

**WELLSPRING FAMILY SERVICES**

Financial Statements

For the Year Ended December 31, 2024

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## **Independent Auditor's Report**

**To the Board of Directors  
Wellspring Family Services  
Seattle, Washington**

### **Opinion**

We have audited the financial statements of Wellspring Family Services (Wellspring) which comprise the statement of financial position as of December 31, 2024, and the related 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 financial position of Wellspring as of December 31, 2024, 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.



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## **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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 25, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which is has been derived.

*Clark Nuber P.S.*

Certified Public Accountants  
September 2, 2025

**WELLSPRING FAMILY SERVICES**

**Statement of Financial Position  
December 31, 2024  
(With Comparative Totals for 2023)**

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,000,268	\$ 254,732
Accounts and grants receivable, net of allowance for credit losses of \$0 (\$5,200 - 2023)	1,752,761	1,439,520
Accounts receivable from discontinued operations	493,475	319,378
Current portion of pledges receivable, net	225,000	100,000
Donated inventory	53,855	88,656
Prepaid expenses and other current assets	104,526	157,662
<b>Total Current Assets</b>	<b>3,629,885</b>	<b>2,359,948</b>
Pledges receivable, net, less current portion	27,879	69,856
Cash and cash equivalents restricted for endowment	47,990	47,990
Property and equipment, net	10,990,979	11,760,557
<b>Total Assets</b>	<b>\$ 14,696,733</b>	<b>\$ 14,238,351</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,452,289	\$ 1,611,650
Deferred revenue	7,172	4,525
Current portion of financing lease obligations	22,042	30,615
Current portion of notes payable	150,959	146,671
<b>Total Current Liabilities</b>	<b>1,632,462</b>	<b>1,793,461</b>
Financing lease obligations, less current portion		20,124
Line of credit	800,000	
Notes payable, less current portion	5,943,403	6,097,246
<b>Total Liabilities</b>	<b>8,375,865</b>	<b>7,910,831</b>
<b>Net Assets:</b>		
Without donor restrictions	5,429,771	5,352,529
With donor restrictions	891,097	974,991
<b>Total Net Assets</b>	<b>6,320,868</b>	<b>6,327,520</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 14,696,733</b>	<b>\$ 14,238,351</b>

See accompanying notes.

## WELLSPRING FAMILY SERVICES

### Statement of Activities For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
<b>Support, Revenue, and Reclassifications:</b>				
Fees and grants from governmental agencies, including federal assistance of \$836,669 (\$468,408 - 2023)	\$ 3,488,739	\$ -	\$ 3,488,739	\$ 3,338,971
Contributions	2,580,161	411,550	2,991,711	3,150,157
In-kind contributions	981,845		981,845	2,067,495
Other	33,156		33,156	55,259
Loss on disposal of fixed assets	(254,257)		(254,257)	
Net assets released from restrictions	495,444	(495,444)		
<b>Total Support, Revenue, and Reclassifications</b>	<b>7,325,088</b>	<b>(83,894)</b>	<b>7,241,194</b>	<b>8,611,882</b>
<b>Expenses:</b>				
Program services-				
Children and early learning center	2,876,043		2,876,043	4,041,768
Homeless and at-risk families	1,844,488		1,844,488	1,773,222
Family information and resource exchange				20,454
Total program services	4,720,531		4,720,531	5,835,444
Supporting services-				
Management and general	2,764,509		2,764,509	3,454,073
Fundraising	775,580		775,580	974,556
Total supporting services	3,540,089		3,540,089	4,428,629
<b>Total Expenses Before Depreciation</b>	<b>8,260,620</b>		<b>8,260,620</b>	<b>10,264,073</b>
<b>Change in Net Assets From Continuing Operations Before Depreciation and Discontinued Operations</b>	<b>(935,532)</b>	<b>(83,894)</b>	<b>(1,019,426)</b>	<b>(1,652,191)</b>
Depreciation	(588,579)		(588,579)	(431,500)
<b>Total Change in Net Assets From Continuing Operations</b>	<b>(1,524,111)</b>	<b>(83,894)</b>	<b>(1,608,005)</b>	<b>(2,083,691)</b>
Gain on sale of contracts	2,097,000		2,097,000	
Loss from discontinued operations (Note 11)	(495,647)		(495,647)	(1,271,720)
<b>Total Change in Net Assets</b>	<b>77,242</b>	<b>(83,894)</b>	<b>(6,652)</b>	<b>(3,355,411)</b>
Net assets, beginning of year	5,352,529	974,991	6,327,520	9,682,931
<b>Net Assets, End of Year</b>	<b>\$ 5,429,771</b>	<b>\$ 891,097</b>	<b>\$ 6,320,868</b>	<b>\$ 6,327,520</b>

See accompanying notes.

