

Financial Statements
December 31, 2025 and 2024
Washburn Center for Children

Independent Auditor’s Report.....	1
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities.....	5
Statements of Functional Expenses.....	7
Statements of Cash Flows.....	9
Notes to Financial Statements.....	10
Independent Auditor’s Report on Supplementary Information.....	33
Supplementary Information	
Schedule of Changes in Endowment Funds and Beneficial Interests in Perpetual Trusts, Year Ended December 31, 2025.....	34



Independent Auditor's Report

The Board of Trustees
Washburn Center for Children
Minneapolis, Minnesota

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Washburn Center for Children (Washburn Center), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Washburn Center as of December 31, 2025 and 2024, 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 Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of Washburn Center 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 these 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 Washburn Center's ability to continue as a going concern for 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 Washburn Center'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 Washburn Center'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.

Eide Sully LLP

Minneapolis, Minnesota
April 22, 2026

Washburn Center for Children
Statements of Financial Position
December 31, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,680,683	\$ 4,218,853
Service fees receivable, net of allowance for credit losses of \$342,154 and \$291,948 in 2025 and 2024, respectively	1,735,656	1,579,921
Service grants and contracts receivable	833,940	991,028
Contributions receivable, net	744,792	558,346
Prepaid expenses and other current assets	131,724	130,749
Total current assets	5,126,795	7,478,897
Property and Equipment, Net	11,891,103	12,537,861
Operating Right of Use Assets	495,143	223,730
Other Assets		
Contributions receivable, less current portion	192,012	350,000
Investment - mineral rights royalty reservation	20,647	20,647
Cash value of life insurance held for retirement obligation	254,133	243,257
Beneficial interest in perpetual trusts	685,776	633,535
Endowment investments	9,666,264	8,811,290
Total noncurrent assets	23,205,078	22,820,320
Total assets	\$ 28,331,873	\$ 30,299,217

Washburn Center for Children
Statements of Financial Position
December 31, 2025 and 2024

	2025	2024
Liabilities and Net Assets		
Current Liabilities		
Accounts payable, accrued expenses and other current liabilities	\$ 1,307,781	\$ 1,386,651
Current portion of operating lease liability	152,823	107,838
Deferred revenue	30,000	38,000
Total current liabilities	1,490,604	1,532,489
Long-Term Liabilities		
Operating lease liability, less current portion	358,253	132,082
Supplemental retirement obligation	21,835	39,865
Total liabilities	1,870,692	1,704,436
Net Assets		
Without donor restrictions		
Undesignated	10,157,721	12,092,706
Designated for property and equipment	4,344,622	5,355,515
Board-designated endowment	435,672	234,530
	14,938,015	17,682,751
With donor restrictions		
Purpose and time restricted	1,613,407	1,695,098
Accumulated investment gains on endowment	3,663,448	3,045,588
Perpetual in nature	6,246,311	6,171,344
	11,523,166	10,912,030
Total net assets	26,461,181	28,594,781
Total liabilities and net assets	\$ 28,331,873	\$ 30,299,217

Washburn Center for Children
Statement of Activities
Year Ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Service fees	\$ 17,293,599	\$ -	\$ 17,293,599
Service grants and contracts	5,126,376	-	5,126,376
Contributions and bequests	1,920,426	1,419,657	3,340,083
Special event income, net	238,343	-	238,343
Training registration fees and other income	111,573	-	111,573
Net investment return	106,610	-	106,610
Net assets released from Board designation for property and equipment	1,010,893	-	1,010,893
Net assets released from Board designation in support of operating activities	108,351	-	108,351
Net assets released from restriction pursuant to endowment spending-rate distribution formula	335,504	(335,504)	-
Net assets released from restrictions	1,498,738	(1,498,738)	-
Total operating revenue and support	<u>27,750,413</u>	<u>(414,585)</u>	<u>27,335,828</u>
Operating Expenses			
Program services	25,387,923	-	25,387,923
Management and general	3,352,595	-	3,352,595
Fundraising	892,640	-	892,640
Total operating expenses	<u>29,633,158</u>	<u>-</u>	<u>29,633,158</u>
Change in Net Assets from Operating Activities	<u>(1,882,745)</u>	<u>(414,585)</u>	<u>(2,297,330)</u>
Non-Operating Activities			
Net investment return	257,253	1,025,721	1,282,974
Net assets released from Board designation for property and equipment	(1,010,893)	-	(1,010,893)
Net assets released from Board designation in support of operating activities	(108,351)	-	(108,351)
Total non-operating activities	<u>(861,991)</u>	<u>1,025,721</u>	<u>163,730</u>
Change in Net Assets	(2,744,736)	611,136	(2,133,600)
Net Assets, Beginning of Year	<u>17,682,751</u>	<u>10,912,030</u>	<u>28,594,781</u>
Net Assets, End of Year	<u>\$ 14,938,015</u>	<u>\$ 11,523,166</u>	<u>\$ 26,461,181</u>

Washburn Center for Children
Statement of Activities
Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Service fees	\$ 16,296,615	\$ -	\$ 16,296,615
Service grants and contracts	5,004,068	-	5,004,068
Contributions and bequests	1,909,235	1,604,986	3,514,221
Special event income, net	112,985	-	112,985
Training registration fees and other income	161,410	-	161,410
Net investment return	145,234	-	145,234
Net assets released from Board designation for property and equipment	1,029,440	-	1,029,440
Net assets released from Board designation in support of operating activities	111,735	-	111,735
Net assets released from restriction pursuant to endowment spending-rate distribution formula	313,263	(313,263)	-
Net assets released from restrictions	598,985	(598,985)	-
Total operating revenue and support	<u>25,682,970</u>	<u>692,738</u>	<u>26,375,708</u>
Operating Expenses			
Program services	23,843,855	-	23,843,855
Management and general	3,025,230	-	3,025,230
Fundraising	732,463	-	732,463
Total operating expenses	<u>27,601,548</u>	<u>-</u>	<u>27,601,548</u>
Change in Net Assets from Operating Activities	<u>(1,918,578)</u>	<u>692,738</u>	<u>(1,225,840)</u>
Non-Operating Activities			
Net investment return	150,571	575,902	726,473
Net assets released from Board designation for property and equipment	(1,029,440)	-	(1,029,440)
Net assets released from Board designation in support of operating activities	(111,735)	-	(111,735)
Total non-operating activities	<u>(990,604)</u>	<u>575,902</u>	<u>(414,702)</u>
Change in Net Assets	(2,909,182)	1,268,640	(1,640,542)
Net Assets, Beginning of Year	<u>20,591,933</u>	<u>9,643,390</u>	<u>30,235,323</u>
Net Assets, End of Year	<u>\$ 17,682,751</u>	<u>\$ 10,912,030</u>	<u>\$ 28,594,781</u>

