WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Financial Statements

For the Year Ended December 31, 2015

Table of Contents

Independent Auditor's Report

Board of Directors
Wellspring Family Services and Subsidiary
Seattle, Washington

REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Wellspring Family Services and Subsidiary (collectively, Wellspring), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

CN

T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1700
Bellevue WA
98004

clarknuber.com

Clark Nuber PS

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wellspring as of December 31, 2015, and the changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

REPORT ON SUMMARIZED COMPARATIVE INFORMATION

We have previously audited Wellspring's 2014 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated April 16, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Clark Nuber PS

Certified Public Accountants
April 27, 2016

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Statement of Financial Position
December 31, 2015
(With Comparative Totals for 2014)

	2015	2014
Assets		
Current Assets:		
Cash and cash equivalents	$ 632,132	$ 1,678,110
Accounts receivable, net of allowance for doubtful accounts of $32,056 ($19,024 - 2014)	1,591,088	1,193,124
Current portion of pledges receivable, net	315,696	186,638
Current portion of capital campaign pledges receivable, net	7,947	7,331
Donated inventory	95,038	89,400
Prepaid expenses and other current assets	73,362	66,905
Total Current Assets	**2,715,263**	**3,221,508**
Property and equipment, net	13,684,481	14,129,209
Other Assets:		
Pledges receivable, net, less current portion	14,286	166,130
Capital campaign pledges receivable, net, less current portion	4,499	12,227
Deferred loan fees, net of accumulated amortization of $2,101	84,053	
Beneficial interest in assets held by The Seattle Foundation		72,834
Total Assets	**$ 16,502,582**	**$ 17,601,908**
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	$ 894,486	$ 770,746
Line of credit	386,500	
Deferred revenue	77,442	153,388
Current portion of capital lease obligations	56,134	30,800
Current portion of notes payable	152,235	5,495,032
Total Current Liabilities	**1,566,797**	**6,449,966**
Accrued interest payable		13,931
Capital lease obligations, less current portion	73,912	54,330
Notes payable, less current portion	5,208,756	
Total Liabilities	**6,849,465**	**6,518,227**
Net Assets:		
Unrestricted	9,094,387	10,263,382
Temporarily restricted	511,240	774,799
Permanently restricted	47,490	45,500
Total Net Assets	**9,653,117**	**11,083,681**
Total Liabilities and Net Assets	**$ 16,502,582**	**$ 17,601,908**

See accompanying notes.

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Statement of Activities
For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
Support, Revenue and Reclassifications:					
Program service fees	$ 7,756,784	$ -	$ -	$ 7,756,784	$ 7,567,685
Fees and grants from governmental agencies, including federal assistance of $36,732 ($30,214 - 2014)	2,034,723			2,034,723	1,979,299
Contributions	1,328,650	592,790	1,990	1,923,430	1,953,378
United Way of King County	733,206			733,206	679,587
In-kind contributions	945,107			945,107	890,057
Training fee revenues	196,045			196,045	269,540
Investment return	510			510	6,303
Other	16,769			16,769	5,201
Net assets released from restrictions	856,349	(856,349)			
Total Support, Revenue and Reclassifications	**13,868,143**	**(263,559)**	**1,990**	**13,606,574**	**13,351,050**
Expenses:					
Program services-					
Children and early learning center	1,286,765			1,286,765	1,025,914
Homeless and at-risk families	3,440,273			3,440,273	2,995,008
Domestic violence intervention and prevention	322,237			322,237	318,848
Clinical and training services	3,735,286			3,735,286	3,402,055
Employee assistance program	3,131,107			3,131,107	3,257,320
Total program services	11,915,668			11,915,668	10,999,145
Supporting services-					
Management and general	1,861,133			1,861,133	1,680,731
Fundraising	608,797			608,797	501,661
Total supporting services	2,469,930			2,469,930	2,182,392
Total Expenses Before Depreciation and Amortization	**14,385,598**			**14,385,598**	**13,181,537**
Change in Net Assets Before Depreciation and Amortization	**(517,455)**	**(263,559)**	**1,990**	**(779,024)**	**169,513**
Depreciation and amortization	651,540			651,540	695,140
Total Change in Net Assets	**(1,168,995)**	**(263,559)**	**1,990**	**(1,430,564)**	**(525,627)**
Net assets, beginning of year	10,263,382	774,799	45,500	11,083,681	11,609,308
Net Assets, End of Year	**$ 9,094,387**	**$ 511,240**	**$ 47,490**	**$ 9,653,117**	**$ 11,083,681**

See accompanying notes.