## WELLSPRING FAMILY SERVICES

### Statement of Functional Expenses For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

	Program Services				Supporting Services		2024 Total	2023 Total
	Children and Early Learning Center	Homeless and At-Risk Families	Employee Assistance Program	Total Program Services	Management and General	Fundraising		
Salaries and wages	\$ 1,172,444	\$ 698,813	\$ 1,665,122	\$ 3,536,379	\$ 1,062,739	\$ 581,639	\$ 5,180,757	\$ 7,090,255
Payroll taxes	100,682	56,988	134,011	291,681	232,582	45,806	570,069	885,816
Employee benefits	135,172	79,445	231,287	445,904	108,840	63,869	618,613	779,584
<b>Total salary and related expenses</b>	<b>1,408,298</b>	<b>835,246</b>	<b>2,030,420</b>	<b>4,273,964</b>	<b>1,404,161</b>	<b>691,314</b>	<b>6,369,439</b>	<b>8,755,655</b>
Specific assistance	1,362,082	743,053	34	2,105,169			2,105,169	2,775,838
Professional services	7,522	126,594	1,207,876	1,341,992	155,271	5,000	1,502,263	2,634,573
Electronic communications	31,974	26,822	107,491	166,287	312,925	26,172	505,384	647,353
Interest					413,469		413,469	332,556
Occupancy	12,805	85,366	14,421	112,592	191,532	3,010	307,134	372,906
Insurance and financial	32,890	23,908	66,578	123,376	105,129	27,550	256,055	244,006
Office/supplies/other	13,918	2,886	55,144	71,948	114,384	20,909	207,241	230,396
Marketing/promotion/public relations			29,393	29,393	7,090		36,483	36,695
Equipment maintenance	612	229	388	1,229	30,093	80	31,402	49,970
Human resources	1,040	384	212	1,636	13,020	218	14,874	30,434
Postage and shipping	9			9	12,509		12,518	5,504
Professional development and training	4,893		204	5,097	2,324	177	7,598	22,196
Agency sponsored conferences					2,123		2,123	
Volunteer and donor expenses					479	1,150	1,629	11,133
Bad debt								45,199
<b>Total expenses including discontinued operations before depreciation</b>	<b>2,876,043</b>	<b>1,844,488</b>	<b>3,512,161</b>	<b>8,232,692</b>	<b>2,764,509</b>	<b>775,580</b>	<b>11,772,781</b>	<b>16,194,414</b>
Less expenses from discontinued operations presented separately on the consolidated statement of activities (Note 11)			(3,512,161)	(3,512,161)			(3,512,161)	(5,930,341)
<b>Total operating expenses before depreciation</b>	<b>2,876,043</b>	<b>1,844,488</b>		<b>4,720,531</b>	<b>2,764,509</b>	<b>775,580</b>	<b>8,260,620</b>	<b>10,264,073</b>
Depreciation	42,385			42,385	546,194		588,579	431,500
<b>Total Expenses</b>	<b>\$ 2,918,428</b>	<b>\$ 1,844,488</b>	<b>\$ -</b>	<b>\$ 4,762,916</b>	<b>\$ 3,310,703</b>	<b>\$ 775,580</b>	<b>\$ 8,849,199</b>	<b>\$ 10,695,573</b>

See accompanying notes.

