WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Financial Statements

For the Year Ended December 31, 2017

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Independent Auditor's Report

To the 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, 2017, 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.

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, 2017, 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 2016 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated April 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Clark Nuber P.S.

Certified Public Accountants
May 2, 2018

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Statement of Financial Position
December 31, 2017
(With Comparative Totals for 2016)

	2017	2016
Assets		
Current Assets:		
Cash and cash equivalents	$ 855,738	$ 484,071
Accounts receivable, net of allowance for doubtful accounts of $16,100 ($26,872 - 2016)	1,376,993	1,237,172
Current portion of pledges receivable, net	260,208	181,909
Donated inventory	57,717	63,605
Prepaid expenses and other current assets	77,322	67,674
Total Current Assets	**2,627,978**	**2,034,431**
Other Assets:		
Pledges receivable, net, less current portion	238	1,227
Property and equipment, net	12,613,254	13,014,164
Total Assets	**$ 15,241,470**	**$ 15,049,822**
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	$ 1,236,725	$ 954,260
Line of credit		225,000
Deferred revenue	70,937	65,895
Current portion of capital lease obligations	47,980	48,189
Current portion of notes payable	161,365	156,953
Total Current Liabilities	**1,517,007**	**1,450,297**
Capital lease obligations, less current portion	82,866	25,718
Notes payable, less current portion	4,830,518	4,976,025
Related party note payable	1,000,000	500,000
Total Liabilities	**7,430,391**	**6,952,040**
Net Assets:		
Unrestricted	7,376,903	7,646,963
Temporarily restricted	386,186	402,829
Permanently restricted	47,990	47,990
Total Net Assets	**7,811,079**	**8,097,782**
Total Liabilities and Net Assets	**$ 15,241,470**	**$ 15,049,822**

See accompanying notes.

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Statement of Activities
For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Support, Revenue and Reclassifications:					
Program service fees	$ 9,184,471	$ -	$ -	$ 9,184,471	$ 8,530,771
Fees and grants from governmental agencies, including federal assistance of $366,431 ($242,795 - 2016)	2,142,050			2,142,050	2,196,583
Contributions	1,170,602	891,253		2,061,855	1,535,813
Special event revenue, net (Note 9)	462,753			462,753	511,071
United Way of King County	553,457			553,457	719,915
In-kind contributions	574,750			574,750	883,933
Training fee revenues	77,275			77,275	164,710
Other	25,543			25,543	11,082
Net assets released from restrictions	907,896	(907,896)			
Total Support, Revenue and Reclassifications	**15,098,797**	**(16,643)**		**15,082,154**	**14,553,878**
Expenses:					
Program services-					
Children and early learning center	1,251,190			1,251,190	1,435,775
Homeless and at-risk families	2,945,291			2,945,291	3,507,988
Domestic violence intervention and prevention	302,592			302,592	301,315
Clinical and training services	4,017,032			4,017,032	3,823,527
Employee assistance program	3,685,110			3,685,110	3,483,256
Total program services	12,201,215			12,201,215	12,551,861
Supporting services-					
Management and general	1,836,950			1,836,950	1,917,366
Fundraising	749,971			749,971	855,434
Total supporting services	2,586,921			2,586,921	2,772,800
Total Expenses Before Depreciation	**14,788,136**			**14,788,136**	**15,324,661**
Change in Net Assets Before Depreciation and Other Nonoperating Activities	**310,661**	**(16,643)**		**294,018**	**(770,783)**
Abandonment loss on ERP system (Note 4)					(161,991)
Gain on fixed asset disposal	5,170			5,170	
Depreciation	(585,891)			(585,891)	(622,561)
Total Change in Net Assets	**(270,060)**	**(16,643)**		**(286,703)**	**(1,555,335)**
Net assets, beginning of year	7,646,963	402,829	47,990	8,097,782	9,653,117
Net Assets, End of Year	**$ 7,376,903**	**$ 386,186**	**$ 47,990**	**$ 7,811,079**	**$ 8,097,782**

See accompanying notes.

