Report of Independent Auditors
and Financial Statements

Maddie's Place

December 31, 2025

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Report of Independent Auditors

The Board of Directors
Maddie's Place

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Maddie's Place (the Organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with GAAS, we:

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

Spokane, Washington
June 30, 2026

Financial Statements

Maddie's Place
Statement of Financial Position
December 31, 2025

ASSETS

ASSETS		
Cash and cash equivalents	$	271,659
Grants receivable		100,000
Prepaid and other assets		27,602
Property and equipment, net		4,225,165
Total assets	$	4,624,426

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	$	70,661
Accrued payroll and benefits		184,024
Refundable advance		631,120
Notes payable		1,119,573
Total liabilities		2,005,378
NET ASSETS		
Without donor restrictions		2,619,048
Total net assets		2,619,048
Total liabilities and net assets	$	4,624,426

See accompanying notes.

Maddie's Place
Statement of Activities
Year Ended December 31, 2025

NET ASSETS WITHOUT DONOR RESTRICTIONS	
Revenue and Support	
Contract revenue	$ 3,107,000
Contributions of financial assets	870,271
Contributions of nonfinancial assets	81,615
Grant revenue	546,047
Other income	26,267
Total revenue and support	4,631,200
Expenses	
Program services	3,111,294
Fundraising	266,912
Management and general	948,849
Total expenses	4,327,055
Change in net assets without donor restrictions	304,145
NET ASSETS WITHOUT DONOR RESTRICTIONS, beginning of year	2,314,903
NET ASSETS WITHOUT DONOR RESTRICTIONS, end of year	$ 2,619,048

See accompanying notes.

Maddie's Place
Statement of Functional Expenses
Year Ended December 31, 2025

	Program Services	Supporting services: Fundraising	Supporting services: Management & General	Total
EXPENSES				
Salaries and wages	$ 2,101,915	$ 140,128	$ 452,527	$ 2,694,570
Payroll taxes	216,873	14,458	57,833	289,164
Employee benefits	236,756	15,790	63,262	315,808
Professional services	192,531	46,938	67,026	306,495
Facilities	74,040	-	72,926	146,966
Insurance	59,883	-	18,777	78,660
Office and administrative	4,090	15,063	42,788	61,941
Program supplies and support	111,706	-	-	111,706
Depreciation	54,438	-	58,974	113,412
Technology	8,867	10,663	32,317	51,847
Marketing and development	1,296	23,872	3,049	28,217
Taxes and licenses	3,040	-	3,838	6,878
Interest expense	40,618	-	44,003	84,621
Minor furniture and equipment	5,241	-	31,529	36,770
	$ 3,111,294	$ 266,912	$ 948,849	$ 4,327,055

See accompanying notes.

Maddie's Place
Statement of Cash Flows
Year Ended December 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets without donor restrictions	$ 304,145
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	113,412
Gain on disposal of asset	(3,500)
Noncash contributions of property and equipment	(36,566)
Change in assets and liabilities	
Grants receivable	(100,000)
Prepaid and other assets	(9,013)
Accounts payable	17,656
Accrued payroll and benefits	20,497
Net cash provided by operating activities	306,631
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(478,202)
Proceeds from sale of property and equipment	3,500
Net cash used in investing activities	(474,702)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on notes payable	(55,678)
Net cash used in financing activities	(55,678)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(223,749)
CASH AND CASH EQUIVALENTS, beginning of year	495,408
CASH AND CASH EQUIVALENTS, end of year	$ 271,659
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	$ 65,035

See accompanying notes.

Note 1 – Nature of Business

Maddie's Place (the Organization) is a nonprofit organization established to serve infants with prenatal substance exposure and their families in the Inland Northwest by providing pediatric transitional care, medical monitoring, caregiver support, and services designed to promote infant health, family bonding, and safe transitions after discharge.

The Organization operates a recovery nursery in Spokane, Washington, serving substance-exposed newborns and supporting parents and caregivers through a dyadic care model focused on keeping infants and caregivers together during early recovery.

The accompanying financial statements include the accounts of Maddie's Place as a single nonprofit organization.

Note 2 – Significant Accounting Policies

Basis of accounting – The Organization’s accounting records are maintained on the accrual basis of accounting. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for a specific purpose by action of the board of directors, though there were no board designations as of December 31, 2025.

Net assets with donor restrictions – Net assets are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and are not subject to donor-imposed restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions that will be met either by actions of the Organization, the passage of time, or both.

Contributions and grants are reported as increases in net assets with donor restrictions when donor-imposed restrictions exist. The Organization has elected to report donor-restricted contributions and grants whose restrictions are met in the same reporting period as support without donor restrictions. The Organization applies this policy consistently from period to period. There were no net assets with donor restrictions as of December 31, 2025.

Accounting estimates – The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Cash and cash equivalents – The Organization considers all temporary investments with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents in depository institution accounts that, at times, may exceed federally insured limits. There were no uninsured cash balances as of December 31, 2025. The Organization has not experienced any significant losses on its cash equivalents.

