WELLSPRING FAMILY SERVICES
AND SUBSIDIARY

Consolidated Financial Statements

For the Year Ended December 31, 2013

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Certified Public Accountants and Consultants

Independent Auditor's Report

Board of Directors
Wellspring Family Services and Subsidiary
Seattle, Washington

REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Wellspring Family Services and Subsidiary (collectively, Wellspring), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Certified Public
Accountants
and Consultants

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wellspring as of December 31, 2013, and the changes in its net assets, functional expenses, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Wellspring's 2012 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 21, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information shown on pages 15 through 16 is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Clark Nuber PS

Certified Public Accountants
May 13, 2014

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Statement of Financial Position
December 31, 2013
(With Comparative Totals for 2012)

	2013	*2012*
Assets		
Current Assets:		
Cash and cash equivalents	$ 2,066,156	$ 1,874,857
Accounts receivable, net of allowance for doubtful accounts of $68,519 ($34,815 - 2012)	1,112,312	1,281,438
Current portion of pledges receivable, net	75,464	124,950
Current portion of capital campaign pledges receivable, net	61,788	119,890
Prepaid expenses and other current assets	100,582	136,225
Total Current Assets	**3,416,302**	**3,537,360**
Property and equipment, net	14,629,056	15,144,152
Other Assets:		
Pledges receivable, less current portion	26,000	44,773
Capital campaign pledges receivable, net, less current portion	48,929	63,295
Beneficial interest in assets held by The Seattle Foundation	127,820	141,044
Total Assets	**$ 18,248,107**	**$ 18,930,624**
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	$ 641,605	$ 941,339
Deferred revenue	254,828	
Current portion of capital lease obligations	29,521	28,295
Current portion of notes payable	208,588	202,356
Total Current Liabilities	**1,134,542**	**1,171,990**
Accrued interest payable	13,931	13,931
Capital lease obligations, less current portion	85,130	114,651
Notes payable, less current portion	5,494,596	5,703,632
Total Liabilities	**6,728,199**	**7,004,204**
Net Assets:		
Unrestricted	10,932,895	11,311,859
Temporarily restricted	541,513	569,061
Permanently restricted	45,500	45,500
Total Net Assets	**11,519,908**	**11,926,420**
Total Liabilities and Net Assets	**$ 18,248,107**	**$ 18,930,624**

See accompanying notes.

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Statement of Activities
For the Year Ended December 31, 2013
(With Comparative Totals for 2012)

	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*2013 Total*	*2012 Total*
Support, Revenue and Reclassifications:					
Program service fees	$ 7,252,634	$ -	$ -	$ 7,252,634	$ 7,268,603
Fees and grants from governmental agencies, including federal assistance of $57,657 ($680,654 - 2012)	1,541,508			1,541,508	2,348,150
Contributions	1,245,153	492,590		1,737,743	1,560,769
United Way of King County	784,514			784,514	838,974
In-kind contributions	198,870			198,870	289,401
Training fee revenues	37,623			37,623	40,602
Investment return	130	18,639		18,769	18,012
Other	4,107			4,107	10,136
Net assets released from restrictions	538,777	(538,777)			
Total Support, Revenue and Reclassifications	**11,603,316**	**(27,548)**		**11,575,768**	**12,374,647**
Expenses:					
Program services-					
Homeless children's services	218,932			218,932	296,565
Homeless and at-risk families	2,919,608			2,919,608	3,709,023
Domestic violence intervention and prevention	328,652			328,652	337,881
Clinical and training services	3,057,190			3,057,190	3,433,233
Employee assistance program	2,860,422			2,860,422	2,816,742
Total program services	9,384,804			9,384,804	10,593,444
Supporting services-					
Management and general	1,478,474			1,478,474	1,467,028
Fundraising	403,638			403,638	445,918
Total supporting services	1,882,112			1,882,112	1,912,946
Total Expenses before Depreciation and Amortization	**11,266,916**			**11,266,916**	**12,506,390**
Change in Net Assets before Depreciation and Amortization	**336,400**	**(27,548)**		**308,852**	**(131,743)**
Depreciation and amortization	715,364			715,364	629,848
Total Change in Net Assets	**(378,964)**	**(27,548)**		**(406,512)**	**(761,591)**
Net assets, beginning of year	11,311,859	569,061	45,500	11,926,420	12,688,011
Net Assets, End of Year	**$ 10,932,895**	**$ 541,513**	**$ 45,500**	**$ 11,519,908**	**$ 11,926,420**

See accompanying notes.