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	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	2017 Total	2016 Total
Salaries and wages	$ 851,260	$ 1,253,926	$ 192,638	$ 2,848,530	$ 1,014,453	$ 6,160,807	$ 885,790	$ 445,628	$ 7,492,225	$ 7,891,132
Payroll taxes	72,068	100,839	15,229	223,745	81,367	493,248	69,786	35,715	598,749	608,293
Employee benefits	112,253	148,075	29,119	226,094	115,194	630,735	78,972	36,704	746,411	767,629
Total salary and related expenses	1,035,581	1,502,840	236,986	3,298,369	1,211,014	7,284,790	1,034,548	518,047	8,837,385	9,267,054
Professional services	235	5,850	29,738	53,013	2,213,367	2,302,203	167,422	135,188	2,604,813	2,287,222
Specific assistance	101,118	1,301,520				1,402,638	50		1,402,688	1,868,865
Occupancy	52,161	65,604	11,714	365,741	14,227	509,447	45,179	4,017	558,643	575,160
Office/supplies/other	30,540	19,958	5,186	97,169	95,793	248,646	49,671	20,000	318,317	345,035
Electronic communications	12,770	14,678	7,312	25,101	72,968	132,829	161,073	11,671	305,573	261,552
Interest							272,460		272,460	196,416
Insurance and financial	10,901	15,860	5,493	49,340	14,538	96,132	55,241	17,596	168,969	166,953
Bad debt				104,114	4,580	108,694		18,875	127,569	94,901
Marketing/promotion/public relations				2,642	47,751	50,393	12,771	1,388	64,552	87,199
Equipment maintenance	3,582	10,683	4,798	5,537	4,736	29,336	9,477	2,626	41,439	42,812
Human resources	374	327	258	285	1,715	2,959	16,564	174	19,697	28,293
Volunteer and donor expenses	37	707				744	6,902	10,661	18,307	26,956
Postage and shipping	83	535	263	2,227	4,018	7,126	2,875	7,632	17,633	22,536
Professional development and training	3,808	6,632	844	12	403	11,699	2,717	2,096	16,512	27,373
Agency sponsored conferences		97		13,482		13,579			13,579	26,334
Total expenses before depreciation	1,251,190	2,945,291	302,592	4,017,032	3,685,110	12,201,215	1,836,950	749,971	14,788,136	15,324,661
Depreciation	187,271	190,278	46,069	13,429	56,717	493,764	76,075	16,052	585,891	622,561
Total Expenses	**$ 1,438,461**	**$ 3,135,569**	**$ 348,661**	**$ 4,030,461**	**$ 3,741,827**	**$ 12,694,979**	**$ 1,913,025**	**$ 766,023**	**$ 15,374,027**	**$ 15,947,222**

See accompanying notes.

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	2017	2016
Cash Flows From Operating Activities:		
Change in net assets	$ (286,703)	$ (1,555,335)
Adjustments to reconcile change in net assets to		
net cash provided by (used in) operating activities-		
Depreciation	585,891	622,561
Financing cost amortization	15,858	14,431
Abandonment loss on ERP system		161,991
Gain on fixed asset disposal	5,170	
Decrease (increase) in assets:		
Accounts receivable	(139,821)	353,916
Pledges receivable	(78,560)	153,064
Donated inventory	5,888	31,433
Prepaid expenses and other current assets	(9,648)	5,688
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	282,465	59,774
Deferred revenue	5,042	(11,547)
Net Cash Provided by (Used in) Operating Activities	**385,582**	**(164,024)**
Cash Flows From Investing Activities:		
Proceeds from sale of property and equipment	6,621	
Purchase of property and equipment	(75,784)	(114,235)
Net Cash Used in Investing Activities	**(69,163)**	**(114,235)**
Cash Flows From Financing Activities:		
Payments on notes payable	(156,953)	(152,234)
Proceeds from related party note payable	500,000	500,000
Net change in line of credit	(225,000)	(161,500)
Payments on capital lease obligations	(64,049)	(56,139)
Payment of financing costs		6,299
Proceeds from contributions restricted for the acquisition of long-term assets	1,250	(6,228)
Net Cash Provided by Financing Activities	**55,248**	**130,198**
Net Change in Cash and Cash Equivalents	**371,667**	**(148,061)**
Cash and cash equivalents, beginning of year	484,071	632,132
Cash and Cash Equivalents, End of Year	**$ 855,738**	**$ 484,071**
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 256,602	$ 196,759
Acquisition of fixed assets through a capital lease	$ 120,988	$ -

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 6. The consolidated financial statements include the accounts of Wellspring Family Services and FSP LLC, collectively referred to as Wellspring. All inter-entity transactions have been eliminated.

