WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Financial Statements

For the Year Ended December 31, 2021

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Clark Nuber PS

Independent Auditor's Report

To the Board of Directors
Wellspring Family Services and Subsidiary
Seattle, Washington

Opinion

We have audited the consolidated financial statements of Wellspring Family Services and Subsidiary (collectively, Wellspring), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated 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 present fairly, in all material respects, the consolidated financial position of Wellspring as of December 31, 2021 and 2020, 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 for the Audit of the Financial Statements section of our report. We are required to be independent of Wellspring 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Wellspring's ability to continue as a going concern for one year after the date that the financial statements are issued.

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CN

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

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

Auditor's Responsibility 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 Wellspring'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 Wellspring'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.

Report on Summarized Comparative Information

We have previously audited Wellspring's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which is has been derived.

Clark Nuber P.S.

Certified Public Accountants
April 29, 2022

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Statement of Financial Position
December 31, 2021
(With Comparative Totals for 2020)

	2021	2020
Assets		
Current Assets:		
Cash and cash equivalents	$ 1,504,136	$ 3,002,144
Accounts and grants receivable, net of allowance for doubtful accounts of $46,046 ($126,200 - 2020)	3,480,580	3,044,074
Current portion of pledges receivable, net	29,600	129,441
Donated inventory	134,164	169,430
Prepaid expenses and other current assets	123,284	87,615
Total Current Assets	**5,271,764**	**6,432,704**
Property and equipment, net	11,563,030	11,555,647
Total Assets	**$ 16,834,794**	**$ 17,988,351**
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	$ 1,871,861	$ 1,994,336
Deferred revenue	18,445	1,390,178
Current portion of capital lease obligations	25,144	23,684
Current portion of notes payable	181,049	175,438
Total Current Liabilities	**2,096,499**	**3,583,636**
Capital lease obligations, less current portion	79,354	102,578
Notes payable, less current portion	5,089,323	5,257,764
Total Liabilities	**7,265,176**	**8,943,978**
Net Assets:		
Without donor restrictions	8,909,067	8,832,223
With donor restrictions	660,551	212,150
Total Net Assets	**9,569,618**	**9,044,373**
Total Liabilities and Net Assets	**$ 16,834,794**	**$ 17,988,351**

See accompanying notes.

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Statement of Activities
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Support, Revenue and Reclassifications:				
Program service fees	$ 17,102,169	$ -	$ 17,102,169	$ 13,622,906
Fees and grants from governmental agencies, including federal assistance of $3,815,887 ($355,375 - 2019)	9,804,246		9,804,246	7,508,776
Contributions	2,082,695	738,871	2,821,566	4,225,023
United Way of King County	20,391		20,391	57,250
In-kind contributions	829,904		829,904	707,470
Paycheck Protection Program Loan forgiveness				1,272,173
Other	46,680		46,680	117,229
Net assets released from restrictions	290,470	(290,470)		
Total Support, Revenue and Reclassifications	**30,176,555**	**448,401**	**30,624,956**	**27,510,827**
Expenses:				
Program services-				
Children and early learning center	2,052,410		2,052,410	1,897,180
Homeless and at-risk families	8,308,258		8,308,258	7,673,848
Clinical and training services	2,056,346		2,056,346	2,045,785
Employee assistance program	13,344,454		13,344,454	9,821,405
Total program services	25,761,468		25,761,468	21,438,218
Supporting services-				
Management and general	2,985,110		2,985,110	2,525,406
Fundraising	956,626		956,626	774,270
Total supporting services	3,941,736		3,941,736	3,299,676
Total Expenses Before Depreciation	**29,703,204**		**29,703,204**	**24,737,894**
Change in Net Assets Before Depreciation and Loss on Disposal	**473,351**	**448,401**	**921,752**	**2,772,933**
Loss on disposal of property and equipment				(38,312)
Depreciation	(396,507)		(396,507)	(367,238)
Total Change in Net Assets	**76,844**	**448,401**	**525,245**	**2,367,383**
Net assets, beginning of year	8,832,223	212,150	9,044,373	6,676,990
Net Assets, End of Year	**$ 8,909,067**	**$ 660,551**	**$ 9,569,618**	**$ 9,044,373**

See accompanying notes.