## WELLSPRING FAMILY SERVICES

### Statement of Cash Flows For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

	<u>2024</u>	<u>2023</u>
<b>Cash Flows From Operating Activities:</b>		
From continuing operations-		
Change in net assets from continuing operations	\$ (1,608,005)	\$ (2,083,691)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities from continuing operations-		
Depreciation	588,579	431,500
Loss on disposal of equipment	254,257	
Financing cost amortization	4,431	4,431
Decrease (increase) in assets:		
Accounts and grants receivable	(313,241)	(299,683)
Pledges receivable	(83,023)	5,170
Donated inventory	34,801	54,924
Prepaid expenses and other current assets	53,136	(34,119)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(159,361)	(1,659,590)
Deferred revenue	2,647	(16,865)
Net cash provided by operating activities from continuing operations	(1,225,779)	(3,597,923)
Change in net assets from discontinued operations	1,601,353	(1,163,845)
Decrease (increase) in assets:		
Accounts and grants receivable from discontinued operations	(174,097)	4,469,846
Net cash provided by (used in) operating activities from discontinued operations	1,427,256	3,306,001
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>201,477</b>	<b>(291,922)</b>
<b>Cash Flows From Investing Activities:</b>		
Purchase of property and equipment	(73,258)	(458,142)
<b>Net Cash Used in Investing Activities</b>	<b>(73,258)</b>	<b>(458,142)</b>
<b>Cash Flows From Financing Activities:</b>		
Payments on notes payable	(153,986)	(139,407)
Proceeds from line of credit	800,000	
Payments on financing lease obligations	(28,697)	(28,615)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>617,317</b>	<b>(168,022)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>745,536</b>	<b>(918,086)</b>
Cash and cash equivalents, beginning of year	302,722	1,220,808
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,048,258</b>	<b>\$ 302,722</b>
<b>Supplementary Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 409,038	\$ 328,125
The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheet that sums to the total of the same such amounts shown in the statement of cash flows:		
Cash and cash equivalents	\$ 1,000,268	\$ 254,732
Reserves	47,990	47,990
<b>Total Cash, Cash Equivalents, and Restricted Cash Shown in the Consolidated Statement of Cash Flows</b>	<b>\$ 1,048,258</b>	<b>\$ 302,722</b>

See accompanying notes.

## WELLSPRING FAMILY SERVICES

### Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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#### 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 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. FSP, LLC was dissolved during the year ended December 31, 2023.

**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 two service groups:

#### Community Services (CS)

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

#### Employee Assistance Program (EAP)

#### Note 2 - Summary of Significant Accounting Policies

**Basis of Accounting** - The accompanying 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 subject to donor-imposed stipulations that will be met either by actions of Wellspring or the passage of time, or net assets subject to donor-imposed stipulations that must be maintained permanently by Wellspring.

## WELLSPRING FAMILY SERVICES

### Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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#### 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 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, 2024, a grants receivable balance of approximately \$840,000 was being disputed by a grantor. Subsequent to year end, in February 2025, in accordance with Washington Superior Court Civil Rule 2A, Wellspring settled with Pierce County (the County) whereby the County will pay \$800,000 for Housing Intervention Program services previously rendered by Wellspring under grant contracts with the County. This amount represents the balance owed on the contracts, and after execution of the agreement, Wellspring agreed to dismiss the pending lawsuit filed to recover these funds.

**Use of Estimates** - The preparation of the 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 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.

## WELLSPRING FAMILY SERVICES

### Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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#### Note 2 - Continued

**Financing Costs** - Financing costs are recorded as a deduction to the related debt liability on the 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 is included as a component of interest expense on the 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** - Wellspring determines if an arrangement contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and 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 lease liability are not recognized for leases with an initial term of 12 months or less.

Wellspring has one financing lease outstanding with payments of \$22,042 due through September 2025. At December 31, 2024 and 2023, the ROU asset of \$19,794 and \$46,187, respectively, is included in property and equipment on the statement of financial position.

**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, 2024 and 2023, Wellspring had no unrelated business income and accordingly, no provision for federal income taxes has been reported in the accompanying financial statements.

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

	<u>2024</u>	<u>2023</u>
Facilities	\$ 75,600	\$ 75,600
Family Store goods	906,245	1,991,895
	<u>\$ 981,845</u>	<u>\$ 2,067,495</u>

## WELLSPRING FAMILY SERVICES

### Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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#### Note 2 - Continued

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.