Washburn Center for Children
Statement of Functional Expenses
Year Ended December 31, 2025

	Program Services							Supporting Services			Cost of Direct Benefit to Donors	Total All Services	
	Outpatient Services	School Based	Day Treatment	SAMHSA	Family Focused	Community Based	Other Programs	Total	Management and General	Fundraising			Total
Salaries and Benefits													
Salaries	\$ 2,656,014	\$ 5,582,647	\$ 1,492,124	\$ 72,516	\$ 2,064,046	\$ 6,078,530	\$ 356,052	\$ 18,301,929	\$ 1,296,407	\$ 571,304	\$ 1,867,711	\$ -	\$ 20,169,640
Benefits	544,623	1,284,199	308,802	20,716	474,249	1,410,100	80,250	4,122,939	367,950	102,020	469,970	-	4,592,909
Total salaries and benefits	3,200,637	6,866,846	1,800,926	93,232	2,538,295	7,488,630	436,302	22,424,868	1,664,357	673,324	2,337,681	-	24,762,549
Expendables													
Consultants	316,181	18,702	10,968	-	5,559	21,087	5,150	377,647	-	43	43	-	377,690
Program supplies	38,109	157,689	24,793	10,113	15,593	39,119	91,810	377,226	96,510	131,157	227,667	-	604,893
Travel and meetings	3,449	22,537	17,626	-	51,046	258,402	2,354	355,414	7,272	805	8,077	-	363,491
Staff development and recruitment	13,077	46,937	13,240	2,399	20,473	42,852	44,975	183,953	159,964	8,470	168,434	-	352,387
Cost of direct benefit to donors	-	-	-	-	-	-	-	-	-	-	-	132,863	132,863
Printing and public relations	7,092	14,821	4,052	-	5,432	18,616	1,871	51,884	37,760	30,311	68,071	-	119,955
Total expendables	377,908	260,686	70,679	12,512	98,103	380,076	146,160	1,346,124	301,506	170,786	472,292	132,863	1,951,279
General Operating													
Office supplies	4,074	7,214	2,083	-	3,200	11,552	1,293	29,416	3,105	603	3,708	-	33,124
Postage	754	1,420	395	-	530	1,710	171	4,980	32	1,513	1,545	-	6,525
Professional fees	71,860	147,089	40,029	-	53,526	168,933	10,361	491,798	332,875	35,635	368,510	-	860,308
Insurance	-	-	-	-	-	-	-	-	123,063	-	123,063	-	123,063
Repairs and equipment	10,924	16,885	4,799	-	3,703	11,321	2,022	49,654	42	331	373	-	50,027
Total general operating	87,612	172,608	47,306	-	60,959	193,516	13,847	575,848	459,117	38,082	497,199	-	1,073,047
Facilities													
Depreciation and amortization	-	-	-	-	-	-	-	-	778,156	-	778,156	-	778,156
Interest and fees	37,277	78,570	22,072	-	31,268	101,335	2,656	273,178	181,213	6,416	187,629	-	460,807
Building maintenance and utilities	71,849	17,308	68,408	-	68,408	51,306	70,616	347,895	12,767	2,128	14,895	-	362,790
Telephone	37,628	54,513	15,271	-	20,394	62,077	5,313	195,196	1,552	1,880	3,432	-	198,628
Occupancy	219,901	695	1,029	-	994	1,052	1,143	224,814	2,921	24	2,945	-	227,759
Total facilities	366,655	151,086	106,780	-	121,064	215,770	79,728	1,041,083	976,609	10,448	987,057	-	2,028,140
Total expenses by function	\$ 4,032,812	\$ 7,451,226	\$ 2,025,691	\$ 105,744	\$ 2,818,421	\$ 8,277,992	\$ 676,037	\$ 25,387,923	\$ 3,401,589	\$ 892,640	\$ 4,294,229	\$ 132,863	\$ 29,815,015
Percent of Total Expense	13.5%	25.0%	6.8%	0.4%	9.5%	27.8%	2.3%	85.2%	11.4%	3.0%	14.4%	0.4%	100%
Total Expenses	\$ 4,032,812	\$ 7,451,226	\$ 2,025,691	\$ 105,744	\$ 2,818,421	\$ 8,277,992	\$ 676,037	\$ 25,387,923	\$ 3,401,589	\$ 892,640	\$ 4,294,229	\$ 132,863	\$ 29,815,015
Less expenses included with revenues and non-operating activities on the statement of activities													
Investment management fees	-	-	-	-	-	-	-	-	(48,994)	-	(48,994)	-	(48,994)
Special events direct expenses	-	-	-	-	-	-	-	-	-	-	-	(132,863)	(132,863)
Total expenses included in the expense section on the statement of activities	\$ 4,032,812	\$ 7,451,226	\$ 2,025,691	\$ 105,744	\$ 2,818,421	\$ 8,277,992	\$ 676,037	\$ 25,387,923	\$ 3,352,595	\$ 892,640	\$ 4,245,235	\$ -	\$ 29,633,158
Percent of Total Expense	13.6%	25.1%	6.8%	0.4%	9.5%	27.9%	2.3%	85.7%	11.3%	3.0%	14.3%	0.0%	100.0%

Washburn Center for Children
Statement of Functional Expenses
Year Ended December 31, 2024