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	Program Services					Supporting Services			
	Children and Early Learning Center	Homeless and At-Risk Families	Clinical and Training Services	Employee Assistance Program	Total Program Services	Management and General	Fundraising	2021 Total	2020 Total
Salaries and wages	$ 932,306	$ 1,337,216	$ 1,342,592	$ 1,930,295	$ 5,542,409	$ 1,611,474	$ 668,345	$ 7,822,228	$ 6,647,324
Payroll taxes	72,735	104,789	102,958	157,333	437,815	114,261	49,008	601,084	562,608
Employee benefits	85,917	142,134	100,046	191,265	519,362	117,899	73,175	710,436	635,573
Total salary and related expenses	1,090,958	1,584,139	1,545,596	2,278,893	6,499,586	1,843,634	790,528	9,133,748	7,845,505
Professional services	273	45,818	101,426	10,209,521	10,357,038	216,926	8,832	10,582,796	7,446,865
Specific assistance	842,029	6,561,942			7,403,971		495	7,404,466	7,154,504
Electronic communications	3,887	19,664	28,099	265,227	316,877	394,105	29,888	740,870	666,507
Office/supplies/other	48,599	6,774	49,471	286,995	391,839	51,245	32,770	475,854	372,237
Occupancy	50,298	39,164	230,840	36,261	356,563	56,857	12,185	425,605	455,311
Bad debt		31,472	63,413	199,803	294,688	763	27,950	323,401	224,893
Interest						230,830		230,830	252,456
Insurance and financial	10,648	11,752	31,919	24,225	78,544	36,289	33,018	147,851	145,520
Equipment maintenance	3,469	866	538	915	5,788	74,647	303	80,738	32,643
Marketing/promotion/public relations	62	1,281	374	40,071	41,788	23,578	9,372	74,738	46,735
Professional development and training	1,392	4,567	3,014	1,679	10,652	18,055	2,630	31,337	4,044
Human resources	728	364	109	554	1,755	21,191	823	23,769	37,301
Postage and shipping	12	455	1,547	310	2,324	12,315	989	15,628	12,897
Volunteer and donor expenses	55				55	4,675	6,843	11,573	40,476
Total operating expenses before depreciation	2,052,410	8,308,258	2,056,346	13,344,454	25,761,468	2,985,110	956,626	29,703,204	24,737,894
Depreciation	114,987	79,301	51,546	79,301	325,135	43,617	27,755	396,507	367,238
Total Expenses	**$ 2,167,397**	**$ 8,387,559**	**$ 2,107,892**	**$ 13,423,755**	**$ 26,086,603**	**$ 3,028,727**	**$ 984,381**	**$ 30,099,711**	**$ 25,105,132**

See accompanying notes.

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash Flows From Operating Activities:		
Change in net assets	$ 525,245	$ 2,367,383
Adjustments to reconcile change in net assets to		
net cash provided by (used in) operating activities-		
Depreciation	396,507	367,238
Financing cost amortization	12,608	17,261
Loss on disposal of property and equipment		38,312
Donated property and equipment		(96,116)
Decrease (increase) in assets:		
Accounts and grants receivable	(436,506)	(1,254,740)
Pledges receivable	99,841	236,391
Donated inventory	35,266	(86,768)
Prepaid expenses and other current assets	(35,669)	1,299
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(122,475)	133,078
Abandoned lease obligations		(61,032)
Deferred revenue	(1,371,733)	1,043,293
Net Cash (Used in) Provided by Operating Activities	**(896,916)**	**2,705,599**
Cash Flows From Investing Activities:		
Purchase of property and equipment	(403,890)	(118,931)
Net Cash Used in Investing Activities	**(403,890)**	**(118,931)**
Cash Flows From Financing Activities:		
Payments on notes payable	(175,438)	(270,261)
Payments on capital lease obligations	(21,764)	(66,675)
Net Cash Used in Financing Activities	**(197,202)**	**(336,936)**
Net Change in Cash and Cash Equivalents	**(1,498,008)**	**2,249,732**
Cash and cash equivalents, beginning of year	3,002,144	752,412
Cash and Cash Equivalents, End of Year	**$ 1,504,136**	**$ 3,002,144**
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 218,222	$ 235,197
Acquisition of property and equipment through capital lease	$ -	$ 131,964

See accompanying notes.

Note 1 - Purpose and Programs

Mission Statement - Wellspring Family Services' (Wellspring) mission is to end the cycle of family homelessness in the community. Wellspring's vision is a community in which every child has a safe and stable home.

Wellspring has provided the greater Seattle/King and Pierce counties 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.

The consolidated financial statements include the accounts of Wellspring Family Services and Family Services Property LLC (a single member LLC) (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:

Community Services (CS)

- Early Learning Center
- Family Store
- Housing Services Intervention and Prevention for Homeless and At-Risk Families

Clinical and Training Services (CTS)

- Counseling Services

Employee Assistance Program (EAP)

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.

Basis of Presentation - Net assets, 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:

Net Assets Without Donor Restrictions - Net assets that are not subject to externally imposed restrictions.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Note 2 - Continued

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets are reported as reclassifications between the applicable classes of net assets. It is Wellspring's policy to record restricted contributions that were initially conditional contributions that are recognized and the restriction is met in the same accounting period as activity of net assets without donor restrictions. All other donor-restricted contributions are recorded as activity of net assets with donor restrictions and a release of restriction when the restriction is met.