Grants receivable – Grants receivable are stated at the amount management expects to collect from outstanding balances. The Organization estimates expected credit losses based on historical collection experience, the aging of receivables, current conditions, reasonable and supportable forecasts, and other factors deemed relevant by management. Receivables are written off when management determines that the balance is uncollectible. Recoveries of amounts previously written off are recognized in income or as a reduction of credit loss expense in the year of recovery.

As of December 31, 2025, grants receivable totaled $100,000. Management determined that no allowance for credit losses was necessary as of December 31, 2025, because management believes the balance is collectible.

Property and equipment, net – Property and equipment are recorded at cost, if purchased, or at fair value on the date of receipt, if donated. Maintenance and repairs are expensed as incurred. The Organization capitalizes property and equipment with a cost of at least $5,000. Depreciation is taken using the straight-line method over the expected useful lives of the assets ranging from 5 to 39 years.

Impairment of long-lived assets – The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No impairment loss was recognized for the year ended December 31, 2025.

Refundable advance – The Organization records amounts received under conditional capital grant agreements as refundable advances until the related conditions have been substantially met and the Organization is released from repayment. The Organization’s refundable advance is subject to continuing compliance requirements related to the ownership and use of the related facility for its intended purpose. The refundable advance will be recognized as grant revenue when the related conditions are satisfied or when the Organization is otherwise released from repayment. See Note 7.

Functional allocation of expenses – The costs of providing program and supporting services are summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or supporting service are charged directly. Salaries, payroll taxes, and employee benefits are allocated based on employee time and effort. Facilities and depreciation are allocated based on square footage or specific use. Insurance, technology, office and administrative costs, and other shared costs are allocated based on relative benefit, usage, headcount, or other reasonable allocation methods.

Contract revenue – The Organization receives funding under contracts with governmental agencies to provide pediatric transitional care services, care coordination, family support services, and related program activities. Contract revenue is recognized over time as the Organization satisfies its performance obligations by providing services and fulfilling contractual requirements, including the submission of required reports and other deliverables. Amounts earned but not yet received are recorded as grants and contracts receivable. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue. Management evaluates governmental funding arrangements to determine whether they represent exchange transactions or contributions and applies the appropriate accounting guidance based on the substance of the arrangement.

During 2025, the Organization’s primary contract was with the Washington State Health Care Authority (WSHCA) to operate a pediatric transitional care facility and provide neonatal abstinence syndrome services, care coordination, and related reporting requirements. Revenue earned under this contract represented 46% of total revenue and support for the year ended December 31, 2025. The agreement with WSHCA expires on June 30, 2027.

Grant revenue – Grant revenue is recognized when qualifying expenditures are incurred or when all conditions associated with the grant are substantially met. Conditional grants are not recognized until barriers are overcome and rights of return or release lapse. At December 31, 2025, amounts earned but not received under governmental grants included in grants receivable totaled $100,000, and the Organization had no deferred revenue.

Contributed financial assets – Contributions of financial assets, including unconditional promises to give, are recognized when promised or received and are reported as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of donor-imposed restrictions. Donor-restricted contributions whose restrictions are satisfied in the same reporting period are reported as support without donor restrictions. Conditional contributions, including conditional grants, are not recognized until the conditions on which they depend have been substantially met, including satisfaction of measurable barriers and expiration of any right of return or right of release.

Contributed nonfinancial assets – Contributed nonfinancial assets, or in-kind contributions, are recognized at estimated fair value on the date received and are presented as a separate line item in the statement of activities apart from contributions of financial assets. The Organization’s policy is to use contributed nonfinancial assets in its programs and supporting activities rather than monetize such contributions. Donated services are recognized only if they create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would otherwise need to be purchased if not donated. Recognized contributed nonfinancial assets received during the year ended December 31, 2025 totaled $81,615. See Note 8.

Income taxes – The Organization is exempt from federal income taxes under 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. The Organization records uncertain tax positions if the likelihood the position will be sustained upon examinations is less than 50%. As of December 31, 2025, the Organization had no uncertain tax positions requiring accrual.

Advertising expenses – The Organization expenses advertising costs as incurred. Total advertising costs were $20,312 for the year ended December 31, 2025.

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

The Organization has evaluated subsequent events through June 30, 2026, which is the date the financial statements were available to be issued.

Note 3 – Financial Assets and Liquidity

The following table reflects the Organization's financial assets as of December 31, 2025:

Financial assets		
Cash and cash equivalents	$	271,659
Grants receivable		100,000
Financial assets available to meet cash needs for general expenditures within one year	$	371,659

Financial assets are considered available to meet cash needs for general expenditures within one year when they are not subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year. The Organization regularly monitors liquidity required to meet its operating needs and structures its financial assets to be available as program expenses, liabilities, and other obligations come due.