	Program Services							Supporting Services			Cost of Direct Benefit to Donors	Total All Services	
	Outpatient Services	School Based	Day Treatment	SAMHSA	Family Focused	Community Based	Other Programs	Total	Management and General	Fundraising			Total
Salaries and Benefits													
Salaries	\$ 2,437,626	\$ 4,571,374	\$ 1,643,932	\$ 174,277	\$ 1,800,718	\$ 5,639,250	\$ 414,787	\$ 16,681,964	\$ 1,374,411	\$ 385,103	\$ 1,759,514	\$ -	\$ 18,441,478
Benefits	485,265	935,326	338,872	35,409	362,622	1,123,331	75,273	3,356,098	260,496	63,346	323,842	-	3,679,940
Total salaries and benefits	2,922,891	5,506,700	1,982,804	209,686	2,163,340	6,762,581	490,060	20,038,062	1,634,907	448,449	2,083,356	-	22,121,418
Expendables													
Consultants	324,325	34,367	18,616	44,177	6,717	43,129	51,025	522,356	-	-	-	-	522,356
Program supplies	39,685	18,987	37,298	-	25,978	56,100	3,456	181,504	4,502	111,328	115,830	-	297,334
Travel and meetings	3,024	13,360	17,355	-	42,230	238,982	1,996	316,947	3,424	930	4,354	-	321,301
Staff development and recruitment	14,612	25,177	10,876	65	12,703	39,176	105,229	207,838	159,156	9,333	168,489	-	376,327
Cost of direct benefit to donors	-	-	-	-	-	-	-	-	-	-	-	107,152	107,152
Printing and public relations	11,939	6,280	5,058	-	3,275	14,832	11,500	52,884	52,452	22,496	74,948	-	127,832
Total expendables	393,585	98,171	89,203	44,242	90,903	392,219	173,206	1,281,529	219,534	144,087	363,621	107,152	1,752,302
General Operating													
Office supplies	5,920	8,132	4,112	-	3,673	12,077	2,148	36,062	7,965	1,310	9,275	-	45,337
Postage	815	666	545	-	343	1,412	108	3,889	57	801	858	-	4,747
Professional fees	74,433	65,074	51,408	35,619	32,309	134,821	18,909	412,573	719,553	28,455	748,008	-	1,160,581
Insurance	11,597	3,074	41,652	-	12,143	14,386	13,734	96,586	16,060	6,054	22,114	-	118,700
Repairs and equipment	41,665	77,753	28,846	-	27,635	103,638	16,005	295,542	14,892	14,035	28,927	-	324,469
SAMHSA indirect costs	-	-	-	20,124	-	-	-	20,124	-	-	-	-	20,124
Total general operating	134,430	154,699	126,563	55,743	76,103	266,334	50,904	864,776	758,527	50,655	809,182	-	1,673,958
Facilities													
Depreciation and amortization	111,137	29,462	399,161	-	116,370	137,869	131,613	925,612	153,908	58,014	211,922	-	1,137,534
Interest and fees	-	-	-	-	-	-	-	-	253,774	9,793	263,567	-	263,567
Building maintenance and utilities	34,295	9,091	123,173	-	35,909	42,544	40,613	285,625	47,493	17,902	65,395	-	351,020
Telephone	36,240	37,771	29,061	-	19,112	69,521	8,026	199,731	4,026	1,116	5,142	-	204,873
Occupancy	212,223	1,033	1,858	-	844	2,372	30,190	248,520	536	2,447	2,983	-	251,503
Total facilities	393,895	77,357	553,253	-	172,235	252,306	210,442	1,659,488	459,737	89,272	549,009	-	2,208,497
Total expenses by function	\$ 3,844,801	\$ 5,836,927	\$ 2,751,823	\$ 309,671	\$ 2,502,581	\$ 7,673,440	\$ 924,612	\$ 23,843,855	\$ 3,072,705	\$ 732,463	\$ 3,805,168	\$ 107,152	\$ 27,756,175
Percent of Total Expense	13.9%	21.0%	9.9%	1.1%	9.0%	27.6%	3.3%	85.9%	11.1%	2.6%	13.7%	0.4%	100%
Total Expenses	\$ 3,844,801	\$ 5,836,927	\$ 2,751,823	\$ 309,671	\$ 2,502,581	\$ 7,673,440	\$ 924,612	\$ 23,843,855	\$ 3,072,705	\$ 732,463	\$ 3,805,168	\$ 107,152	\$ 27,756,175
Less expenses included with revenues and non-operating activities on the statement of activities													
Investment management fees	-	-	-	-	-	-	-	-	(47,475)	-	(47,475)	-	(47,475)
Special events direct expenses	-	-	-	-	-	-	-	-	-	-	-	(107,152)	(107,152)
Total expenses included in the expense section on the statement of activities	\$ 3,844,801	\$ 5,836,927	\$ 2,751,823	\$ 309,671	\$ 2,502,581	\$ 7,673,440	\$ 924,612	\$ 23,843,855	\$ 3,025,230	\$ 732,463	\$ 3,757,693	\$ -	\$ 27,601,548
Percent of Total Expense	13.9%	21.1%	10.0%	1.1%	9.1%	27.8%	3.3%	86.4%	11.0%	2.7%	13.6%	0.0%	100.0%

Washburn Center for Children
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Operating Activities		
Change in net assets	\$ (2,133,600)	\$ (1,640,542)
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation and amortization	778,156	1,137,534
Credit losses	(25,372)	(50,745)
Endowment net investment return	(1,282,974)	(726,473)
Change in value of perpetual trust	(52,240)	(25,484)
Contributions restricted to sustainability campaign or endowment	(2,610)	(4,330)
Change in cash value of life insurance held	(10,876)	(10,144)
Changes in assets and liabilities		
Service fees receivable	(155,735)	(305,899)
Service grants and contracts receivable	182,460	452,480
Contributions receivable	(28,458)	16,480
Prepaid expenses and other current assets	(975)	64,649
Operating lease assets and liabilities	(257)	(2,264)
Accounts payable, accrued expenses and other liabilities	(96,900)	71,729
Deferred revenue	(8,000)	12,485
Net Cash used for Operating Activities	(2,837,381)	(1,010,524)
Investing Activities		
Purchase of property and equipment	(131,399)	(109,418)
Withdrawals from the endowment	425,390	435,193
Net Cash from Investing Activities	293,991	325,775
Financing Activities		
Collections of contributions restricted to sustainability campaign or endowment	2,610	4,330
Net Change in Cash and Cash Equivalents	(2,538,170)	(676,089)
Cash and Cash Equivalents, Beginning of Year	4,218,853	4,894,942
Cash and Cash Equivalents, End of Year	\$ 1,680,683	\$ 4,218,853

Note 1 - Principal Business Activity and Significant Accounting Policies**Organization****A Commitment to Treatment and Training**

Washburn Center for Children (Washburn Center) is a critical community-based provider of compassionate therapeutic mental health care to children and families, as well as a national training resource for clinical professionals who work with children.

Founded in 1883, families in the community have come to Washburn Center to help children build skills and heal so they can thrive at home, in school and in the community for more than 142 years. Washburn Center's mission is to nurture every child and family's well-being and full potential through transformative children's mental health care.

Washburn Center for Children is a leader in Minnesota's child-centered mental health care. With a diversity of programs to serve across developmental levels and diagnoses, the broad and deep spectrum of outpatient services span a unique continuum of care. Community-based mental health care is for all kids and families who need us, period.

As an agency, Washburn Center is balancing three major factors:

- 1) Expanding high quality therapeutic services to stay on pace with intensified and complex needs. Mental health demands for kids ages birth to 18 have worsened from crisis levels as the community continues to reel from community violence and shifts in government policy and programs.
- 2) Tending to the unique needs of staff who care for trauma-impacted communities and risk the onset of secondary traumatic stress; a priority is taking care of our staff so they develop and grow – sustaining this mission for this generation of children and those to come. In 2025, our therapists met with 5,397 children for 100,071 hours of therapy in family homes, schools, hospitals and community centers. This represents 10% more hours than 2024—reflecting a trend of growth in services provided year-over-year.
- 3) Ensuring financial sustainability that is negatively affected by external risks related to Medicaid and government funding along with the increase in long with the uninsured clients or those unable to clear debts. In 2025, there was a new factor that emerged with a downstream effect where community partners experienced funding cuts that affected Washburn revenue flow.