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

	Program Services						Supporting Services			
	Children & Early Learning Center	Homeless & At-Risk Families	Domestic Violence Intervention & Prevention	Clinical & Training Services	Employee Assistance Program	Total Program Services	Management & General	Fund-Raising	2015 Total	2014 Total
Salaries and wages	$ 867,871	$ 1,141,001	$ 210,606	$ 2,516,382	$ 1,051,776	$ 5,787,636	$ 1,006,686	$ 332,830	$ 7,127,152	$ 6,455,818
Payroll taxes	68,284	87,602	16,212	194,016	82,564	448,678	76,240	25,817	550,735	489,191
Employee benefits	103,504	147,837	34,214	242,055	134,345	661,955	95,402	31,972	789,329	682,134
Total salary and related expenses	1,039,659	1,376,440	261,032	2,952,453	1,268,685	6,898,269	1,178,328	390,619	8,467,216	7,627,143
Professional services	760	14,660	20,511	150,535	1,639,062	1,825,528	204,120	32,193	2,061,841	2,062,136
Specific assistance	114,417	1,878,229	105	500	55	1,993,306			1,993,306	1,750,171
Occupancy	35,595	53,435	7,809	332,888	10,249	439,976	76,844	3,253	520,073	574,242
Office/supplies/other	27,115	21,270	5,873	92,914	88,198	235,370	70,929	19,539	325,838	268,864
Insurance and financial	42,143	49,630	14,628	77,968	23,489	207,858	84,785	28,223	320,866	269,460
Electronic communications	12,913	14,845	2,705	23,474	60,259	114,196	102,727	39,163	256,086	229,270
Volunteer and donor expenses	78	2,606			177	2,861	12,825	83,636	99,322	87,567
Marketing/promotion/public relations				26,051	23,729	49,780	40,917	284	90,981	99,025
Equipment maintenance	6,946	14,472	7,063	10,452	7,669	46,602	17,407	3,899	67,908	52,627
Human resources	567	222	194	3,922	854	5,759	54,540	58	60,357	28,682
Professional development and training	6,334	13,067	2,020	2,810	2,951	27,182	12,882	1,107	41,171	16,900
Agency sponsored conferences	150	311		33,936		34,397	2,084		36,481	27,668
Postage and shipping	88	1,086	297	12,044	5,630	19,145	2,745	6,523	28,413	20,993
Bad debt				15,339	100	15,439		300	15,739	66,789
Total expenses before depreciation and amortization	1,286,765	3,440,273	322,237	3,735,286	3,131,107	11,915,668	1,861,133	608,797	14,385,598	13,181,537
Depreciation and amortization	155,847	153,425	37,147	9,423	46,745	402,587	236,191	12,762	651,540	695,140
Total Expenses	**$ 1,442,612**	**$ 3,593,698**	**$ 359,384**	**$ 3,744,709**	**$ 3,177,852**	**$ 12,318,255**	**$ 2,097,324**	**$ 621,559**	**$ 15,037,138**	**$ 13,876,677**

See accompanying notes.

