

## **DEGREES OF CHANGE**

Reviewed Financial Statements

June 30, 2025 (Reviewed) and 2024 (Audited)

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## Independent Accountant's Review Report

Board of Directors  
Degrees of Change  
Tacoma, Washington

We have reviewed the accompanying financial statements of Degrees of Change (a Washington nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"); this includes 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.

### ***Accountant's Responsibility***

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with U.S. GAAP. We believe that the results of our procedures provide a reasonable basis for our conclusion.

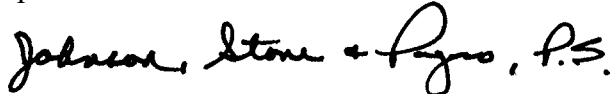
We are required to be independent of the Organization, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### ***Accountant's Conclusion***

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with U.S. GAAP.

***Report on 2024 Financial Statements***

The June 30, 2024 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated October 15, 2024. We have not performed any auditing procedures since that date.

A handwritten signature in black ink that reads "Johnson, Stone & Pagano, P.S." in a cursive script.

**JOHNSON, STONE & PAGANO, P.S.**  
Fircrest, Washington

October 15, 2025

## REVIEWED FINANCIAL STATEMENTS

**DEGREES OF CHANGE****STATEMENTS OF FINANCIAL POSITION**

June 30, 2025 (Reviewed) and 2024 (Audited)

	<u>2025</u>	<u>2024</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 291,186	\$ 973,074
Accounts and grants receivable	107,520	122,253
Prepaid expenses	32,167	28,236
<b>Total Current Assets</b>	<u>430,873</u>	<u>1,123,563</u>
<b>OPERATING RIGHT-OF-USE ASSET, NET</b>	77,954	149,567
<b>OTHER ASSETS</b>		
Act Six program, net	<u>6,884</u>	<u>10,817</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 515,711</u></u>	<u><u>\$ 1,283,947</u></u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 28,404	\$ 58,040
Accrued expenses	33,340	35,902
Operating lease liability, current	82,841	76,355
<b>Total Current Liabilities</b>	<u>144,585</u>	<u>170,297</u>
<b>OPERATING LEASE LIABILITY, less current portion</b>	<u>1,294</u>	<u>84,612</u>
<b>Total Liabilities</b>	145,879	254,909
<b>NET ASSETS</b>		
Without donor restrictions	229,985	314,793
With donor restrictions	139,847	714,245
<b>Total Net Assets</b>	<u>369,832</u>	<u>1,029,038</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 515,711</u></u>	<u><u>\$ 1,283,947</u></u>

See independent accountant's review report and accompanying notes to financial statements.

## DEGREES OF CHANGE

### STATEMENTS OF ACTIVITIES

Years Ended June 30, 2025 (Reviewed) and 2024 (Audited)

	<u>2025</u>	<u>2024</u>
<b>REVENUES WITHOUT DONOR RESTRICTIONS</b>		
Foundation grants	\$ 406,962	\$ 764,186
Government grants		160,316
Business contributions	38,500	86,656
Contributions	432,056	224,240
Other earned income	264,648	326,909
Event registration fees, net of costs of \$51,034 and \$11,627, respectively	(40,997)	(11,627)
Net assets released from restrictions	599,398	199,655
<b>Total Revenues without Donor Restrictions</b>	<u>1,700,567</u>	<u>1,750,335</u>
<b>EXPENSES</b>		
Program services		
Foyost	424,217	407,557
Act Six	227,285	513,761
Seed	662,039	707,107
<b>Total Program Services</b>	<u>1,313,541</u>	<u>1,628,425</u>
Supporting services		
Management and general	179,851	283,825
Fundraising	291,983	433,136
<b>Total Supporting Services</b>	<u>471,834</u>	<u>716,961</u>
<b>Total Expenses</b>	<u>1,785,375</u>	<u>2,345,386</u>
<b>Change in Net Assets without Donor Restrictions</b>	(84,808)	(595,051)
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Foundation grants	25,000	691,245
Net assets released from restrictions	(599,398)	(199,655)
<b>Change in Net Assets with Donor Restrictions</b>	<u>(574,398)</u>	<u>491,590</u>
<b>CHANGE IN NET ASSETS</b>	(659,206)	(103,461)
<b>Net Assets at Beginning of Year</b>	<u>1,029,038</u>	<u>1,132,499</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 369,832</u></u>	<u><u>\$ 1,029,038</u></u>

See independent accountant's review report and accompanying notes to financial statements.