In 2025, 27% of the children we served relied on more than one Washburn Center service, a slight increase over 2024. With our full continuum of care, Washburn Center serves children ages birth to 18, with 47% between ages 6 to 11, who live in the Twin Cities and surrounding counties, and 63% of families served qualify for some form of financial support, including Medicaid support.

Early Childhood programs support children and caregivers from daycare, preschool and early education settings. Washburn's program is one of the few remaining in the Twin Cities to offer consultation and collaboration with teachers and guardians to identify and address social, emotional, behavioral and/or developmental concerns. Kids join our staff onsite in classrooms for part of their school day and return to community schools to learn how to transition skills to day-to-day settings. Family therapy augments direct services in classrooms to support caregivers. Training to daycare providers and teachers is available on request. This program served 411 children in 2025 and 397 children in 2024, from birth to kindergarten.

Children and their families are served in three office locations – Brooklyn Park, Edina, and Minneapolis – as well as in-home, in more than 60 partner schools, in more than 20 hospitals and clinics, and in our communities. Washburn Center has more than 100 community-based therapists driving into neighborhoods, sitting in homes, and meeting families where they are.

In September 2025, Washburn Center established an acute trauma response model to support Annunciation Catholic school community in the recovery after an August 27 mass violence incident. That model spanned triage care for school staff, administration, students, and families and then moved into a phased approach tailored to the extreme trauma event and hope to influence healthier long-term outcomes compared to other school shooting events at the national level.

Additionally, the agency trains about 50 undergraduate, graduate, and post-graduate students annually.

Impact in the Community

A research report released in 2015 by the Center for Advanced Studies in Child Welfare (CASCW) at the University of Minnesota shows that Washburn Center “has a significant impact on the well-being of children in Minnesota.” CASCW’s researchers found that children “benefit greatly from services received at Washburn Center” and their social, emotional, and behavioral functioning improved in clinically meaningful ways over the course of treatment. Children’s improvements were better than expected after receiving mental health services at Washburn Center, compared to typical progress reported for similar services.

Washburn Center’s Services

Washburn Center’s services meets families where they are—psychologically, economically, and geographically. Access to care is provided through a wide array of services.

Community-based

- Crisis stabilization and intensive in-home services provide therapeutic care for children with urgent mental health needs. The agency is the sole contracting provider for children’s mental health crisis intervention and intensive in-home services with commercial insurance companies in the Twin Cities. Washburn Center is the largest provider of children’s mental health case management services in Hennepin County.
- Outreach services provide access to early childhood mental health intervention through preschools and daycare centers. Consultation and training for daycare and preschool providers in best practices in children’s mental health care also is provided.

- Washburn Acute Response Model (WARM) provides acute crisis response services to children and their families who are being served through emergency providers in Allina, MHealth-Fairview, and Children's Minnesota hospital and clinics. Washburn Center therapists receive referrals from hospital staff to provide families with up to five sessions in their home upon discharge.

School-based

- School-based therapy is available in 60 schools in the metro area, making Washburn Center one of the largest providers of school-based mental health services in the state. Clinicians are onsite, providing direct therapeutic care for students, and consultations for teachers and principals. Care coordination with the child's parents or other caregivers ensures comprehensive support.

Center-based

- Intensive day treatment classrooms are a safety net for children age four to second grade who are often at risk of expulsion from school.
- Family focused classrooms provide early childhood mental health intervention for pre-K children with more intensive needs. Families also are engaged in Child-Parent Psychotherapy, a therapeutic model that is designed for children ages zero to five who have experienced trauma.
- Outpatient individual and family therapy is available at three clinic locations: Brooklyn Park, Edina, and Minneapolis.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature or for other long-term purposes are excluded from this definition.

Service Fees Receivable and Allowance for Credit Losses

Service fees receivables are uncollateralized, noninterest-bearing patient and third-party payor obligations. Payments of patient receivables are allocated to the specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

Patient accounts receivable are reduced by a valuation allowance that reflects management's best estimate of the amounts that are deemed probable to not be collected. Allowance for credit losses is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Service fee receivables are written off when deemed uncollectable.

Service fee receivables are reported as accounts receivable, net in the accompanying statements of financial position.

Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for receivables held at December 31, 2025 and 2024, because the composition of the trade receivables at those dates is consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its clients and payors and its lending practices have not changed significantly over time). Washburn Center has tracked historical loss information for its accounts receivable and compiled historical credit loss percentages for different aging categories. Accounts receivable over 120 days are analyzed by payor type and are fully reserved for. Accounts receivable under 120 days are accounted for at various percentages based on payor type. Additionally, management has determined that the current, reasonable, and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. Accordingly, the allowance for credit losses at December 31, 2025 and 2024, totaled \$342,154 and \$291,948, respectively.

Changes in the allowance for credit losses for receivables are as follows for the years ended December 31, 2025 and 2024:

	2025	2024
Beginning balance of the allowance for credit losses	\$ 291,948	\$ 229,087
Provision for expected credit losses	276,005	316,646
Charge-offs	(250,633)	(265,901)
Recoveries of amounts previously written off	24,834	12,116
Ending balance in the allowance for credit losses	<u>\$ 342,154</u>	<u>\$ 291,948</u>

Service Grants and Contracts Receivable

Service grants and contracts receivable consist primarily of noninterest-bearing amounts due for grants and contracts, related primarily to providing school-based therapy services. Management determines the allowance for uncollectable service grants and contracts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts are written off when deemed uncollectable. At December 31, 2025 and 2024, all service grants and contracts receivables were deemed to be fully collectable and no allowance was considered necessary. There were no write offs or recoveries for the years ended December 31, 2025 and 2024.

Contributions Receivable

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give 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 discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2025 and 2024, all contributions receivable were deemed to be fully collectible.

Property and Equipment

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Assets purchased together as a working unit will be combined for determining whether they meet the \$1,000 capitalization limit. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Washburn Center reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There was no asset impairment recorded during the years ended December 31, 2025 and 2024.

Right of Use Leased Assets and Liabilities

Right of use leased assets and the related liabilities are recognized at the lease commencement date and represent Washburn Center's right to use an underlying asset and lease obligations for the lease term. Right of use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right of use leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset using the straight-line method. The amortization period varies among the leases.