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:

<u>Community Services (CS)</u>

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

<u>Clinical and Training Services (CTS)</u>

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

<u>Employee Assistance Program (EAP)</u>

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting - The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Under the accrual basis of accounting, support is recognized when it is awarded, revenue is recognized when it is earned and realizable, and expenses are recognized when they are incurred.

Note 2 - Continued

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 $376,186 and $402,829, as of December 31, 2017 and 2016, respectively (Note 5).

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by Wellspring. As of December 31, 2017 and 2016, Wellspring had permanently restricted net assets of $57,990 and $47,990 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.

Financing Costs - Financing costs are recorded as a deduction to the related debt liability on the consolidated statement of financial position. Financing costs are amortized over the term of the applicable debt using the straight-line method. U.S. GAAP requires that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Amortization of financing costs are included as a component of interest expense on the consolidated statement of operations.

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, 2017 and 2016, 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:

	2017	2016
Facilities	$ 104,147	$ 95,000
Baby Boutique goods	470,603	788,933
	$ 574,750	**$ 883,933**

In addition, a substantial number of unpaid volunteers have made significant contributions of time (approximately 4,312 hours and 9,350 hours for the years ended December 31, 2017 and 2016, 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 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 client comprising 16% and 15% of revenues during the years ended December 31, 2017 and 2016, respectively.

Note 2 - Continued

Comparative Totals for 2016 - 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, 2016, 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:

	2017	2016
Less than one year	$ 266,529	$ 189,999
One to five years	250	2,282
	266,779	192,281
Allowance for uncollectible pledges	(6,321)	(9,012)
Present value discount at 5%	(12)	(133)
	$ 260,446	**$ 183,136**

Pledges receivable from two donors represented 54% of total pledges receivable at December 31, 2017 and three donors represented 71% of total pledges receivable at December 31, 2016.

Note 4 - Property and Equipment

Property and equipment consisted of the following at December 31:

	2017	2016
Land	$ 2,456,349	$ 2,456,349
Building	13,611,580	13,611,580
Furniture and equipment	1,445,712	1,398,576
Vehicles		23,143
Leasehold improvements	448,967	448,967
Assets not yet placed in service	10,590	15,234
	17,973,198	17,953,849
Less accumulated depreciation	(5,359,944)	(4,939,685)
	$ 12,613,254	**$ 13,014,164**

Note 4 - Continued

In September 2016, Wellspring abandoned a software project for the design and installation of comprehensive Enterprise Resource Planning software. The costs for the design and development were being charged to fixed asset accounts in anticipation of the software being placed in service. As a result of the abandonment, the software development costs of $161,991 were written off and are shown on the consolidated statement of activities as “Abandonment loss on ERP system”.

Note 5 - Temporarily Restricted Net Assets

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

	2017	2016
Parent-Child services	$ 190,000	$ -
Housing services	108,490	
CS Initiative	25,000	50,000
Administration - Consultants	23,250	
Early Learning Center - general	14,738	99,732
Housing - Beds for Families	14,150	4,080
Admin	10,000	
Domestic Violence Intervention	558	30,000
Baby Boutique		19,000
Early Learning Center - 5th classroom		155,000
Capital Campaign - Program		45,017
	$ 386,186	**$ 402,829**

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, 2017:

Purpose restriction-	
Early Learning Center - 5th classroom	$ 479,648
Early Learning Center - General	84,994
Baby Boutique	67,973
Domestic Violence Intervention	61,374
Housing services	50,510
Parent-Child services	50,000
CS Initiative	50,000
Capital Campaign - Program	45,017
Administration - Consultants	11,750
Housing - Beds for Families	6,630
	$ 907,896

Note 6 - 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. 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, 2017 and 2016 the balance on the WHCFA bond was $5,051,804 and $5,208,757 respectively.