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 activities.

Donated Inventory - Donated inventory consists of goods for Wellspring's Family Store 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.

Note 2 - Continued

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, 2021 and 2020, Wellspring had no unrelated business income and accordingly, no provision for federal income taxes has been reported in the accompanying consolidated financial statements.

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

	2021	2020
Facilities	$ 75,600	$ 75,600
Family Store goods	754,304	535,755
Monitors and office equipment		96,115
	$ 829,904	**$ 707,470**

In addition, a substantial number of unpaid volunteers have made significant contributions of time (approximately 1,288 hours and 2,205 hours for the years ended December 31, 2021 and 2020, 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. Costs are directly charged to the functions they benefit. Costs for occupancy and other costs are allocated to each function based on square footage of space used by each program.

Legal Matters - Wellspring is involved from time to time in claims, proceedings and litigation arising in the ordinary course of business. In management's opinion, the outcome from these matters will not materially impact Wellspring's financial position.

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 36% and 31% of revenues during the years ended December 31, 2021 and 2020, respectively.

Note 2 - Continued

Revenue Recognition -

Program service fees revenue -

EAP Session Fees - Wellspring provides Employee Assistance Program (EAP) services to employees of customer companies. Wellspring is reimbursed at a fixed rate for services provided. Revenue is recognized at the time the EAP service is provided. Fees are generally received in arrears of services provided.

Counseling Session Fees - Wellspring provides counseling services and receives session fees when clients receive a counseling service whereby Wellspring is reimbursed at a fixed rate for services provided. Revenue is recognized at the time the counseling service is provided. Fees are generally received in arrears of services provided.

Program Administration Fees - Wellspring provides administration services for administrating EAP contracts. Program administration fees are charged based on a capitated rate. Program administration fees are recognized ratably over the service period provided.

Management Fees - Wellspring provides critical incident stress debriefings, trainings, and other management services and receives management fees whereby Wellspring is reimbursed at a fixed rate for services provided. Revenue is recognized at the time the services are provided. Fees are generally received in arrears of services provided.

Program services revenue and receivables are summarized below as follows as of and for the years ended December 31:

	2021 Revenue	2020 Revenue	2021 Receivable	2020 Receivable
EAP session fees	$ 11,673,430	$ 7,591,724	$ 2,044,142	$ 2,383,853
Counseling session fees	1,985,190	1,859,404	273,500	293,251
Program administration fees	2,813,094	3,609,878	6,406	6,406
Management fees	630,455	561,900		
	$ 17,102,169	**$ 13,622,906**	2,324,048	2,683,510
Grants receivable			1,202,578	486,764
Allowance for doubtful accounts			(46,046)	(126,200)
Total Accounts and Grants Receivable, Net of Allowance for Doubtful Accounts			**$ 3,480,580**	**$ 3,044,074**

Grant and Contribution Revenue - Wellspring recognizes contributions when cash, securities, or other assets are received, or an unconditional promise to give is received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are met. Grants and contracts are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at December 31, 2021, conditional contributions approximating $2,740,706 have not been recognized in the accompanying consolidated financial statements.

Note 2 - Continued

Comparative Totals for 2020 - 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, 2020, from which the summarized information was derived.

Subsequent Events - Wellspring has evaluated subsequent events through April 29, 2022, the date on which the financial statements were available to be issued.

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:

	2021	2020
Pledges due in less than one year	$ 32,800	$ 144,441
Allowance for uncollectible pledges	(3,200)	(15,000)
	$ 29,600	**$ 129,441**

Pledges receivable from three donors represented 84% and 89% of total pledges receivable at December 31, 2021 and 2020, respectively.

Note 4 - Property and Equipment

Property and equipment consisted of the following at December 31:

	2021	2020
Land	$ 2,456,349	$ 2,456,349
Building	13,753,109	13,688,686
Furniture and equipment	1,823,177	1,483,711
Leasehold improvements	443,653	443,653
Assets not yet placed in service	10,590	10,590
	18,486,878	18,082,989
Less accumulated depreciation	(6,923,848)	(6,527,342)
	$ 11,563,030	**$ 11,555,647**

Note 5 - Net Assets With Donor Restriction

Wellspring's net assets with donor restrictions consisted of the following at December 31:

	2021	2020
Subject to the Passage of Time or Expenditure for Specified Purpose:		
Housing services	$ 334,374	$ 148,188
Early Learning Center - general	64,737	14,737
Family Store	212,215	
Housing - Beds for Families	1,235	1,235
Total Subject to the Passage of Time or Expenditure for Specified Purpose	**612,561**	**164,160**
Endowment Corpus:		
Endowment corpus - capital campaign	47,990	47,990
Total Endowment Corpus	**47,990**	**47,990**
Total Net Assets With Donor Restrictions	**$ 660,551**	**$ 212,150**

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, 2021:

Purpose restriction-	
Early Learning Center	$ 95,750
Housing services	194,670
Family Store	50
	$ 290,470

Note 6 - Notes Payable

On October 16, 2015, Wellspring entered into a $5.4 million tax exempt bond with the Washington Health Care Facilities Authority (WHCFA). 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.