Investments and Investment Income

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Cash Value of Life Insurance

Washburn Center holds life insurance policies to provide for its obligation under deferred compensation arrangements with a retired key executive. The cash surrender value of the policies represents the amount Washburn Center would receive, net of any outstanding policy loans, should it choose to surrender the policies.

Beneficial Interests in Perpetual Trusts

Washburn Center has been named as an irrevocable beneficiary of several perpetual trusts held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to Washburn Center; however, Washburn Center will never receive the assets of the trusts. At the date Washburn Center receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statements of activities and a beneficial interest in perpetual trust is recorded in the statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

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. The governing Board has designated, from net assets without donor restrictions, net assets for property and equipment related to capital campaign donations received and Board-designated endowment.

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. Washburn Center reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Washburn Center reports conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period.

Revenue and Revenue Recognition

Service fee revenue is reported at the amount that reflects the consideration to which Washburn Center expects to be entitled in exchange for providing patient care (various mental health therapeutic services). These amounts are due from patients, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, Washburn Center bills the patients and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Washburn Center. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Washburn Center believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving skilled therapy services. Washburn Center measures the performance obligation (associated with therapy services) from intake of the patient to the point when it is no longer required to provide services to that patient.

Washburn Center determines the transaction price based on pre-determined charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with Washburn Center's policy, and/or implicit price concessions provided to uninsured patients. Washburn Center determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. Washburn Center determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

The nature, amount, timing, and uncertainty of revenue and cash flows are affected by several factors that Washburn Center considers in its recognition of revenue. Following are some of the factors considered:

- Payors (for example, counties, managed care or other insurance, patient, or client) have different reimbursement/payment methodologies.
- Length of a patient's service/episode of care.
- Nature or line of service provided by Washburn Center.

Service fees and payments under cost-reimbursable contracts and under service grants and contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Washburn Center's service fees receivable, service grants and contracts receivable, and deferred revenues as of January 1, 2024, were \$1,274,022, \$1,392,763, and \$25,515, respectively.

Washburn Center recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. Washburn Center records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

A portion of the Washburn Center's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Washburn Center has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. Washburn Center received cost-reimbursable grants as of December 31, 2025 and 2024, of \$4,478,000 and \$5,953,000, respectively, that have not been recognized at or for the year ended December 31, 2025 and 2024, because qualifying expenditures have not yet been incurred. No amounts have been received in advance under Washburn Center's federal and state contracts and grants.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to Washburn Center's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Washburn Center records donated professional services at the respective fair values of the services received.

Advertising Costs

Advertising costs are expensed as incurred and approximated \$66,000 and \$63,000 during the years ended December 31, 2025 and 2024, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. 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 those classified as facilities expenses on the statement of functional expenses (depreciation and amortization, building maintenance and utilities, telephone, and occupancy), which are allocated on a square footage basis, as well as salaries and benefits, expendables, and general operating expenses, which are allocated on the basis of estimates of time and effort or actual expenses.

Non-Operating Activity

Non-operating activity includes income and losses from Washburn Center's investing activities, and gains and losses on property and equipment. Cash flows related to non-operating activities are classified in the statement of cash flows in a manner consistent with the underlying transaction.

During the years ended December 31, 2025 and 2024, Washburn Center approved the use of Board-designated endowment funds to cover certain operating expenses incurred during 2025 and 2024. In order to reflect this use of endowment funds, a transfer between non-operating activities and operating activities totaling \$108,351 and \$111,375 was recorded on the statements of activities for the years ended December 31, 2025 and 2024, respectively, under the description net assets released from Board designation in support of operating activities.

During the years ended December 31, 2025 and 2024, Washburn Center approved the use of capital campaign funds designated to cover depreciation expense. In order to reflect this use of these designated funds, a transfer between non-operating activities and operating activities totaling \$1,010,892 and \$1,029,440 was recorded on the statements of activities for the years ended December 31, 2025 and 2024, respectively, under the description net assets released from Board designation for property and equipment.

Income Taxes

Washburn Center is organized as a Minnesota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). Washburn Center is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS.

In addition, Washburn Center is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Washburn Center has determined they are not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Washburn Center believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. They would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates, and those differences could be material.

Concentrations of Credit Risk

Service fee receivables from the State of Minnesota and Hennepin County represented 42% for 2025 and 36% for 2024 of total service fee receivables. Grant, contract, and service fee revenues from the State of Minnesota and Hennepin County represented 64% for 2025 and 62% for 2024 of total grant, contract, and service fee revenues.

As of December 31, 2025 and 2024, approximately 83% and 94%, respectively, of Washburn Center's contributions receivable were due from three contributors in 2025 and one contributor in 2024. For the years ended December 31, 2025 and 2024, approximately 14% and 37%, respectively, of Washburn Center's contribution revenue came from one contributor in 2025 and 2024.

Deposit concentration risk is managed by placing cash and money market accounts with financial institutions believed by Washburn Center to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Washburn Center maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2025 and 2024, Washburn Center had \$1,459,002 and \$4,113,081, respectively, in excess of FDIC-insured limits. Investments are made by diversified investment managers whose performance is monitored by Washburn Center and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, Washburn Center and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of Washburn Center.

Subsequent Events

Washburn Center has evaluated subsequent events through April 22, 2026, the date on which the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restriction limiting their use, within one year of the statement of financial position date are presented in the table below as of December 31, 2025 and 2024:

	2025	2024
Cash and cash equivalents - operating	\$ 1,680,683	\$ 4,218,853
Service fees receivable	1,735,656	1,579,921
Service grants and contracts receivable	833,940	991,028
Contributions receivable, net	168,150	17,700
	<u>\$ 4,418,429</u>	<u>\$ 6,807,502</u>

Washburn Center received significant contributions and promises to give which are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. Any contributions and promises to give restricted for a specific purpose outside of Washburn Center's general expenditures is not included, and not available to meet cash needs for general expenditures. Washburn Center manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Washburn Center does have access to a line of credit to cover general expenditures during the year (see Note 7).

Washburn Center has a Board-designated endowment that is subject to an annual spending rate of 5% as described in Note 8 and totaled \$435,672 and \$234,530 at December 31, 2025 and 2024, respectively. Although Washburn Center does not intend to spend from this Board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

Note 3 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets that Washburn Center can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.
- Level 3 – Unobservable inputs for the asset. In these situations, Washburn Center develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to Washburn Center's assessment of the quality, risk, or liquidity profile of the asset.

A significant portion of Washburn Center's investment assets are classified within Level 1 because they are comprised of exchange-traded funds and open-end mutual funds with readily determinable fair values based on daily closing prices and redemption values, respectively. The cash surrender value of life insurance is computed by the life insurance company issuer of the policy, which is considered to approximate its fair value. This is considered to be a Level 2 measurement. The fair value of oil and gas mineral interests has been determined by management based on estimates of future production and pricing using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets. The fair values of beneficial interests in perpetual trusts are based on the fair values of trust investments as reported by the trustees. These are considered to be Level 3 measurements.