In addition, a substantial number of unpaid volunteers have made significant contributions of time (approximately 2,020 hours and 2,270 hours for the years ended December 31, 2024 and 2023, respectively (unaudited) to develop and carry out the programs of Wellspring. The value of this contributed time is not reflected in the 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 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 no concentrations of fees and grants from governmental during the year ended December 31, 2024. Wellspring had one client comprising 10% of revenues during the year ended December 31, 2023. Additionally, Wellspring had contributions revenue from two contributors representing 27% of revenues during the year ended December 31, 2024. Wellspring had no concentrations of contributions revenue during the year ended December 31, 2023. Reduction of funding from either source would have a significant impact on the operations of Wellspring.

Wellspring had pledges receivable from two contributors representing 79% of pledges receivable at December 31, 2024. Wellspring had a pledge receivable from one contributor representing 100% of pledges receivable at December 31, 2023.

#### 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. Employee Assistance Program Services (EAP) were discontinued in December 2024.

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

## WELLSPRING FAMILY SERVICES

### Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

#### Note 2 - Continued

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:

	2024 Revenue	2023 Revenue	2024 Receivable	2023 Receivable
EAP session fees	\$ 194,962	\$ 1,293,616	\$ 493,475	\$ 319,378
Counseling session fees	183,494	49,094	26,362	39,110
Program administration fees	2,041,458	2,481,590	1,099	2,916
Management fees	96,600	553,493		
Less revenue from discontinued operations presented separately on the consolidated statement of activities	<u>(2,516,514)</u>	<u>(4,376,602)</u>		
	<u>\$ -</u>	<u>\$ 1,191</u>		
Grants receivable			1,725,300	1,402,694
Allowance for credit losses				<u>(5,200)</u>
<b>Total Accounts and Grants Receivable, Net of Allowance for Credit Losses</b>			<u><b>\$ 2,246,236</b></u>	<u><b>\$ 1,758,898</b></u>

**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, 2024, conditional contributions approximating \$910,996 have not been recognized in the accompanying financial statements.

**Comparative Totals for 2023** - The 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 financial statements for the year ended December 31, 2023, from which the summarized information was derived.

**Reclassification** - Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on Wellspring's prior year reported results of operations or financial position.

## WELLSPRING FAMILY SERVICES

### Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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#### 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:

	<u>2024</u>	<u>2023</u>
Pledges due in less than one year	\$ 225,000	\$ 100,000
Pledges due in more than one year	27,879	100,000
Present value discount		(30,144)
<b>Total Pledges Receivable, Net</b>	<b><u>\$ 252,879</u></b>	<b><u>\$ 169,856</u></b>

#### Note 4 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2024</u>	<u>2023</u>
Land	\$ 2,456,349	\$ 2,456,349
Building	14,059,331	14,059,331
Furniture and equipment	2,499,397	2,681,419
Leasehold improvements	273,446	443,653
Assets not yet placed in service		59,778
	19,288,523	19,700,530
Less accumulated depreciation	<u>(8,297,544)</u>	<u>(7,939,973)</u>
	<b><u>\$ 10,990,979</u></b>	<b><u>\$ 11,760,557</u></b>

In July 2024, Wellspring entered into a one-year exclusive sale listing agreement to list the building for sale for \$12 million.

## WELLSPRING FAMILY SERVICES

### Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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#### Note 5 - Net Assets With Donor Restriction

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

	<u>2024</u>	<u>2023</u>
<b>Subject to the Passage of Time or Expenditure for Specified Purpose:</b>		
Housing services	\$ 320,843	\$ 120,251
Early Learning Center - general	249,352	398,480
Family Store	30,506	10,054
NW Justice Project Client Assistance Fund	5,000	111,111
Other misc. funds	84,527	117,249
Pledges due in future periods	<u>152,879</u>	<u>169,856</u>
<b>Total Subject to the Passage of Time or Expenditure for Specified Purpose</b>	<b>843,107</b>	<b>927,001</b>
<b>Endowment Corpus:</b>		
Endowment corpus - capital campaign	<u>47,990</u>	<u>47,990</u>
<b>Total Endowment Corpus</b>	<b>47,990</b>	<b>47,990</b>
<b>Total Net Assets With Donor Restrictions</b>	<b><u>\$ 891,097</u></b>	<b><u>\$ 974,991</u></b>

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, 2024:

Purpose restriction-	
Early Learning Center - general	\$ 177,950
Housing services	134,269
Other misc. funds	88,369
Time restriction-	
Pledges	<u>94,856</u>
	<b><u>\$ 495,444</u></b>

## WELLSPRING FAMILY SERVICES

### Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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#### Note 6 - Notes Payable

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 \$6,094,362 at December 31, 2024.