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

	2015	2014
Cash Flows From Operating Activities:		
Change in net assets	$ (1,430,564)	$ (525,627)
Adjustments to reconcile change in net assets to net cash used in operating activities-		
Depreciation and amortization	651,540	695,140
Net loss (gain) from the beneficial interest held by The Seattle Foundation	12,834	(5,014)
Decrease (increase) in assets:		
Accounts receivable	(397,964)	(80,812)
Pledges receivable	17,120	(241,212)
Donated inventory	(5,638)	
Prepaid expenses and other current assets	(32,613)	5,143
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	123,740	129,141
Accrued interest	(13,931)	
Deferred revenue	(75,946)	(101,440)
Net Cash Used in Operating Activities	**(1,151,422)**	**(124,681)**
Cash Flows From Investing Activities:		
Purchase of property and equipment	(100,923)	(166,759)
Distribution of beneficial interest in asset held by The Seattle Foundation	60,000	60,000
Net Cash Used in Investing Activities	**(40,923)**	**(106,759)**
Cash Flows From Financing Activities:		
Payments on notes payable	(5,538,814)	(208,152)
Proceeds from note payable	5,404,773	
Proceeds from line of credit	386,500	
Payments on capital lease obligations	(32,716)	(29,521)
Payment of bond fees	(86,154)	
Proceeds from contributions restricted for the acquisition of long-term assets	12,778	81,067
Net Cash Provided by (Used in) Financing Activities	**146,367**	**(156,606)**
Net Change in Cash and Cash Equivalents	**(1,045,978)**	**(388,046)**
Cash and cash equivalents, beginning of year	1,678,110	2,066,156
Cash and Cash Equivalents, End of Year	**$ 632,132**	**$ 1,678,110**
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 148,216	$ 152,510
Acquisition of fixed assets through a capital lease	$ 77,632	$ -

See accompanying notes.

Note 1 - Purpose and Programs

Mission Statement - Wellspring Family Services' (Wellspring) mission is to build emotionally healthy, self-sufficient families and a nonviolent community in which they can thrive.

Wellspring has provided the greater Seattle/King County community with a spectrum of social services for over one hundred and twenty years.

Wellspring is located at The Rotary Support Center for Families (the Support Center) in Seattle, Washington. The Support Center houses administration, employee assistance, family stabilization programs, and services to children. In addition to the Support Center, Wellspring offers program services at other locations in the greater Seattle area.

Until October 2015, the Support Center was leased from Family Services Property LLC (FSP LLC), a single member LLC, wholly owned by Wellspring Family Services. The Support Center was transferred to Wellspring during the debt refinancing discussed in Note 8.

Program Services - Wellspring helps children, adults, and families who are experiencing crisis take the next step forward, tap into their own resilience and strength, and build community. Wellspring helps people understand and address the root causes of challenges, as well as respond to immediate needs.

Wellspring's programs include three service groups:

Community Services (CS)

- Parent/Child Services
- Early Learning Center
- Baby Boutique
- Housing Services Intervention and Prevention for Homeless and At-Risk Families
- Domestic Violence Intervention and Prevention

Clinical and Training Services (CTS)

- Counseling Services
- New Parents Services
- Training Services
- The Certificate Program in Clinical Theory and Practice and Human Development

Employee Assistance Program (EAP)

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation - The consolidated financial statements include the accounts of Wellspring Family Services and its subsidiary, collectively referred to as Wellspring. All inter-entity transactions have been eliminated.

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

> Unrestricted Net Assets - Net assets that are not subject to externally imposed restrictions.
>
> Temporarily Restricted Net Assets - Net assets subject to externally imposed restrictions that will be met either by actions of Wellspring and/or the passage of time. Temporarily restricted net assets subject to time and program restrictions were $511,240 and $774,799, as of December 31, 2015 and 2014, respectively (Note 7).
>
> Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by Wellspring. As of December 31, 2015 and 2014, Wellspring had permanently restricted net assets of $47,490 and $45,500 respectively, whose earnings are available for program purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Cash and Cash Equivalents - Wellspring considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Credit Risk - Wellspring maintains cash deposits in bank accounts which, at times, exceed federally insured limits during the year.

Accounts Receivable - Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Changes in the valuation allowance have not been material to the consolidated financial statements.

Property and Equipment - Assets are recorded at cost or at their fair value when received, if donated. The costs of repairs and maintenance are expensed as incurred.

Wellspring capitalizes all items over $1,000 that provide a future benefit. Depreciation is computed using the straight-line method based on estimated useful lives, which range from three to forty years.

Note 2 - Continued

Donated Inventory - Donated inventory consists of goods for Wellspring's Baby Boutique and is valued at its estimated fair value when donated.

Deferred Revenue - Deferred revenue includes grant funding to be used in future periods. The deferred revenue is recognized as earned.