Under the terms of the WHCFA bond agreement, Wellspring must comply with a debt service covenant ratio and maintain a minimum cash liquidity of $1,000,000. Compliance with such covenants is determined on an annual basis. As of December 31, 2017, Wellspring was in compliance with the financial covenants.

On May 9, 2016, Wellspring entered into a Promissory Note with Equity Trust Company FBO David Hiatt IRA (Equity Trust), a related party, for $500,000. Monthly payments are interest only with the total amount of the principal originally due May 9, 2018. The note is secured by a Second Deed of Trust to the Support Center Building. The WHCFA bond holder, the Commerce Bank of Washington, has agreed to a Subordination Agreement signed by Equity Trust, Wellspring and The Commerce Bank of Washington. On March 8, 2017, Wellspring amended the Promissory Note to increase the outstanding principal to $1,000,000 at a fixed interest rate of 10%. Subsequent to the year ended December 31, 2017, Wellspring signed an additional amendment to extend the maturity date of the note to October 16, 2025.

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

For the Year Ending December 31,	
2018	$ 161,385
2019	165,943
2020	170,261
2021	175,438
2022	179,899
Thereafter	5,198,878
	6,051,804
Less unamortized financing costs	(59,921)
	$ 5,991,883

Note 7 - Commitments and Contingencies

Operating Line of Credit - Wellspring uses a line of credit facility of $500,000 provided by The Commerce Bank of Washington, to manage cash flow requirements. The line is provided at a variable interest rate of bank prime plus 1% (5.50% at December 31, 2017). The line expired on February 28, 2018 and was renewed subsequent to year end (Note 10). The balance outstanding on the line was $0 and $225,000 on December 31, 2017 and 2016, respectively.

Note 7 - Continued

Capital Lease Obligation - In 2017, Wellspring entered into a lease for eighteen copiers under a noncancelable capital lease agreement requiring 60 monthly payments of $2,339 through May 2022.

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.

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

For the Year Ending December 31,		
2018	$	54,827
2019		28,068
2020		28,068
2021		28,068
2022		7,615
		146,646
Less amounts representing interest at 6.0% - 8.0%		(15,800)
	$	**130,846**

Property and equipment included copiers and computers under capital leases at December 31, 2017 and 2016 of $199,191 and $229,746, respectively. Accumulated depreciation on these leases was $69,845 and $163,152 at December 31, 2017 and 2016, respectively.

Operating Leases - Wellspring leases space for several of its offices in the Seattle area under operating lease agreements expiring through December 2021. Lease expense under these operating leases in 2017 was $221,004. As of December 31, 2017, future minimum lease payments under operating leases with terms in excess of one year are as follows:

For the Year Ending December 31,		
2018	$	240,312
2019		251,088
2020		261,852
2021		152,580
	$	**905,832**

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.

Note 8 - 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 $3,203 and $16,170 for the years ended December 31, 2017 and 2016, respectively. Employer contributions vest incrementally based on years of service up to five years. In January 2016, the Wellspring Board of Directors suspended the match for the savings plan, effective February 25, 2016 until further notice. The suspension remained in effect at December 31, 2017.

Note 9 - Special Events

Wellspring holds an annual fundraising luncheon. Gross revenues and related direct expenses for this event for the years ended December 31 were as follows:

	2017	2016
Gross revenues	$ 462,753	$ 511,071
Direct expenses	(89,243)	(101,109)
Excess of Special Event Revenue Over Expenses	**$ 373,510**	**$ 409,962**

Gross revenue for special events is included in contribution revenue in the consolidated statement of activities. Direct expenses are also reflected in fundraising expenses in the consolidated statement of functional expenses.

Note 10 - Subsequent Event

Wellspring has evaluated subsequent events through May 2, 2018, the date on which the consolidated financial statements were available to be issued. As of March 7, 2018, Wellspring's line of credit facility of $500,000 was extended by The Commerce Bank of Washington through February 28, 2019.