WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Financial Statements

For the Year Ended December 31, 2022

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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 statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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, 2022, and the changes in its net assets and its cash flows for the year 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.

CN

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

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

Clark Nuber PS

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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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 28, 2023

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Statement of Financial Position
December 31, 2022
(With Comparative Totals for 2021)

	2022	2021
Assets		
Current Assets:		
Cash and cash equivalents	$ 1,220,808	$ 1,504,136
Accounts and grants receivable, net of allowance for doubtful accounts of $469,400 ($46,046 - 2021)	5,929,061	3,480,580
Current portion of pledges receivable, net	175,026	29,600
Donated inventory	143,580	134,164
Prepaid expenses and other current assets	123,543	123,284
Total Current Assets	**7,592,018**	**5,271,764**
Property and equipment, net	11,841,790	11,563,030
Total Assets	**$ 19,433,808**	**$ 16,834,794**
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	$ 3,271,240	$ 1,871,861
Deferred revenue	21,390	18,445
Current portion of financing lease obligations	30,615	25,144
Current portion of notes payable	139,407	181,049
Total Current Liabilities	**3,462,652**	**2,096,499**
Financing lease obligations, less current portion	48,739	79,354
Notes payable, less current portion	6,239,486	5,089,323
Total Liabilities	**9,750,877**	**7,265,176**
Net Assets:		
Without donor restrictions	8,832,030	8,909,067
With donor restrictions	850,901	660,551
Total Net Assets	**9,682,931**	**9,569,618**
Total Liabilities and Net Assets	**$ 19,433,808**	**$ 16,834,794**

See accompanying notes.

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Statement of Activities
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Support, Revenue and Reclassifications:				
Program service fees	$ 19,438,136	$ -	$ 19,438,136	$ 17,102,169
Fees and grants from governmental agencies, including federal assistance of $1,236,863 ($2,061,723 - 2021)	7,028,778		7,028,778	9,804,246
Contributions	2,376,061	687,647	3,063,708	2,841,957
In-kind contributions	2,307,605		2,307,605	829,904
Other	36,610		36,610	46,680
Net assets released from restrictions	497,297	(497,297)		
Total Support, Revenue and Reclassifications	**31,684,487**	**190,350**	**31,874,837**	**30,624,956**
Expenses:				
Program services-				
Children and early learning center	3,501,642		3,501,642	2,052,410
Homeless and at-risk families	5,773,120		5,773,120	8,308,258
Family information and resource exchange	50,455		50,455	
Clinical and training services	2,039,440		2,039,440	2,056,346
Employee assistance program	15,140,903		15,140,903	13,344,454
Total program services	26,505,560		26,505,560	25,761,468
Supporting services-				
Management and general	3,793,421		3,793,421	2,985,110
Fundraising	985,791		985,791	956,626
Total supporting services	4,779,212		4,779,212	3,941,736
Total Expenses Before Depreciation	**31,284,772**		**31,284,772**	**29,703,204**
Change in Net Assets Before Depreciation	**399,715**	**190,350**	**590,065**	**921,752**
Depreciation	(476,752)		(476,752)	(396,507)
Total Change in Net Assets	**(77,037)**	**190,350**	**113,313**	**525,245**
Net assets, beginning of year	8,909,067	660,551	9,569,618	9,044,373
Net Assets, End of Year	**$ 8,832,030**	**$ 850,901**	**$ 9,682,931**	**$ 9,569,618**

See accompanying notes.