## DEGREES OF CHANGE

### STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2025 (Reviewed) with Comparative Totals for 2024 (Audited)

	Program Services				Supporting Services			Total Expenses	
	Foyost	Act Six	Seed	Total Program Services	Management and General	Fundraising	Total Supporting Services	2025	2024
Salaries and benefits	\$ 190,273	\$ 181,955	\$ 546,566	\$ 918,794	\$ 135,493	\$ 208,619	\$ 344,112	\$ 1,262,906	\$ 1,795,333
Program activities and materials		7,205	20,694	27,899				27,899	49,126
Operations	4,902	5,024	18,515	28,441	5,122	2,816	7,938	36,379	49,974
Facility		15,248	45,746	60,994	7,624	7,624	15,248	76,242	80,213
Equipment and technology	39,456	5,558	15,277	60,291	2,492	11,436	13,928	74,219	98,898
Travel		4,460	1,696	6,156	1,678	23	1,701	7,857	11,959
Meetings and training		730	2,104	2,834	2,577	1,227	3,804	6,638	15,103
Consulting and contracts	189,586	7,105	11,441	208,132	24,865	60,238	85,103	293,235	244,780
<b>TOTAL</b>	<u>\$ 424,217</u>	<u>\$ 227,285</u>	<u>\$ 662,039</u>	<u>\$ 1,313,541</u>	<u>\$ 179,851</u>	<u>\$ 291,983</u>	<u>\$ 471,834</u>	<u>\$ 1,785,375</u>	<u>\$ 2,345,386</u>

See independent accountant's review report and accompanying notes to financial statements.



## DEGREES OF CHANGE

### STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

Year Ended June 30, 2024 (Audited)

	Program Services				Supporting Services			Total Expenses 2024
	Foyost	Act Six	Seed	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 176,998	\$ 409,518	\$ 568,327	\$ 1,154,843	\$ 244,738	\$ 395,752	\$ 640,490	\$ 1,795,333
Program activities and materials		25,163	23,963	49,126				49,126
Operations	4,800	12,894	19,603	37,297	5,305	7,372	12,677	49,974
Facility		31,997	32,218	64,215	7,999	7,999	15,998	80,213
Equipment and technology	50,056	17,703	15,357	83,116	3,704	12,078	15,782	98,898
Travel		5,945	3,182	9,127	1,155	1,677	2,832	11,959
Meetings and training		2,729	5,118	7,847	3,119	4,137	7,256	15,103
Consulting and contracts	175,703	7,812	39,339	222,854	17,805	4,121	21,926	244,780
<b>TOTAL</b>	<u>\$ 407,557</u>	<u>\$ 513,761</u>	<u>\$ 707,107</u>	<u>\$ 1,628,425</u>	<u>\$ 283,825</u>	<u>\$ 433,136</u>	<u>\$ 716,961</u>	<u>\$ 2,345,386</u>

See independent accountant's review report and accompanying notes to financial statements.

**DEGREES OF CHANGE****STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2025 (Reviewed) and 2024 (Audited)

	<u>2025</u>	<u>2024</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (659,206)	\$ (103,461)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation and amortization	3,933	7,245
Amortization of right-of-use asset	71,613	68,757
Noncash lease expense		(1,127)
(Increase) decrease in assets		
Accounts and grants receivable	14,733	(10,469)
Prepaid expenses	(3,931)	8,681
Increase (decrease) in liabilities		
Accounts payable	(29,636)	31,003
Accrued expenses	(2,562)	(1,507)
Operating lease liability	<u>(76,832)</u>	<u>(67,630)</u>
<b>Net Cash Used by Operating Activities</b>	<u>(681,888)</u>	<u>(68,508)</u>
<b>NET CHANGE IN CASH</b>	(681,888)	(68,508)
<b>Cash at Beginning of Year</b>	<u>973,074</u>	<u>1,041,582</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 291,186</u>	<u>\$ 973,074</u>

See independent accountant's review report and accompanying notes to financial statements.

## **DEGREES OF CHANGE**

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2025 (Reviewed) and 2024 (Audited)

#### **NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Degrees of Change (the "Organization") is a Washington nonprofit corporation. The purpose of the Organization is to develop and provide leadership training, college scholarships and support for college access and success and career development services. The Organization's funding is received under grants with local agencies, from program service fees and donations.

##### ***Basis of Accounting and Basis of Presentation***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this accounting method, revenues are recognized in the year earned, support is recognized in the year in which it is unconditionally promised, and expenses are recorded in the year incurred.

Degrees of Change is required to report information regarding its financial position and activities according to two classes of net assets based on the absence or existence and nature of donor-imposed restrictions as follows:

##### ***Net Assets without Donor Restrictions***

Net assets that are not subject to donor-imposed stipulations.