The accounting department determines the fair value measurement policies and procedures for assets measured using Level 3 inputs, subject to oversight by the chief executive officer. Those policies and procedures are reassessed, at least annually, to determine if the current valuation techniques are appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at December 31, 2025:

December 31, 2025	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash and money market funds - at cost	\$ 125,969	\$ -	\$ -	\$ -
Exchange traded funds	5,309,073	5,309,073	-	-
Mutual funds	4,231,222	4,231,222	-	-
Total investments	<u>\$ 9,666,264</u>	<u>\$ 9,540,295</u>	<u>\$ -</u>	<u>\$ -</u>
Investments - mineral rights	<u>\$ 20,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,647</u>
Cash value of life insurance	<u>\$ 254,133</u>	<u>\$ -</u>	<u>\$ 254,133</u>	<u>\$ -</u>
Interests in perpetual trusts	<u>\$ 685,776</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 685,776</u>

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at December 31, 2024:

December 31, 2024	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash and money market funds - at cost	\$ 162,248	\$ -	\$ -	\$ -
Exchange traded funds	5,143,442	5,143,442	-	-
Mutual funds	3,505,600	3,505,600	-	-
Total investments	<u>\$ 8,811,290</u>	<u>\$ 8,649,042</u>	<u>\$ -</u>	<u>\$ -</u>
Investments - mineral rights	<u>\$ 20,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,647</u>
Cash value of life insurance	<u>\$ 243,257</u>	<u>\$ -</u>	<u>\$ 243,257</u>	<u>\$ -</u>
Interests in perpetual trusts	<u>\$ 633,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 633,535</u>

During the years ended December 31, 2025 and 2024, there were no amounts transferred in or out of Level 3 of the fair value hierarchy.

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2025:

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)	
	Beneficial Interests	Perpetual Trusts
Balance at December 31, 2024		\$ 633,535
Investment return, net		52,241
Balance at December 31, 2025		<u>\$ 685,776</u>

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2024:

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)	
	Beneficial Interests	
		Perpetual Trusts
Balance at December 31, 2023		\$ 608,052
Investment return, net		25,483
Balance at December 31, 2024		<u>\$ 633,535</u>

Note 4 - Net Investment Return

Net investment return, and gains and losses on investments, interests in perpetual trusts, and cash equivalents consist of the following for the years ended December 31, 2025 and 2024:

	2025	2024
Interest and dividend income	341,778	\$ 397,839
Investment management fees	(48,994)	(47,475)
Net realized and unrealized gains and losses	1,043,268	494,319
Mineral rights royalty reservation income	1,292	1,540
Change in value of perpetual trusts	52,240	25,484
	<u>\$ 1,389,584</u>	<u>\$ 871,707</u>
Classification in the statements of activities		
Operating - net investment return	\$ 106,610	\$ 145,234
Non-operating - net investment return	1,282,974	726,473
	<u>\$ 1,389,584</u>	<u>\$ 871,707</u>

Note 5 - Contributions Receivable

Contributions receivable at December 31, 2025 and 2024, consist of the following:

	2025	2024
Due in less than one year	\$ 744,792	\$ 558,346
Due in one to five years	192,012	350,000
	<u>\$ 936,804</u>	<u>\$ 908,346</u>

Note 6 - Property and Equipment

A summary of property and equipment at December 31, 2025 and 2024, follows:

	2025		2024	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 1,969,623	\$ -	\$ 1,969,623	\$ -
Buildings and building improvements	19,124,045	(9,585,244)	19,124,045	(9,008,399)
Equipment and furniture	3,116,128	(2,733,449)	2,984,731	(2,532,139)
	\$ 24,209,796	(12,318,693)	\$ 24,078,399	(11,540,538)
Net property and equipment		\$ 11,891,103		\$ 12,537,861

Note 7 - Line of Credit

Effective December 2025, Washburn Center entered into a commercial revolving line of credit with a maximum amount available of \$1,800,000 and a variable interest rate equal to the Wall Street Journal prime rate, minus 0.25%. This line of credit is secured by investments and matures in January 2027. As of December 31, 2025 and 2024, Washburn Center had \$0 outstanding that was drawn on the line of credit.

Note 8 - Endowments

In order to meet the needs of children in the community in perpetuity, it is essential to secure the long-term financial viability of Washburn Center. To accomplish this mission, Washburn Center maintains 11 donor permanently restricted and Board-designated endowments. Washburn Center accepts endowment funds that will serve to support and enhance its mission, and abides by any restrictions attached to such endowment funds. Endowment net assets consist of funds established to support various programs within Washburn Center. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Washburn Center has interpreted Minnesota’s adoption of the Uniform Prudent Management of Institutional Funds Act (the UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent any explicit donor stipulations to the contrary. As a result of this interpretation, Washburn Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Washburn Center in a manner consistent with the standard of prudence prescribed by the UPMIFA.

Washburn Center for Children

Notes to Financial Statements

December 31, 2025 and 2024

In accordance with the UPMIFA, Washburn Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of Washburn Center and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and appreciation of investments;
6. Other resources of Washburn Center; and
7. The investment policies of Washburn Center.

At December 31, 2025 and 2024, Washburn Center had the following endowment net asset composition by type of fund:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2025			
Board-designated endowment	\$ 435,672	\$ -	\$ 435,672
Donor-restricted endowment			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	5,560,536	5,560,536
Accumulated investment gains	-	3,663,448	3,663,448
	\$ 435,672	\$ 9,223,984	\$ 9,659,656
December 31, 2024			
Board-designated endowment	\$ 234,530	\$ -	\$ 234,530
Donor-restricted endowment			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	5,537,809	5,537,809
Accumulated investment gains	-	3,045,588	3,045,588
	\$ 234,530	\$ 8,583,397	\$ 8,817,927

Washburn Center for Children

Notes to Financial Statements

December 31, 2025 and 2024

Endowment net assets at December 31, 2025 and 2024, include endowment investments and amounts for internal borrowing arrangements.