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	Program Services						Supporting Services			
	Children and Early Learning Center	Homeless and At-Risk Families	Clinical and Training Services	Family Information and Resource Exchange	Employee Assistance Program	Total Program Services	Management and General	Fundraising	2022 Total	2021 Total
Salaries and wages	$ 985,371	$ 1,318,437	$ 1,424,464	$ 31,218	$ 2,880,882	$ 6,640,372	$ 1,933,243	$ 672,864	$ 9,246,479	$ 7,822,228
Payroll taxes	84,646	112,206	121,771	1,519	232,265	552,407	168,325	53,741	774,473	601,084
Employee benefits	109,878	166,833	151,570	2,112	344,262	774,655	210,726	94,296	1,079,677	710,436
Total salary and related expenses	1,179,895	1,597,476	1,697,805	34,849	3,457,409	7,967,434	2,312,294	820,901	11,100,629	9,133,748
Professional services	5,035	78,151	4,907	15,606	10,685,113	10,788,812	301,630	12,119	11,102,561	10,582,796
Specific assistance	2,166,394	3,414,948				5,581,342	444		5,581,786	7,404,466
Electronic communications	8,404	13,982	34,241		403,326	459,953	459,132	33,356	952,441	740,870
Office/supplies/other	41,679	87,220	42,205		360,002	531,106	67,775	33,286	632,167	475,854
Occupancy	70,613	45,465	195,932		22,991	335,001	103,553	12,850	451,404	425,605
Bad debt		517,239	12,929		102,108	632,276		21,550	653,826	323,401
Interest							305,058		305,058	230,830
Insurance and financial	15,019	16,565	45,717		36,742	114,043	48,056	34,009	196,108	147,851
Marketing/promotion/public relations	11	66			67,766	67,843	69,941	4,798	142,582	74,738
Equipment maintenance	3,808	1,728	1,080		1,815	8,431	82,553	1,230	92,214	80,738
Human resources	2,768	153	3,743		238	6,902	16,367	998	24,267	23,769
Professional development and training	7,987	8	169		3,253	11,417	7,920	1,347	20,684	31,337
Volunteer and donor expenses	23					23	10,939	5,712	16,674	11,573
Postage and shipping	6	119	712		140	977	7,759	3,635	12,371	15,628
Total operating expenses before depreciation	3,501,642	5,773,120	2,039,440	50,455	15,140,903	26,505,560	3,793,421	985,791	31,284,772	29,703,204
Depreciation	138,258	95,350	61,978		95,350	390,936	52,443	33,373	476,752	396,507
Total Expenses	**$ 3,639,900**	**$ 5,868,470**	**$ 2,101,418**	**$ 50,455**	**$ 15,236,253**	**$ 26,896,496**	**$ 3,845,864**	**$ 1,019,164**	**$ 31,761,524**	**$ 30,099,711**

See accompanying notes.

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	$ 113,313	$ 525,245
Adjustments to reconcile change in net assets to net cash used in operating activities-		
Depreciation	476,752	396,507
Financing cost amortization	8,406	12,608
Donated property and equipment	(463,231)	
Decrease (increase) in assets:		
Accounts and grants receivable	(2,448,481)	(436,506)
Pledges receivable	(145,426)	99,841
Donated inventory	(9,416)	35,266
Prepaid expenses and other current assets	(259)	(35,669)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,399,379	(122,475)
Deferred revenue	2,945	(1,371,733)
Net Cash Used in Operating Activities	**(1,066,018)**	**(896,916)**
Cash Flows From Investing Activities:		
Purchase of property and equipment	(292,281)	(403,890)
Net Cash Used in Investing Activities	**(292,281)**	**(403,890)**
Cash Flows From Financing Activities:		
Payment of debt issuance costs	(41,353)	
Payments on notes payable	(5,356,888)	(175,438)
Proceeds from note payable	6,498,356	
Payments on financing lease obligations	(25,144)	(21,764)
Net Cash Provided by (Used in) Financing Activities	**1,074,971**	**(197,202)**
Net Change in Cash and Cash Equivalents	**(283,328)**	**(1,498,008)**
Cash and cash equivalents, beginning of year	1,504,136	3,002,144
Cash and Cash Equivalents, End of Year	**$ 1,220,808**	**$ 1,504,136**
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 293,500	$ 218,222
Receipt of donated property and equipment	$ 463,231	$ -

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 four 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)

Family Information & Resource Exchange (FIRE)

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, 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.

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 and Grants Receivable - Accounts and grants 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 the receivable.

At December 31, 2022, a grants receivable balance of approximately $840,000 is being disputed by a grantor. Wellspring intends to defend its claim and pursue collection of this outstanding receivable balance. A reserve for a potential loss on collectability has been included in the allowance for doubtful account at year end.

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. The most significant estimates relate to the estimates used in determining the collectability of accounts receivable described above. Actual results could differ from those estimates and resulting adjustment to the consolidated financial statements could be significant.

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

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.