Income Taxes - The IRS has determined that Wellspring Family Services is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). As such, it is subject to income taxes only on unrelated business income. FSP LLC is not subject to income taxes; such are the responsibility of its members. During the years ended December 31, 2015 and 2014, Wellspring had no unrelated business income and accordingly, no provision for federal income taxes has been reported in the accompanying consolidated financial statements.

Contributions - Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received.

In-Kind Contributions - In-kind contributions consisted of the following for the years ended December 31:

	2015	2014
Facilities	$ 90,000	$ 90,000
Baby Boutique goods	855,107	800,057
	$ 945,107	**$ 890,057**

In addition, a substantial number of unpaid volunteers have made significant contributions of time (approximately 10,300 hours and 7,100 hours for the years ended December 31, 2015 and 2014, respectively (unaudited)) to develop and carry out the programs of Wellspring. The value of this contributed time is not reflected in the consolidated statement of activities since it does not meet the requirements of accounting principles generally accepted in the United States of America (U.S. GAAP).

Functional Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates - The preparation of the consolidated financial statements in conformity with U.S. GAAP 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations - Wellspring had one customer comprising 14% and 15% of revenues during the years ended December 31, 2015 and 2014, respectively.

Note 2 - Continued

Comparative Totals for 2014 - The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Wellspring's consolidated financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Note 3 - Pledges Receivable

Wellspring has received pledges for contributions to be received in future periods. These contributions are receivable as follows at December 31:

	2015	2014
Less than one year	$ 324,943	$ 206,969
One to five years	19,840	187,421
	344,783	394,390
Allowance for uncollectible pledges	(1,300)	(13,000)
Present value discount at 5%	(1,055)	(9,064)
	$ 342,428	**$ 372,326**

Pledges receivable from one donor represented 29% and 63% of total pledges receivable at December 31, 2015 and 2014, respectively. Capital campaign pledges have been spent on their intended purpose and, therefore, are no longer classified as assets restricted for the acquisition of long-term assets on the consolidated statement of financial position.

Note 4 - Property and Equipment

Property and equipment consisted of the following at December 31:

	2015	2014
Land	$ 2,456,349	$ 2,456,349
Building	13,588,083	13,588,083
Furniture and equipment	1,400,528	1,571,947
Vehicles	23,143	23,143
Leasehold improvements	442,467	442,467
Assets not yet placed in service	91,037	66,163
	18,001,607	18,148,152
Less accumulated depreciation	(4,317,126)	(4,018,943)
	$ 13,684,481	**$ 14,129,209**

Note 5 - Beneficial Interest in Assets Held by Seattle Foundation

Wellspring transferred $330,000 to Seattle Foundation in 2003. The agreement permits Wellspring's Board of Directors to transfer funds back to Wellspring and stipulates that the timing and amount of distributions will be on an as needed basis. Under U.S. GAAP these funds have been recorded as a contribution and a beneficial interest in assets held by others. At December 31, 2015 and 2014, the balance of $0 and $72,834, respectively, is recorded as an asset in the consolidated statement of financial position.

Note 6 - Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Valuation Techniques - Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2015 and 2014.

> Beneficial Interest in Asset Held by Seattle Foundation - Valued using the net asset value (NAV) provided by Seattle Foundation. The NAV is based on the fair value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of units outstanding at the valuation date.

Note 6 - Continued

A reconciliation of the beginning and ending balances, by each major category of assets and liabilities, for fair value measurements made at December 31, 2015, using significant unobservable inputs (Level 3) is as follows:

Beginning balance	$ 72,834
Grants paid	(72,581)
Net investment return	512
Fees	(765)
	$ -

Note 7 - Temporarily Restricted Net Assets

Wellspring's temporarily restricted net assets consisted of the following at December 31:

	2015	2014
Capital campaign - program	$ 45,017	$ 45,017
Project Permanency	13,223	44,823
Homeless Children and Parent Services		4,959
Parent-Child Services	15,000	
CS Initiative	50,000	
Early Learning Center - general	25,000	50,000
Early Learning Center - 5th classroom	363,000	630,000
	$ 511,240	**$ 774,799**

Net assets released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors were as follows for the year ended December 31, 2015:

Purpose restriction-	
Project Permanency	$ 31,600
Homeless Children and Parent Services	31,659
Baby Boutique	30,715
Domestic Violence Intervention	20,100
CS Initiative	50,000
Early Learning Center - general	295,275
Early Learning Center - 5th classroom	397,000
	$ 856,349

Note 8 - Notes Payable

On October 16, 2015, Wellspring entered into a tax exempt bond with the Washington Health Care Facilities Authority (WHCFA) to refinance a New Markets Tax Credit (NMTC) loan that came due in November 2015. Wellspring originally entered into a New Markets Tax Credit transaction to help finance the construction of the Support Center.