The balance on the WHCFA bond was $4,378,777 and $4,554,216 at December 31, 2021 and 2020, 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, 2021, Wellspring was in compliance with the financial covenants.

Note 6 - Continued

On May 9, 2016, Wellspring entered into a Promissory Note with Equity Trust Company FBO David Hiatt IRA (Equity Trust) 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%. During the year ended December 31, 2018, Wellspring signed an additional amendment to extend the maturity date of the note to October 16, 2025. The balance outstanding was $900,000 at December 31, 2021 and 2020.

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

For the Year Ending December 31,	
2022	$ 181,049
2023	187,077
2024	192,287
2025	4,718,364
	5,278,777
Less unamortized financing costs	(8,405)
	$ 5,270,372

Note 7 - Commitments and Contingencies

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. During the year ended December 31, 2020, Wellspring replaced the former lease with a new capital lease for copiers requiring 60 monthly payments of $2,551 through September 2025.

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

For the Year Ending December 31,	
2022	$ 30,615
2023	30,615
2024	30,615
2025	22,960
	114,805
Less amounts representing interest at 6.0%	(10,307)
	$ 104,498

Note 7 - Continued

Property and equipment included copiers and computers under capital leases at December 31, 2021 and 2020 of $131,964. Accumulated depreciation on these leases was $32,991 and $6,598 at December 31, 2021 and 2020, respectively.

Operating Leases - Wellspring leases space for several of its offices in the Seattle area under operating lease agreements expiring through December 2022. Lease expense under these operating leases in 2021 was $136,632.

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. 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, 2021. No employer matching contributions were made to the defined contribution plan for the years ended December 31, 2021 and 2020. Employer profit sharing contributions were $95,136 and $0 for the years ended December 31, 2021 and 2020, respectively.

Note 9 - Available Resources and Liquidity

Wellspring regularly monitors liquidity required to meet its operating needs and other contractual commitments. Wellspring has several sources of liquidity at its disposal, including cash and cash equivalents and the line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Wellspring considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, Wellspring operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Note 9 - Continued

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year as of December 31, comprise the following:

	2021	2020
Cash and cash equivalents	$ 1,504,136	$ 3,002,144
Accounts and grants receivable, net of allowance for doubtful accounts	3,480,580	3,044,074
Current portion of pledges receivable, net	29,600	129,441
Total financial assets	5,014,316	6,175,659
Contractual or donor-imposed restrictions-		
Endowment fund cash	(47,990)	(47,990)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	**$ 4,966,326**	**$ 6,127,669**

As disclosed in Note 6, Wellspring is required to maintain cash liquidity of $1,000,000, to remain in compliance with the WHCFA bond agreement covenants. The liquidity requirement is not included in the calculation of financial assets available to meet cash needs for general expenditure within one year.

Note 10 - Impact of COVID-19

In March 2020, the World Health Organization categorized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. The COVID-19 pandemic has caused business disruption through mandated and voluntary closings of multiple businesses. As a result, employees of Wellspring are working remotely and eliminating nonessential business travel when possible. The extent of the impact of COVID-19 on Wellspring’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, employees and vendors, all of which are uncertain and cannot be predicted. As of the date these financial statements were available to be issued, the extent to which COVID-19 may impact Wellspring’s financial condition or results of operations is uncertain.

In response to COVID-19, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. On April 8, 2020, Wellspring obtained a loan under the PPP with a principal balance of $1,272,173 and an annual interest rate of 1%. All or a portion of the PPP loan may be forgiven if certain terms and conditions of the program are met. The terms and conditions included, but were not limited to, spending the PPP loan funds on qualifying expenses. Wellspring followed the accounting guidance for government grants in U.S. GAAP for accounting for the recognition of revenue from forgiveness of the PPP loan. In applying that guidance, Wellspring recognized revenue when the barriers to entitlement to loan forgiveness were met. Management of Wellspring has determined that the barriers to entitlement consisted of the incurrence of qualifying expenses. Management determined that those barriers to entitlement were met prior to December 31, 2020 and so revenue in the amount of $1,272,173 was recognized in the 2020 consolidated statement of activities. Wellspring submitted its loan forgiveness application to the lender and the PPP loan was forgiven in full by the lender and the Small Business Administration on November 11, 2020.