Leases - Effective January 1, 2022, Wellspring adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* (Topic 842) (ASC Topic 842) using the modified retrospective approach with comparative accounting periods continuing to be presented under previous lease guidance (ASC Topic 840). Wellspring has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, Wellspring accounted for its existing leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Additionally, Wellspring did not elect the practical expedient to use hindsight in determining the lease term (that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset) and in assessing impairment of the entity's right-of-use (ROU) assets. As a result of the adoption of the new lease accounting guidance, Wellspring recognized on January 1, 2022 (a) a lease liability of $104,498, (b) a right-of-use asset of $98,973 which is included in property and equipment on the consolidated statement of financial position.

Wellspring determines if an arrangement contains a lease at inception. Operating leases are included in ROU assets and lease liabilities in the consolidated statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent Wellspring's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Wellspring's leases do not provide an implicit rate of return; thus, Wellspring uses the risk-free discount rate, determined using a period comparable with that of the lease term from the later of the lease commencement date or implementation date. The ROU asset also includes prepaid lease payments and unamortized initial direct costs, and excludes lease incentives. Wellspring has lease agreements with lease and non-lease components which are accounted for as a single lease component. Lease terms may include options to extend or terminate the lease when it is reasonably certain that Wellspring will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. A ROU asset and operating lease liability is not recognized for leases with an initial term of 12 months or less.

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, 2022 and 2021, Wellspring had no unrelated business income and accordingly, no provision for federal income taxes has been reported in the accompanying consolidated financial statements.

Note 2 - Continued

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

	2022	2021
Facilities	$ 75,600	$ 75,600
Family Store goods	1,768,774	754,304
Furniture and equipment	73,468	
Software	389,763	
	$ 2,307,605	**$ 829,904**

All in-kind contributions received are used in Wellspring's program activities. In-kind contributions of food and clothing to Wellspring's Family Store are valued based on estimates from reviewing prices for similar items through online research. Donated use facilities are valued based on equivalent market rates. Donations of software development services are valued based on the market prices for similar services.

In addition, a substantial number of unpaid volunteers have made significant contributions of time (approximately 943 hours and 1,288 hours for the years ended December 31, 2022 and 2021, 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.

Concentrations - Wellspring had one client comprising 39% and 36% of revenues during the years ended December 31, 2022 and 2021, respectively. Additionally, Wellspring had grant revenue from a single grantor representing 12% of revenues during the year ended December 31, 2022. Reduction of funding from either source would have a significant impact on the operations of Wellspring.

Revenue Recognition -

Program service fees revenue -

<u>EAP Session Fees</u> - 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.

Note 2 - Continued

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:

	2022 Revenue	2021 Revenue	2022 Receivable	2021 Receivable
EAP session fees	$ 11,613,996	$ 11,673,430	$ 4,789,224	$ 2,044,142
Counseling session fees	1,878,029	1,985,190	270,449	273,500
Program administration fees	5,453,178	2,813,094	6,406	6,406
Management fees	492,933	630,455		
	$ 19,438,136	**$ 17,102,169**	5,066,079	2,324,048
Grants receivable			1,332,382	1,202,578
Allowance for doubtful accounts			(469,400)	(46,046)
Total Accounts and Grants Receivable, Net of Allowance for Doubtful Accounts			**$ 5,929,061**	**$ 3,480,580**

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, 2022, conditional contributions approximating $2,187,011 have not been recognized in the accompanying consolidated financial statements.

Comparative Totals for 2021 - 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, 2021, 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:

	2022	2021
Pledges due in less than one year	$ 180,026	$ 32,800
Allowance for uncollectible pledges	(5,000)	(3,200)
	$ 175,026	**$ 29,600**

Note 4 - Property and Equipment

Property and equipment consisted of the following at December 31:

	2022	2021
Land	$ 2,456,349	$ 2,456,349
Building	13,989,893	13,753,109
Furniture and equipment	2,341,905	1,823,177
Leasehold improvements	443,653	443,653
Assets not yet placed in service	10,590	10,590
	19,242,390	18,486,878
Less accumulated depreciation	(7,400,600)	(6,923,848)
	$ 11,841,790	**$ 11,563,030**