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, 2024, Wellspring was not in compliance with certain nonfinancial covenants. Wellspring also obtained a forbearance from TCBWA which suspended TCBWA exercising default remedies on the debt until December 31, 2025.

In January 2024, Wellspring took out a line of credit with Rainier Valley Community Bank for a maximum draw of \$800,000 at an 8% interest rate per annum. Payments of accrued interest on the outstanding balance began February 1, 2024, and continue on the first of each month thereafter. Subsequent to year end, the line of credit agreement was amended to mature on January 7, 2026, on which date the balance of the principal and any accrued interest are due. The line of credit is secured by a deed of trust on Wellspring's main property and any leases or rents revenue collected by Wellspring.

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

For the Year Ending December 31,

2025	\$	150,959
2026		958,028
2027		166,379
2028		174,338
2029		184,384
Thereafter		<u>5,292,765</u>
		6,926,853
Less unamortized financing costs		<u>(32,491)</u>
		<u><u>\$ 6,894,362</u></u>

#### Note 7 - Commitments and Contingencies

**Subleases** - In March 2024, Wellspring executed an agreement with Sound, a Washington nonprofit corporation, to lease 7,398 sq ft of Wellspring's premises. The lease term is five years, beginning May 1, 2024. Monthly rent revenue is \$20,653.

## WELLSPRING FAMILY SERVICES

### Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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#### Note 7 - Continued

**Short-Term Leases** - Wellspring leased space for several of its offices in the Seattle area under operating lease agreements. All lease terms were for one year or less. During the year ended December 31, 2023, Wellspring cancelled these leases. Lease expenses under these operating leases (which include variable lease expenses related to short-term leases) during the years ended December 31, 2024 and 2023 were \$0 and \$96,845, respectively.

**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. No employer matching contributions were made to the defined contribution plan for the years ended December 31, 2024 and 2023. No employer profit sharing contributions were made to the defined contribution plan for the years ended December 31, 2024 and 2023.

#### 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.

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:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,000,268	\$ 254,732
Accounts and grants receivable, net of allowance for credit losses	1,752,761	1,439,520
Current portion of pledges receivable, net	<u>225,000</u>	<u>100,000</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b><u>\$ 2,978,029</u></b>	<b><u>\$ 1,794,252</u></b>

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.

## WELLSPRING FAMILY SERVICES

### Notes to Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

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#### Note 10 - Discontinued Operations

In December 2024, Wellspring entered into an asset purchase agreement to sell their transferable EAP contracts to a third-party. The sales price was \$1,597,000, with an additional \$500,000 paid to Wellspring giving rights to the third party to be sole negotiator and an additional \$753,000 paid to Wellspring should all EAP customers agree to be transferred to the third party's services. This resulted in staff reductions and the reduction of all other program costs. Wellspring incurred a loss from the discontinued operations in the amount of \$608,220 and \$828,063 related to EAP for the years ended December 31, 2024 and 2023, respectively.

In March 2023, management closed the Clinical and Training Services program due to poor financial performance and a lack of available funding for the program. This resulted in staff reductions and the reduction of all other program costs. Wellspring incurred a loss from the discontinued operations in the amount of \$443,657 for the year end December 31, 2023.

#### Note 11 - Subsequent Events

Wellspring has evaluated subsequent events through September 2, 2025, the date on which the financial statements were available to be issued.

In February 2025, in accordance with Washington Superior Court Civil Rule 2A, Wellspring settled with Pierce County (the County) whereby the County will pay \$800,000 for Housing Intervention Program services previously rendered by Wellspring under grant contracts with the County. This amount represents the majority of the balance owed on the contracts, and after execution of the agreement, Wellspring agreed to dismiss the pending lawsuit filed to recover these funds.