##### ***Net Assets with Donor Restrictions***

Net assets subject to donor-imposed stipulations that can be fulfilled by actions of Degrees of Change pursuant to those stipulations or that expire by the passage of time and net assets subject to donor-imposed stipulations that are to be maintained in perpetuity by Degrees of Change. The Organization does not have any net assets that a donor has stipulated to be maintained in perpetuity.

##### ***Cash***

For purposes of the statements of cash flows, the Organization considers cash to be cash on hand and in checking and savings accounts.

##### ***Accounts and Grants Receivable and Contributions***

Contributions received are recorded as support with or without donor restrictions depending on the existence or nature of any donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate using the U.S. Treasury rates corresponding to the period in which the contribution is to be received.

## **DEGREES OF CHANGE**

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2025 (Reviewed) and 2024 (Audited)

#### **NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Accounts and Grants Receivable and Contributions (Continued)***

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reported as a transfer to net assets without donor restrictions (restrictions released) in the statement of activities. Contributions of cash or other assets that are restricted to acquire long-lived assets are reported as increases in net assets with donor restrictions until the assets are acquired and placed into service.

Grant revenue and the related receivable are recognized when they are unconditionally promised. Grants received with conditions are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Management considers accounts and grants receivable to be fully collectible; accordingly, no allowance for credit losses is recorded. If an amount becomes uncollectible, it will be charged to operations when that determination is made. All accounts and grants receivable are current at June 30, 2025.

Other earned income and the related receivables are exchange transactions and are recognized when control of the promised goods or services is transferred to the customer, which occurs upon satisfaction of the performance obligations identified in the contract. Contracted amounts are fixed and determinable, and performance obligations are typically fulfilled at a point in time. Management uses the current expected credit loss methodology to estimate an allowance for its exchange-based receivables, considering historical experience, current conditions, and reasonable and supportable forecasts. The Organization has elected the practical expedient to forgo the consideration of forecasts and has also adopted the accounting policy election to consider subsequent collections of receivables when evaluating credit losses. Accordingly, no allowance is recorded for amounts collected prior to the date the financial statements were available to be issued. For the years ended June 30, 2025 and 2024, management determined no credit losses were incurred and did not record an allowance for credit losses.

##### ***Furniture and Equipment***

Furniture and equipment are recorded at cost when purchased or at fair value when donated; the recorded cost is capitalized with depreciation provided over the estimated useful lives (ranging from 3 to 7 years) of the respective assets using the straight-line method when the cost or fair value exceeds \$5,000.

##### ***Income Taxes***

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

## **DEGREES OF CHANGE**

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2025 (Reviewed) and 2024 (Audited)

#### **NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***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 and disclosure of contingent 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.

##### ***Functional Allocation of Expenses***

The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

##### ***Reclassifications***

Certain amounts have been reclassified in the June 30, 2024 financial statements to conform to the June 30, 2025 presentation.

##### ***Adoption of New Accounting Standard***

In July 2025, the Organization early adopted Accounting Standards Update ("ASU") No. 2025-05, Financial Instruments - *Credit Losses* (Topic 326): *Measurement of Credit Losses for Accounts Receivable and Contract Assets* ("ASU 2025-05"), prior to the issuance of its financial statements for the year ended June 30, 2025, as permitted under the transition guidance. ASU 2025-05 introduces a practical expedient and an accounting policy election that simplifies the estimation of current expected credit losses ("CECL") for receivables arising from exchange transactions. Specifically, the Organization elected to consider subsequent collections of receivables when evaluating credit losses, and no allowance was recorded for amounts collected prior to the date the financial statements were available to be issued. The impact of the adoption was not considered material to the financial statements, and it is expected to reduce the complexity of the CECL methodology.

##### ***Subsequent Events***

Management of the Organization evaluated subsequent events and transactions for potential recognition and disclosure through October 15, 2025, the date the financial statements were available to be issued.

#### **NOTE 2 - CONCENTRATION OF CREDIT RISK**

Accounts at the Organization's financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") with basic coverage up to \$250,000 per institution. At June 30, 2025, the Organization's cash balances did not exceed the insured amounts.

## DEGREES OF CHANGE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2025 (Reviewed) and 2024 (Audited)

#### NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30:

	<u>2025</u>	<u>2024</u>
Cash	\$ 291,186	\$ 973,074
Accounts and grants receivable	<u>107,520</u>	<u>122,253</u>
Total Financial Assets	398,706	1,095,327
Less financial assets restricted by donors	<u>(139,847)</u>	<u>(714,245)</u>
Financial Assets Available to Meet General Expenditure Needs	\$ <u>258,859</u>	\$ <u>381,082</u>

#### NOTE 4 - FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following at June 30:

	<u>2025</u>	<u>2024</u>
Furniture and equipment	\$ 16,167	\$ 16,167
Less accumulated depreciation	<u>16,167</u>	<u>16,167</u>
	\$ <u>      </u>	\$ <u>      </u>

Depreciation expense for the year ended June 30, 2024 was \$3,312. The Organization's furniture and equipment became fully depreciated during the year ended June 30, 2024 and accordingly no depreciation was recorded during the year ended June 30, 2025.