The WHCFA bond was issued for $5,404,774, which repaid the NMTC loan of $5,318,620 and issuance costs of $56,154. The term of the bond is 10 years with interest at the tax exempt rate of 2.75% for the first 7 years and a rate reset for the remaining 3 years at the 3 year LIBOR Swap Rate plus a margin of 2.25% multiplied by 65% and rounded to the nearest 1/8th of 1%. The bond is collateralized by the deed to the Support Center building.

At December 31, 2015 the balance on the WHCFA bond was $5,360,991. At December 31, 2014, the balance of the NMTC loan was $5,495,032.

Under the terms of the WHCFA bond agreement, Wellspring must comply with a debt service covenant ratio and a free cash balance. Compliance with such covenants is determined on an annual basis. As of December 31, 2015, Wellspring was not in compliance with the financial covenants. The lending institution has provided a letter of forbearance of the noncompliance through December 31, 2016.

Future minimum debt payments on long-term debt are as follows:

For the Year Ending December 31,

2016	$ 152,235
2017	156,953
2018	161,385
2019	165,943
2020	170,261
Thereafter	4,554,214
	$ 5,360,991

Note 9 - Commitments and Contingencies

Capital Lease Obligation - In 2012, Wellspring entered into a lease for sixteen copiers under a noncancelable capital lease agreement. The lease requires 60 monthly payments of $2,819 through August 2017.

In 2015, Wellspring entered into a lease for 105 computers under a noncancelable capital lease agreement. The lease requires 36 monthly payments of $2,433 through October 2018.

Note 9 - Continued

Future minimum lease payments under the capital lease agreements are as follows:

For the Year Ending December 31,		
2016	$	63,010
2017		51,746
2018		26,758
		141,514
Less amounts representing interest at 4.25% - 8%		(11,468)
	$	**130,046**

Property and equipment included copiers and computers under capital leases at December 31, 2015 and 2014 of $229,746 and $152,114 respectively. Accumulated depreciation on these leases was $109,020 and $74,285 at December 31, 2015 and 2014, respectively.

Operating Leases - Wellspring leases space for several of its offices in the Seattle area under operating lease agreements expiring through December 2017. Lease expense under these operating leases in 2015 was $216,407. As of December 31, 2015, future minimum lease payments under operating leases with terms in excess of one year are as follows:

For the Year Ending December 31,		
2016	$	206,564
2017		93,852
	$	**300,416**

Malpractice Insurance - Therapists and counselors, while acting within their duties as employees of Wellspring, are insured by Wellspring's professional liability insurance under an occurrence basis policy.

Contingencies - At times, Wellspring is subject to litigation and regulatory investigations arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect to Wellspring's future financial position or results from operations.

Note 10 - Retirement Plan

Wellspring's Tax Deferred Annuity Retirement Plan (the Plan) covers all eligible employees. The benefit formula used to determine Wellspring's contribution to the Plan is based on a stated contribution formula. Contributions to the defined contribution plan amounted to $96,401 and $87,487 for the years ended December 31, 2015 and 2014, respectively. Employer contributions vest incrementally based on years of service up to five years.

Note 11 - Subsequent Event

Wellspring has evaluated subsequent events through April 27, 2016, the date on which the consolidated financial statements were available to be issued. On April 18, 2016 the Board of Directors authorized a working capital loan of \$500,000 with one of the directors. The loan is a promissory note for 2 years with interest only payments of 8% per annum, until the end of the term at which time the principal becomes payable in full. The note will be secured by a 2nd deed of trust on the Support Center with the lender.