682	-	14,907
Dues and Subscriptions	2,585	15,432	12,228	30,245
Staff Development and Appreciation	8,071	39,945	291	48,307
Interest and Bank Fees	-	6,599	-	6,599
Total Functional Expenses	<u>\$ 3,145,184</u>	<u>\$ 799,371</u>	<u>\$ 366,122</u>	<u>\$ 4,310,677</u>

See accompanying Notes to Financial Statements.

**THE SOPHIA WAY
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2024 AND 2023**

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (226,216)	\$ (153,398)
Adjustments to Reconcile Changes in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	7,821	7,821
Amortization of Right-of-Use Assets	208,911	97,132
Amortization of In-Kind Receivable	34,810	35,807
(Increase) Decrease in Assets:		
Grants and Accounts Receivable	(11,725)	(38,574)
Operating Lease Right-of-Use Asset	(106,585)	4,878
Finance Lease Right-of-Use Asset	(14,029)	3,252
Prepaid Lease (Kirkland)	(23)	(5,820)
Deposits and Prepaid Expenses	(15,770)	(105,565)
Increase (Decrease) in Liabilities:		
Accounts Payable	(50,811)	46,052
Lease Liability	(1,543)	(18,681)
Accrued Expenses	16,819	27,214
Net Cash Used by Operating Activities	(158,341)	(99,882)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	-	(28,310)
Proceeds from Sale of Investments	6,717	3,303
Purchase of Investments	(4,834)	(4,717)
Net Cash Used by Investing Activities	1,883	(29,724)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Note Payable and Line of Credit	(1,500)	(1,500)
Net Cash Used by Financing Activities	(1,500)	(1,500)
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(157,958)	(131,106)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	1,228,028	1,359,134
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 1,070,070	\$ 1,228,028
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR PER THE STATEMENTS OF CASH FLOWS TO CASH, CASH EQUIVALENTS, AND RESTRICTED CASH PER THE STATEMENTS OF FINANCIAL POSITION		
Cash and Cash Equivalents	\$ 699,705	\$ 587,663
Operating and Replacement Reserves	340,365	640,365
Total	\$ 1,040,070	\$ 1,228,028

See accompanying Notes to Financial Statements.

**THE SOPHIA WAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Sophia Way (the Organization) is a Washington nonprofit corporation providing temporary shelter, food, and case management services to women experiencing homelessness in East King County, Washington. The Organization also assists residents in transitioning from temporary shelter programs to permanent housing.

The Organization was originally a program of Eastside Interfaith Social Concerns Council and was established as a stand-alone entity in May 2012.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

At times, cash deposits, including amounts held in reserves, exceed the federally insured limits of the financial institution and expose the Organization to credit risk. At December 31, 2024, the Organization's deposits were \$425,211 over the federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Grants and Contributions Receivable and Allowance for Credit Losses

Government grants and contracts receivable are stated at the amount management expects to collect from government agencies for services provided. Contributions receivable consists of unconditional promises to give from private donors. An allowance for uncollectible accounts consists of current and expected losses based on historical charge-off rates and anticipated future conditions that impact the collectability of receivables at December 31, 2024. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. At December 31, 2024, no allowance for credit losses was considered necessary.

Fair Value and Fair Value Measurements

The Organization measures its investments at fair value on a recurring basis. A fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels that are ranked to indicate the quality and reliability of the resulting fair value measure: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable inputs for the asset and include situations where there is little, if any, market activity for the investment. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs, because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. At December 31, 2024, and December 31, 2023 the Organization had \$100,834 and \$102,717, respectively, invested into a money market account.

THE SOPHIA WAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Organization leases facilities and equipment. The Organization determines if an arrangement is a lease at inception. Operating leases are included in Operating Lease Right-of-Use (ROU) Assets and Operating Lease Liabilities on the statements of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU 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 reasonably certain that 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 recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

Promises to Give

Unconditional promises that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discount is included in contribution revenue in the statements of activities and changes in assets. At December 31, 2024 and 2023, the discount on promises to give is \$7,149 and \$2,539 respectively.