#### NOTE 5 - OTHER ASSETS

During the year ended June 30, 2012, the Organization purchased the rights for the Act Six program that it developed over several years from another nonprofit organization, Northwest Leadership Foundation. The costs associated with the program were capitalized and are being amortized using the straight-line method over 15 years.

Amortization expense associated with the Act Six program was \$3,933 for the years ended June 30, 2025 and 2024.

## DEGREES OF CHANGE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2025 (Reviewed) and 2024 (Audited)

#### NOTE 5 - OTHER ASSETS (Continued)

The estimated aggregate amortization expense for subsequent years is as follows:

Year ending June 30, 2026	\$ 3,933
2027	<u>2,951</u>
	\$ <u>6,884</u>

#### NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

The balance in net assets with donor restrictions as of June 30, 2025 and 2024 consisted of foundation grant funds or promises to give that are to be used to operate specific programs. The nature of net assets with donor restrictions is as follows:

	<u>2025</u>	<u>2024</u>
Donor-restricted as to purpose	\$ 119,847	\$ 561,245
Donor-restricted as to time	<u>20,000</u>	<u>153,000</u>
	\$ <u>139,847</u>	\$ <u>714,245</u>

Net assets with donor restrictions include grant funds totaling \$104,847 and \$526,245 at June 30, 2025 and 2024, respectively, that are restricted for the development of the Foyost software. The Foyost software was developed internally by the Organization between 2015 and 2021 as a data tool for institutions of higher learning. In 2023, the Organization sold the Foyost software to another entity, while the Organization retained licensing rights to continue using, selling and enhancing Foyost software within the state of Washington. Following the sale, the Organization continues to pursue opportunities to utilize restricted funds in accordance with donor stipulations.

#### NOTE 7 - LEASES

Operating right-of-use ("ROU") assets represent the Organization's right to use an underlying asset for the lease term and operating lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Organization uses its incremental borrowing 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 option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

## DEGREES OF CHANGE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2025 (Reviewed) and 2024 (Audited)

#### NOTE 7 - LEASES (Continued)

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization leases an office facility under a long-term, non-cancelable operating lease agreement. The lease expires in 2026. The lease provides for increases in future minimum annual rental payments as defined in the agreement. The lease agreements generally require the Organization to pay applicable taxes, insurance and repairs.

The Organization leases a copier under a long-term, non-cancelable operating lease agreement. The lease expires in 2027.

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, the Organization estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the Organization's applicable borrowing rates and the contractual lease term.

	<u>2025</u>	<u>2024</u>
Operating lease cost	\$ 79,079	\$ 77,759
Variable lease cost	<u>4,874</u>	<u>3,871</u>
	<u>\$ 83,953</u>	<u>\$ 81,630</u>

The following table summarizes the supplemental cash flow information for the year ended June 30, 2025:

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ <u>82,859</u>	\$ <u>79,199</u>
Right-of-use assets obtained in exchange for lease liabilities		
Operating leases	\$ <u>      </u>	\$ <u>7,176</u>



## DEGREES OF CHANGE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2025 (Reviewed) and 2024 (Audited)

#### NOTE 7 - LEASES (Continued)

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

	<u>2025</u>	<u>2024</u>
Weighted-average remaining lease term		
Operating leases	1 year	2 years
Weighted-average discount rate		
Operating leases	5.18%	5.17%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of June 30:

	<u>Operating</u>
2026	\$ 85,259
2027	<u>1,319</u>
Total Lease Payments	86,578
Less amounts representing interest	<u>(2,443)</u>
Present Value of Lease Liabilities	84,135
Less current portion of operating lease liability	<u>(82,841)</u>
Long-term Portion of Operating Lease Liability	\$ <u>1,294</u>

#### NOTE 8 - RETIREMENT PLAN

The Organization has a 401(k) retirement plan that allows employees who have met certain eligibility requirements to contribute part of their pay to the plan. The Organization matches employees' contributions based on a percentage of salary contributed by participants. The Organization's contribution expense for the years ended June 30, 2025 and 2024 was \$40,468 and \$53,471, respectively.

## **DEGREES OF CHANGE**

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2025 (Reviewed) and 2024 (Audited)

#### **NOTE 9 - FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facility expenses, which are allocated on a square footage basis, as well as salaries and benefits, program activities and materials, operations, equipment and technology, meetings and training, depreciation and other, which are allocated on the basis of management's estimates of time and effort.