In addition, the Organization has a $750,000 revolving line of credit available to help cover short-term liquidity needs. As of December 31, 2025, there were no borrowings outstanding under the line of credit and $750,000 was available for future borrowings. See Note 6.

Note 4 – Property and Equipment, Net

Property and equipment consist of the following as of December 31, 2025:

Buildings	$ 2,259,113
Building improvements	2,183,674
Equipment	83,172
Construction in process	43,710
Vehicles	5,288
	4,574,957
Less accumulated depreciation	349,792
	$ 4,225,165

Depreciation expense for the year ended December 31, 2025 was $113,412.

Property and equipment include $36,566 of contributed nonfinancial assets capitalized during the year.

Note 5 – Notes Payable

Notes payable consisted of the following at December 31, 2025:

	2025
Gesa Credit Union Loan Note payable to Gesa Credit Union in monthly installments of $3,841, including fixed interest at 6.82%. The note matures in December 2033, at which time the remaining unpaid principal balance and accrued interest are due. The note is secured by real estate.	$ 572,364
Seller-Financed Real Property Note payable to the sellers, serviced by Allegro Escrow Services in monthly installments of $6,229, including fixed interest at 4.5%. The note matures in November 2034 and is secured by real estate.	547,209
	$ 1,119,573

A summary of scheduled principal maturities of the notes payable is as follows:

2026	$ 58,468
2027	61,331
2028	64,339
2029	67,499
2030	70,811
Thereafter	797,125
Total	$ 1,119,573

Management believes the Organization was in compliance with the material provisions of the notes payable as of December 31, 2025.

Note 6 – Line of Credit

The Organization has a revolving line of credit with Washington Trust Bank that provides for borrowings up to $750,000. Borrowings under the line of credit bear interest at 7%. The line of credit is secured by real estate and matured in June 2026, which was subsequently renewed through June 2027. There were no borrowings outstanding under the line of credit as of December 31, 2025, and available borrowing capacity was $750,000.

Management believes the Organization was in compliance with the material provisions of the line-of-credit agreement as of December 31, 2025.

Note 7 – Refundable Advance

During 2021, the Organization was awarded a $631,120 capital grant from the Washington State Department of Commerce through the 2022 Local and Community Projects Program to support the first phase of the interior renovation of its pediatric transitional care facility in Spokane, Washington. The project included renovation of approximately 3,000 square feet of the Organization’s 12,000 square foot facility and was intended to help bring the facility into compliance with Washington State Department of Health requirements for pediatric transitional care facilities. The project supports the Organization’s ability to serve infants suffering from drug withdrawal or neonatal abstinence syndrome.

The grant award of $631,120 has been recorded as a refundable advance on the statement of financial position. The grant agreement is secured by a promissory note, deed of trust, and related security instruments on the property. The deed of trust remains in effect for a period of ten years following the final payment of the award that was received in February 2022. Upon satisfaction of the ten-year requirement and all other grant terms and conditions, the Washington State Department of Commerce is required, upon written request of the Organization, to take appropriate action to reconvey the deed of trust.

The refundable advance is subject to repayment if the Organization fails to use the facility for the purposes specified in the agreement or otherwise fails to comply with the grant terms. In the event of noncompliance, the Organization may be required to repay the principal amount of the grant, plus interest calculated as specified in the agreement. No interest has been accrued, as management expects to remain in compliance with the grant’s terms and conditions throughout the ten-year period.

The Organization will recognize grant revenue when the related conditions have been satisfied or when the Organization is otherwise released from repayment, which is expected in 2032. As of December 31, 2025, the entire $631,120 remained recorded as a refundable advance.

Note 8 – Contributed Nonfinancial Assets

The Organization recognized the following contributed nonfinancial assets for the year ended December 31, 2025:

Contributed property and equipment	$	36,566
Contributed care supplies		24,011
Contributed goods for families		18,970
Contributed food and entertainment		2,068
Total contributed nonfinancial assets	$	81,615

Contributed property and equipment are being depreciated over their estimated useful lives. These contributions were valued using donor-provided information, vendor invoices, third-party estimates, or other observable prices for similar assets or improvements at the date of donation. Contributed care supplies, goods for families, food and entertainment were used in the Organization's program activities. These contributions were valued using estimated fair value based on retail prices, donor-provided information, or observable market prices for similar items at the date of donation.

The Organization's policy is to use contributed nonfinancial assets in its programs and supporting activities rather than monetize such contributions. There were no donor-imposed restrictions associated with contributed nonfinancial assets at December 31, 2025.

Note 9 – Commitments and Contingencies

The Organization receives funding under government contracts and grants that are subject to compliance requirements. Such funding may be subject to review or audit by the funding agencies. If expenditures are disallowed as a result of such reviews, the Organization may be required to repay amounts received. Management believes the Organization was in compliance with material grant and contract requirements as of December 31, 2025.

The Organization is also subject to continuing compliance requirements under its Washington State Department of Commerce capital grant agreement, as described in Note 7. If the Organization fails to comply with the agreement, all or a portion of the refundable advance may become repayable.