The Organization determine the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and review of subsequent collections. Promises to give are written off when deemed uncollectible. No allowance for uncollectible promises to give was considered necessary at December 31, 2024 and 2023.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair market value if donated. Expenditures for repairs and maintenance that prolong the useful lives of assets are also capitalized. The Organization capitalizes assets with a value of more than \$2,500 and a useful life in excess of one year. Depreciation is computed by the straight-line method over the useful lives of the assets, from 3 to 10 years.

THE SOPHIA WAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Revenue Recognition (Continued)

A portion of the Organization's revenue is derived from cost-reimbursable governmental 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 grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The Organization was awarded, but did not receive an advance for, cost-reimbursable grants of \$54,800 and \$1,383,025, for which qualifying expenditures had not yet been incurred and accordingly had not been recognized as revenue at December 31, 2024 and 2023, respectively.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions when received. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as Net Assets Released from Restrictions.

The governing board has designated, from net assets without donor restrictions, net assets for operating reserves.

THE SOPHIA WAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Nonfinancial Assets

The Organization recognizes donated services that create or enhance nonfinancial assets that would require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services meeting these criteria and donated supplies are recorded at estimated fair market value as support and expense.

Donated Nonfinancial Assets (Continued)

The Organization receives donations of meals, clothing, services and other supplies for its shelters and programs. These amounts are recognized as support at their estimated fair value on the date of receipt. These donations are generally distributed to the clients within a short period of time. There was inventory of \$64,059 and \$52,754 at December 31, 2024 and 2023, respectively.

The Organization calculates an estimated value for donated meals equal to one meal per day per client per program for each day of the year less food purchased. This method was applied consistently.

Functional Expenses

The statements of functional expenses present expenses by function and natural classification. Certain categories of expenses are attributed to more than one program or supporting function and have been allocated among the programs and supporting services benefited. The Organization follows the policy of charging identifiable expenses directly to program services. Occupancy expenses are allocated based on the percentage of space and resources used. Other expenses are allocated by function based on payroll expense.

Tax-Exempt Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation within the meaning of Section 509(a) because it is an organization of the type described in Section 509(a)(2). The Organization's income tax filings are subject to examination by various taxing authorities.

Use of Estimates

The preparation of 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE SOPHIA WAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of the statement of financial position date without donor or other restrictions limiting their use are as follows:

	<u>2024</u>	<u>2023</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 699,705	\$ 587,663
Grants Receivable	701,187	381,440
Pledges Receivable	-	-
Total Financial Assets	<u>1,400,892</u>	<u>969,103</u>
Less Amounts Unavailable for Expenditure Within One Year:		
Restricted by Donors for Purpose Restrictions	(312,390)	(328,596)
Board-Designated Net Assets	<u>(50,000)</u>	<u>(50,000)</u>
Financial Assets Available Within One Year	<u>\$ 1,038,502</u>	<u>\$ 590,507</u>

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. General expenditures include costs to run programs, fundraise, and meet other contractual obligations. Financial assets in excess of daily cash requirements are kept in an interest-bearing savings account. Amounts not available include a board-designated reserve fund for general operational expenses and funds restricted for the capital campaign. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. In addition, the organization has lines of credit totaling \$250,000, if needed.

NOTE 3 CONTRIBUTED FACILITY RECEIVABLE

In April 2016, the Organization entered into an office space lease which expires in March 2026. The lease calls for monthly payments significantly lower than the market price. The Organization considers the difference between what is paid and the market rate of this lease to be a contribution receivable. The difference expected to be recognized in more than one year has been discounted to the present value of estimated amounts recognized. The Organization uses a discount rate of 2% to calculate the present value of the contribution facility receivable to be recognized in more than one year.