Note 5 - Net Assets With Donor Restriction

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

	2022	2021
Subject to the Passage of Time or Expenditure for Specified Purpose:		
Housing services	$ 53,183	$ 334,374
Early Learning Center - general	590,737	64,737
Family Store	153,681	212,215
Counseling	5,000	
Housing - Beds for Families	310	1,235
Total Subject to the Passage of Time or Expenditure for Specified Purpose	**802,911**	**612,561**
Endowment Corpus:		
Endowment corpus - capital campaign	47,990	47,990
Total Endowment Corpus	**47,990**	**47,990**
Total Net Assets With Donor Restrictions	**$ 850,901**	**$ 660,551**

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, 2022:

Purpose restriction-	
Early Learning Center	$ 90,647
Housing services	286,191
Housing - Beds for Families	925
Family Store	119,534
	$ 497,297

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.

In 2022, Wellspring paid off the balance on the WHCFA bond using proceeds from a new loan with the Commerce Bank of Washington (TCBWA), and the balance was $0 and $4,378,777 at December 31, 2022 and 2021, respectively.

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. The note required monthly payments of interest only with the total amount of the principal originally due May 9, 2018. The note was 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. In 2022, Wellspring paid off the Promissory Note using proceeds from a new loan received from TCBWA and the balance outstanding was $0 and $900,000 at December 31, 2022 and 2021, respectively.

On June 8, 2022, Wellspring entered into a Promissory Note with TCBWA for an initial amount of $6,500,000. Proceeds from this note were used to pay the outstanding balances on the WHCFA bond and Equity Trust Promissory Note. The note matures on May 31, 2032 and incurs interest at a rate of 5.09% annually. Monthly payments of principal and interest totaling $38,581 are due beginning in June 2022, with a lump sum payment of all remaining unpaid principal and interest due at maturity. The note is collateralized by the real properties of Wellspring located in King County, WA. The balance on the Promissory Note was $6,420,246 at December 31, 2022.

Under the terms of the TCBWA note, 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, 2022, Wellspring was in compliance with the financial covenants.

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

For the Year Ending December 31,	
2023	$ 139,407
2024	146,671
2025	154,313
2026	162,354
2027	170,813
Thereafter	5,646,688
	6,420,246
Less unamortized financing costs	(41,353)
	$ 6,378,893

Note 7 - Commitments and Contingencies

Financing Lease Obligation - In 2020, Wellspring entered into a lease for eighteen copiers under a noncancelable financing lease agreement which requires 60 monthly payments of $2,551 through September 2025.

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

For the Year Ending December 31,		
2023	$	30,615
2024		30,615
2025		22,960
Total undiscounted cash flows		84,190
Less present value discount		(4,836)
Total Lease Liabilities	**$**	**79,354**

Property and equipment included copiers and computers under financing leases at December 31, 2022 and 2021 of $131,964. Accumulated depreciation on these leases was $59,384 and $32,991 at December 31, 2022 and 2021, respectively.

Short-Term Leases - Wellspring leases space for several of its offices in the Seattle area under operating lease agreements expiring through December 2022. All lease terms are for one year or less. Lease expense under these operating leases in 2022 was $211,535, which includes variable lease expenses related to short-term leases.

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, 2022. No employer matching contributions were made to the defined contribution plan for the years ended December 31, 2022 and 2021. Employer profit sharing contributions were $108,829 and $95,136 for the years ended December 31, 2022 and 2021, 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.

Note 9 - Continued

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.

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:

	2022	2021
Cash and cash equivalents	$ 1,220,808	$ 1,504,136
Accounts and grants receivable, net of allowance for doubtful accounts	5,929,061	3,480,580
Current portion of pledges receivable, net	175,026	29,600
Total financial assets	7,324,895	5,014,316
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	**$ 7,276,905**	**$ 4,966,326**

As disclosed in Note 6, Wellspring is required to maintain cash liquidity of $1,000,000, to remain in compliance with the TCBWA note 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 - Subsequent Events

Wellspring has evaluated subsequent events through April 28, 2023, the date on which the financial statements were available to be issued.

On March 31, 2023, Wellspring closed the counseling services program that was previously offered. The counseling services program incurred net losses of $205,671 and $38,340 during the years ended December 31, 2022 and 2021, respectively.