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2013
(With Comparative Totals for 2012)

	Program Services						*Supporting Services*			
	Homeless Children's Services	*Homeless & At-Risk Families*	*Domestic Violence Intervention & Prevention*	*Clinical & Training Services*	*Employee Assistance Program*	*Total Program Services*	*Management & General*	*Fund Raising*	*2013 Total*	*2012 Total*
Salaries and wages	$ 128,435	$ 1,419,188	$ 194,757	$ 2,078,965	$ 989,749	$ 4,811,094	$ 718,168	$ 203,959	$ 5,733,221	$ 6,089,422
Payroll taxes	10,331	116,791	15,550	170,369	78,794	391,835	56,766	16,600	465,201	512,144
Employee benefits	16,856	182,946	27,716	222,613	105,647	555,778	73,558	10,864	640,200	906,252
Total salary and related expenses	155,622	1,718,925	238,023	2,471,947	1,174,190	5,758,707	848,492	231,423	6,838,622	7,507,818
Professional services	10,550	28,668	35,310	61,196	1,378,354	1,514,078	331,314	31,710	1,877,102	1,772,050
Human resources	18	972	189	1,399	402	2,980	16,542	394	19,916	35,368
Professional development and training	351	14,203	827	251	2,388	18,020	3,361	1,020	22,401	56,840
Occupancy	27,006	170,853	24,781	220,578	28,101	471,319	85,237	8,467	565,023	721,871
Electronic communications	7,437	25,685	2,864	20,358	60,033	116,377	19,567	2,830	138,774	126,485
Equipment maintenance	1,270	17,472	8,236	12,963	8,969	48,910	51,477	12,595	112,982	128,095
Agency sponsored conferences		120		472	256	848			848	1,075
Office/supplies/other	5,562	48,168	5,720	83,779	84,396	227,625	31,843	8,514	267,982	286,071
Postage and shipping	27	310	348	3,228	4,790	8,703	2,663	3,508	14,874	16,675
Insurance and financial	10,604	74,705	12,354	78,883	19,566	196,112	38,348	22,043	256,503	100,190
Volunteer and donor expenses	485	575			40	1,100	7,991	69,140	78,231	106,956
Marketing/promotion/public relations				15,675	47,937	63,612	41,490		105,102	109,810
Bad debt				78,481	51,000	129,481		11,994	141,475	274,341
Specific assistance		818,952		7,980		826,932	149		827,081	1,262,745
Total expenses before depreciation and amortization	218,932	2,919,608	328,652	3,057,190	2,860,422	9,384,804	1,478,474	403,638	11,266,916	12,506,390
Depreciation and amortization	31,847	197,090	26,592	170,996	32,694	459,219	247,467	8,678	715,364	629,848
Total Expenses	**$ 250,779**	**$ 3,116,698**	**$ 355,244**	**$ 3,228,186**	**$ 2,893,116**	**$ 9,844,023**	**$ 1,725,941**	**$ 412,316**	**$ 11,982,280**	**$ 13,136,238**

See accompanying notes.