Changes in endowment net assets for the year ending December 31, 2025, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2024	\$ 234,530	\$ 8,583,397	\$ 8,817,927
Contributions	-	2,610	2,610
Investment return			
Investment income	69,883	219,811	289,694
Investment expenses	(11,818)	(37,176)	(48,994)
Change in unrealized gains and losses	251,428	790,846	1,042,274
Net investment return	309,493	973,481	1,282,974
Distributions			
Appropriation of endowment assets for expenditure	-	(335,504)	(335,504)
Transfer to operations	(108,351)	-	(108,351)
Endowment net assets, December 31, 2025	\$ 435,672	\$ 9,223,984	\$ 9,659,656

Changes in endowment net assets for the year ending December 31, 2024, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2023	\$ 170,211	\$ 8,341,911	\$ 8,512,122
Contributions	-	4,330	4,330
Investment return			
Investment income	64,862	202,785	267,647
Investment expenses	(8,600)	(26,887)	(35,487)
Change in unrealized gains and losses	119,792	374,521	494,313
Net investment return	176,054	550,419	726,473
Distributions			
Appropriation of endowment assets for expenditure	-	(313,263)	(313,263)
Transfer to operations	(111,735)	-	(111,735)
Endowment net assets, December 31, 2024	\$ 234,530	\$ 8,583,397	\$ 8,817,927

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the UPMIFA requires Washburn Center to retain as a fund of perpetual duration. The Board of Trustees of Washburn Center have interpreted the UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2025, donor-restricted endowment funds with original gift values of \$211,557, fair values of \$186,284 and deficiencies of \$25,273 were reported in net assets with donor restrictions. At December 31, 2024, donor-restricted endowment funds with original gift values of \$191,440, fair values of \$170,192, and deficiencies of \$21,248 were reported in net assets with donor restrictions.

Return Objectives and Risk Parameters

Washburn Center has adopted investment and spending policies for endowment assets that emphasize the preservation of endowment assets in perpetuity while providing draw-making to support the intended programs as specified by the donors. In order to meet its spending needs, the investment strategy for Washburn Center's endowment assets is to emphasize total return; that is, the aggregate return from capital appreciation, dividends, and interest income. Specifically, the primary objectives in the investment management for endowment assets shall be:

Long-term growth of capital – To emphasize long-term growth of principal. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index.

Preservation of capital – To minimize the probability of loss of principal over the investment horizon.

Preservation of purchasing power – To achieve returns equal to, or in excess of, the rate of inflation, plus spending and fees over the investment horizon in order to preserve purchasing power of the endowment assets.

The Board of Trustees has approved an investment policy that has a moderately aggressive risk tolerance to achieve the intended results. In accordance with this risk tolerance, the general investment principles are as follows:

1. Investments shall be made solely in the interest of the beneficiaries of the endowment assets.
2. Endowment assets shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent individual acting in like capacity and familiar with such matters would use in the investment of endowment assets of like character and with like aims.
3. Investment of the endowment assets shall be so diversified as to minimize the risk of permanent losses.

Strategies Employed for Achieving Objectives

According to Washburn Center's investment policy, the endowment assets are required to be diversified based on the following asset allocation guidelines:

	<u>Lower Limit</u>	<u>Upper Limit</u>
Cash and equivalents	1%	10%
Domestic equities	25%	50%
International equities	10%	22%
Emerging market equities	4%	10%
Fixed income	20%	50%
Alternative investments	0%	10%

The established guidelines are based on the overall asset composition of the endowment assets. In the event that the above aggregate asset allocation guidelines are violated, for reasons including, but not limited to, market price fluctuations, the investments will be reviewed quarterly with the goal of rebalancing.

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a spending need, estimated expected net cash flow is established periodically to allow sufficient time to build up necessary liquid reserves.

Investment performance will be reviewed at least quarterly with established performance benchmarks for the overall endowment assets, as well as for each investment category, to monitor performance based on return objectives and risk parameters.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Washburn Center has adopted a flexible spending policy which allows management to withdraw up to 5% of the five-year average market value of the endowment assets. Distributions from endowment assets will be made as needed.

The actual amounts appropriated from the endowments were \$443,855 and \$424,998 for the years ended December 31, 2025 and 2024, respectively.

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specified purpose		
School based	\$ 538,440	\$ 902,500
Pathways program	169,934	177,237
Family focus programs	6,000	56,000
Other	22,782	29,361
Promises to give, the proceeds from which have been restricted by donors for		
School based	350,000	500,000
Pathways program	275,000	-
	<u>1,362,156</u>	<u>1,665,098</u>
Subject to the passage of time		
General use	101,250	30,000
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	<u>150,000</u>	<u>-</u>
Total subject to purpose and time restrictions	<u>1,613,406</u>	<u>1,695,098</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
General use	3,530,930	2,947,077
Klibanoff - employee education	132,518	98,511
	<u>3,663,448</u>	<u>3,045,588</u>
Perpetual in nature - future income subject to Washburn Center's spending policy and appropriation		
General use	5,313,735	5,293,618
Klibanoff - employee education	246,801	244,191
	<u>5,560,536</u>	<u>5,537,809</u>
Total endowments	<u>9,223,984</u>	<u>8,583,397</u>
Perpetual in nature - beneficial interests in perpetual trusts not subject to spending policy or appropriation	<u>685,776</u>	<u>633,535</u>
Total net assets perpetual in nature	<u>6,246,312</u>	<u>6,171,344</u>
	<u>\$ 11,523,166</u>	<u>\$ 10,912,030</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Net assets released from restriction - operating		
Expiration of time restrictions	\$ 63,750	\$ 75,000
Satisfaction of purpose restrictions		
School based	764,059	-
Pathways program	282,303	434,690
Family focus programs	112,000	31,000
Other	276,626	58,295
	<u>\$ 1,498,738</u>	<u>\$ 598,985</u>
Spending-rate distributions and appropriations		
Restricted endowment distributions and appropriations	<u>\$ 335,504</u>	<u>\$ 313,263</u>

As of December 31, 2025 and 2024, \$4,344,622 and \$5,355,515, respectively, were board designated for property and equipment.

Note 10 - Deferred Revenue

The following table provides information about significant changes in deferred revenue for the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Deferred revenue, beginning of year	\$ 38,000	\$ 25,515
Cash receipts	35,858	337,394
Revenue recognized due to satisfaction of performance obligations	<u>(43,858)</u>	<u>(324,909)</u>
Deferred revenue, end of year	<u>\$ 30,000</u>	<u>\$ 38,000</u>

Note 11 - 403(b) Plan

Washburn Center has an annuity plan which covers certain employees satisfying eligibility requirements of a qualified plan under Section 403(b) of the Internal Revenue Code. Contributions can be made by employees under a salary reduction agreement and by Washburn Center at the discretion of its Board of Trustees. Contributions are limited to amounts allowable under the provisions of the Internal Revenue Code. Washburn Center contributed \$477,152 and \$450,769 to the 403(b) plan during 2025 and 2024, respectively.