The facility contribution receivable is to be received as follows at December 31:

	<u>2024</u>	<u>2023</u>
Less Than One Year	\$ 38,100	\$ 38,433
One to Five Years	<u>9,440</u>	<u>47,541</u>
Subtotal	47,540	85,974
Less: Discount on Long Term Receivable	<u>(5,490)</u>	<u>(9,113)</u>
Total	<u>\$ 42,050</u>	<u>\$ 76,861</u>

THE SOPHIA WAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 4 GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable consisted of the following at December 31:

	<u>2024</u>	<u>2023</u>
Within One Year	\$ 708,336	\$ 686,823
In One to Five Years	30,000	-
Total	<u>738,336</u>	<u>686,823</u>
Less: Discount to Net Present Value at Rates Ranging from 4.26% to 4.67%	7,149	2,539
Total Grants and Pledges Receivable, Net	<u>\$ 731,187</u>	<u>\$ 689,362</u>

Grants and pledges receivable received after one year were discounted using varied adjusted risk-free interest rates up to 4.67% and 4.88% at December 31, 2024 and 2023, respectively.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2024</u>	<u>2023</u>
Leasehold Improvements	\$ 94,698	\$ 94,698
Less: Accumulated Depreciation	<u>(60,640)</u>	<u>(52,819)</u>
Property and Equipment, Net	<u>\$ 34,058</u>	<u>\$ 41,879</u>

NOTE 6 NOTE PAYABLE

During 2016, the Organization entered into a noninterest-bearing loan of \$15,000 with its landlord to pay for leasehold improvements to its office space. The loan requires monthly principal-only payments of \$125 through April 1, 2026. The balance of the note was \$1,875 and \$3,375 at December 31, 2024 and 2023, respectively.

Future maturities of notes payable are as follows for the years ending December 31:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 1,500
2025	375
Total	<u>\$ 1,875</u>

NOTE 7 LINE OF CREDIT

The Organization has a line of credit agreement with a bank up to \$250,000, with a maturity date of December 15, 2026. The line of credit bears interest at 2.0% plus the U.S. prime rate, less a 1.0% preferred rate reduction. There was no balance outstanding at December 31, 2024 or 2023.

**THE SOPHIA WAY
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NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31:

	<u>2024</u>	<u>2023</u>
Contributed Facility Receivable	\$ 106,294	\$ 76,861
Community Funds	16,016	-
Other Time Restricted	166,000	98,000
Helen's Place	-	-
Client Assistance	8,150	-
Behavioral Health	-	153,735
Holly House	26,146	-
Emergency Shelter	5,800	-
Total Net Assets With Donor Restrictions	<u>\$ 328,406</u>	<u>\$ 328,596</u>

NOTE 9 BOARD-DESIGNATED NET ASSETS

The Organization's board of directors has set aside \$50,000 to be released only with their approval.

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NOTE 10 LEASES

The Organization leases office and shelter space under long-term, noncancelable operating lease agreements and leases a copier under a long-term, noncancelable finance lease agreement. The leases have various expiration dates ranging from 2026 - 2059. Due to the amount of prepaid rent for the operating lease of Sophia's Place at St. Lukes, the operating lease right-of-use asset balance is significantly larger than the related lease obligations.

Lease costs is included in rent on the Organization's statements of functional expenses is as follows for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Operating Lease Right-of-Use Asset	\$ 866,157	\$968,483
Operating Lease Obligation	24,466	40,578
Finance Lease Right-of-Use Assets	22,972	8,943
Finance Lease Obligations	23,732	9,163

Amounts reported on the statements of financial position as of December 31, 2024 are as follows:

<u>Year Ending December 31,</u>	<u>Operating</u>	<u>Finance</u>	<u>Totals</u>
2025	\$ 19,078	\$ 11,976	\$ 31,054
2026	5,592	9,402	14,994
2027	100	1,680	1,780
2028	-	1,540	1,540
Total Undiscounted Lease Payments	<u>24,770</u>	<u>24,598</u>	<u>49,368</u>
Less: Imputed Interest	304	866	1,170
Total Present Value	<u>\$ 24,466</u>	<u>\$ 23,732</u>	<u>\$ 48,198</u>
Short-Term Operating Lease Obligation	\$ 18,785	\$ 11,481	\$ 30,266
Long-Term Operating Lease Obligation	5,681	12,251	17,932
Total	<u>\$ 24,466</u>	<u>\$ 23,732</u>	<u>\$ 48,198</u>

THE SOPHIA WAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 10 LEASES – (CONTINUED)

Other information related to the Organization’s leases as of December 31 was as follows:

<u>Other Information</u>	<u>2024</u>	<u>2023</u>
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Finance Leases	\$ 754	\$ 221
Operating Cash Flows from Operating Lease	16,747	16,421
Financing Cash Flows from Finance Leases	11,222	3,211
Weighted-Average Remaining Lease Term - Finance Leases	2.2 Years	2.7 Years
Weighted-Average Remaining Lease Term - Operating Leases	1.3 Years	2.3 Years
Weighted-Average Discount Rate - Finance Leases	2.62%	1.98%
Weighted-Average Discount Rate - Operating Leases	2.00%	2.00%

NOTE 11 CONTRIBUTED NONFINANCIAL ASSETS

The Organization received the following contributions of nonfinancial assets for the years ending December 31:

	<u>2024</u>	<u>2023</u>
Meals and Food	\$ 280,579	\$ 279,792
Use of Facilities	186,426	182,829
Supplies	211,664	83,146
Client Assistance	296,949	300,163
Total	<u>\$ 975,618</u>	<u>\$ 845,930</u>

The Organization received contributions of nonfinancial assets consisting of free or reduced rent. During the year ended December 31, 2024, the Organization received reduced rental assistance for a storage space, copier and printers, donation storage, and cottages used for housing for client assistance. The use of facilities is based on the market value to rent the facility based on the lease agreement.

Contributed meals and food, household items, supplies, and other client assistance items are recorded as in-kind contribution revenue and expense when received. They are valued at the fair market value. Donated meals and food are used to feed their client who need assistance. Donated supplies consists of clothing, cleaning supplies, paper products and toiletries which are given to their clients as needed. Client assistance includes various other donations such as gift cards, utilities, and bus vouchers.

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NOTE 12 CONCENTRATIONS

At December 31, 2024, 24% of grants receivable was due from three government agencies or foundations. At December 31, 2023, 37% of grants receivable was due from four government agencies.

For the year ended December 31, 2024, 100% of government contracts was received from five agencies. For the year ended December 31, 2023, 100% of government contracts was received from four agencies.

NOTE 13 EMPLOYEE RETIREMENT PLAN

The Organization has a SIMPLE (Savings Incentive Match Plan for Employees) retirement plan under Section 408(p) of the Internal Revenue Code. Under the plan employees are eligible to receive contributions of 3% of compensation from the Organization. The Organization contributed \$39,421 and \$25,873 to the plan for the years ended December 31, 2024 and 2023, respectively.

NOTE 14 COMMITMENTS AND CONTINGENCIES

Amounts received from King County and local municipalities are subject to audit and adjustments by the grantor agency. Any disallowed cost, including amounts already collected, may constitute a liability for the Organization. The amounts, if any, of expenditures, which may be disallowed by the grantor, are recorded at the time that such amounts can be reasonably determined, normally upon notification of the government agency. During the year ended December 31, 2024, no such adjustments were made.

As part of the sublease of the Helen's Place property with Catholic Community Services of Western Washington, the Organization has committed to complying with the covenants and regulatory agreements which are recorded on the land. The permitted use of the premises is to provide shelter and day center services to women and children.

NOTE 15 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 31, 2025, which is the date the financial statements were available to be issued and has determined that there are no subsequent events that require disclosure.



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