Note 12 - Self-Insured Workers' Compensation Fund

Washburn Center is a member of a nonprofit employers workers' compensation fund (the Fund), which maintains a pooled self-insured workers' compensation program. Washburn Center pays monthly premiums to the Fund, which is intended to cover all losses and operating expenses, net of investment income. Additional premiums may be assessed or refunded based on Washburn Center's actual loss experience and payroll. As of December 31, 2025, no significant additional premium assessments are anticipated. Stop-loss insurance has been obtained for annual aggregate claims in excess of \$360,000 for the Fund.

Note 13 - Leases

Washburn Center leases office facilities and equipment under various operating leases.

The leases expire at various dates through 2030. Washburn Center included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The leases provided for increases in future minimum annual rental payments based on defined increases in the lease agreements. Also, the lease agreements generally require Washburn Center to pay real estate taxes, insurance and repairs.

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, Washburn Center estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using Washburn Center's applicable borrowing rates and the contractual lease term.

Washburn Center has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

Total lease costs for the years ended December 31, 2025 and 2024, were as follows:

	<u>2025</u>	<u>2024</u>
Operating lease cost	\$ 144,400	\$ 140,951

The following table summarized the supplemental cash flow information for the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 131,232	\$ 143,214

The following summarizes the weighted-average remaining lease term and weighted-average discount rate at December 31, 2025 and 2024:

	2025	2024
Weighted-average remaining lease term		
Operating leases	4.38 Years	3.23 Years
Weighted-average discount rate		
Operating leases	5.50%	5.50%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31, 2025:

Years Ended December 31,	Amount
2026	\$ 152,823
2027	150,238
2028	100,863
2029	88,417
2030	90,550
Total lease payments	582,891
Less interest	(71,815)
Present value of lease liabilities	\$ 511,076

Note 14 - Supplemental Retirement Obligation

Washburn Center has a supplemental retirement agreement with a retired key employee as part of the employee's compensation package. Washburn Center has purchased a cash value life insurance policy to provide a funding stream for this agreement. The cash value of the insurance policy at the time of retirement will be paid out over a 10-year period. The cash value of the insurance policy at December 31, 2025 and 2024, was \$254,133 and \$243,257, respectively. The life insurance policy cash value and related obligation have been recognized as an asset and as a liability on the statements of financial position. The key employee retired in early 2017 and the first of ten years of payments began in 2017.

Note 15 - Related Party Transactions

Washburn Center receives contributions from Board members and other related parties. Contributions received from Board members, staff, and other related parties were \$61,437 and \$81,893 in the years ended December 31, 2025 and 2024, respectively.

Supplementary Information
December 31, 2025

Washburn Center for Children



Independent Auditor's Report on Supplementary Information

The Board of Trustees
Washburn Center for Children
Minneapolis, Minnesota

We have audited the financial statements of Washburn Center for Children as of and for the years ended December 31, 2025 and 2024, and have issued our report thereon dated April 22, 2026, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole.

The supplementary information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Eide Bailly LLP

Minneapolis, Minnesota
April 22, 2026

Washburn Center for Children
Schedule of Changes in Endowment Funds and Beneficial Interests in Perpetual Trusts
Year Ended December 31, 2025

	Washburn	Holmes	Haynes	Centennial	Other	Opperman	Century	New Generation	Klibanoff	Board-Designated	Lepinski	Beneficial Interest in Perpetual Trusts	Total
With Donor Restrictions													
Perpetual in Nature													
Balance, December 31, 2024	\$ 1,706,274	\$ 300,000	\$ 191,440	\$ 810,063	\$ 155,000	\$ 1,000,000	\$ -	\$ 1,000,000	\$ 244,191	\$ -	\$ 130,841	\$ 633,535	\$ 6,171,344
Unrealized gains	-	-	20,117	-	-	-	-	-	-	-	-	-	20,117
Contributions	-	-	-	-	-	-	-	-	2,610	-	-	-	2,610
Change in value of beneficial interest in perpetual trusts	-	-	-	-	-	-	-	-	-	-	-	52,240	52,240
Balance, December 31, 2025	<u>1,706,274</u>	<u>300,000</u>	<u>211,557</u>	<u>810,063</u>	<u>155,000</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>246,801</u>	<u>-</u>	<u>130,841</u>	<u>685,775</u>	<u>6,246,311</u>
With Donor Restrictions													
Accumulated Investment Gains													
Balance, December 31, 2024	2,192,147	635,579	(21,248)	-	-	81,638	-	-	98,511	-	58,961	-	3,045,588
Unrealized gains	467,694	112,244	-	-	-	127,849	-	-	40,507	-	22,435	-	770,729
Investment income	129,994	31,198	5,591	-	-	35,535	-	-	11,259	-	6,234	-	219,811
Investment expenses	(21,985)	(5,276)	(946)	-	-	(6,010)	-	-	(1,904)	-	(1,055)	-	(37,176)
Appropriation of endowment net assets for expenditure	(206,353)	(49,530)	(8,670)	-	-	(55,096)	-	-	(15,855)	-	-	-	(335,504)
Balance, December 31, 2025	<u>2,561,497</u>	<u>724,215</u>	<u>(25,273)</u>	<u>-</u>	<u>-</u>	<u>183,916</u>	<u>-</u>	<u>-</u>	<u>132,518</u>	<u>-</u>	<u>86,575</u>	<u>-</u>	<u>3,663,448</u>
Without Donor Restrictions													
Balance, December 31, 2024	58,403	14,039	-	(77,484)	15,336	-	2,487	186,260	-	35,489	-	-	234,530
Unrealized gains	-	-	-	86,590	20,134	-	294	140,215	-	4,195	-	-	251,428
Investment income	-	-	-	24,067	5,596	-	82	38,972	-	1,166	-	-	69,883
Investment expenses	-	-	-	(4,070)	(946)	-	(14)	(6,591)	-	(197)	-	-	(11,818)
Transfer to operations	-	-	-	(37,316)	(8,676)	-	(127)	(60,425)	-	(1,807)	-	-	(108,351)
Balance, December 31, 2025	<u>58,403</u>	<u>14,039</u>	<u>-</u>	<u>(8,213)</u>	<u>31,444</u>	<u>-</u>	<u>2,722</u>	<u>298,431</u>	<u>-</u>	<u>38,846</u>	<u>-</u>	<u>-</u>	<u>435,672</u>
Total Endowment Funds and Beneficial Interests in Perpetual Trusts	<u>\$ 4,326,174</u>	<u>\$ 1,038,254</u>	<u>\$ 186,284</u>	<u>\$ 801,850</u>	<u>\$ 186,444</u>	<u>\$ 1,183,916</u>	<u>\$ 2,722</u>	<u>\$ 1,298,431</u>	<u>\$ 379,319</u>	<u>\$ 38,846</u>	<u>\$ 217,416</u>	<u>\$ 685,775</u>	<u>\$ 10,345,431</u>