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2013
(With Comparative Totals for 2012)

	2013	*2012*
Cash Flows from Operating Activities:		
Change in net assets	$ (406,512)	$ (761,591)
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	715,364	629,848
Net gain from the beneficial interest held by The Seattle Foundation	(16,776)	(15,338)
Donated computer equipment and software		(30,000)
Decrease (increase) in assets:		
Accounts receivable	169,126	98,567
Pledges receivable	103,048	182,628
Prepaid expenses and other current assets	7,109	202,015
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(294,743)	(131,309)
Deferred revenue	254,828	
Net Cash Provided by Operating Activities	**531,444**	**174,820**
Cash Flows from Investing Activities:		
Purchase of property and equipment	(176,725)	(167,509)
Distribution of beneficial interest in asset held by The Seattle Foundation	30,000	60,000
Net Cash Used in Investing Activities	**(146,725)**	**(107,509)**
Cash Flows from Financing Activities:		
Payments on notes payable	(202,804)	(197,130)
Payments on capital lease obligations	(28,295)	(9,168)
Proceeds from contributions restricted for the acquisition of long-term assets	37,679	32,634
Net Cash Used in Financing Activities	**(193,420)**	**(173,664)**
Net Change in Cash and Cash Equivalents	**191,299**	**(106,353)**
Cash and cash equivalents, beginning of year	1,874,857	1,981,210
Cash and Cash Equivalents, End of Year	**$ 2,066,156**	**$ 1,874,857**
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 156,915	$ 157,051
Acquisition of fixed assets through a capital lease	$ -	$ 152,114
Property and equipment acquired through in-kind donation	$ -	$ 30,000

See accompanying notes.

Note 1 - Purpose and Programs

<u>Mission Statement</u>

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

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

Wellspring is located at The Rotary Support Center for Families (the Support Center) in Seattle, WA. 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 locations in the greater Seattle area.

The Support Center is leased from Family Services Property LLC (FSP LLC), a single member LLC, wholly owned by Wellspring Family Services.

<u>Program Services</u>

Wellspring helps families and individuals who are dealing with issues such as depression and anxiety, problems in the workplace, aging, parenting and family issues, homelessness and domestic violence. By providing therapeutically focused services, Wellspring helps people address underlying root causes of the problems, as well as respond to immediate needs.

Wellspring's programs include three service groups:

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

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

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

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

> Unrestricted Net Assets - Net assets that are not subject to externally imposed restrictions.
>
> Temporarily Restricted Net Assets - Net assets subject to externally imposed restrictions that will be met either by actions of Wellspring and/or the passage of time. Temporarily restricted net assets subject to time and program restrictions were $541,513 and $569,061, as of December 31, 2013 and 2012, respectively (Note 9).
>
> Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by Wellspring. As of December 31, 2013 and 2012, Wellspring Family Services had $45,500 of permanently restricted net assets whose earnings are available for program purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions and are not met either by actions of Wellspring and/or the passage of time in the same reporting period. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets. It is Wellspring's policy to recognize restricted contributions in the unrestricted net asset class if the restrictions have been met in the same year that they were received.

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 receivables 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.

Note 2 - Continued

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

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

Income Taxes - The IRS has determined that Wellspring Family Services is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). As such, it is subject to income taxes only on unrelated business income. FSP LLC is not subject to income taxes; such are the responsibility of its members. During the years ended December 31, 2013 and 2012, Wellspring had no unrelated business income and accordingly, no provision for federal income taxes has been reported in the accompanying consolidated financial statements. Wellspring is subject to income tax examination for the current year and certain prior years based on the applicable laws and regulations.

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

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

	2013	*2012*
Facilities	$ 91,000	$ 73,967
Software and computer equipment		30,000
Supplies	107,870	157,692
Services		27,742
	$ 198,870	**$ 289,401**

In addition, a substantial number of unpaid volunteers have made significant contributions of time (approximately 9,366 hours and 9,658 hours for the years ended December 31, 2013 and 2012, 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 current accounting standards.

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

Use of Estimates - The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations - Wellspring had one customer comprising 13% and 15% of revenues during the years ended December 31, 2013 and 2012, respectively.

Note 2 - Continued

Comparative Totals for 2012 - 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, 2012, from which the summarized information was derived.

Subsequent Events - Wellspring has evaluated subsequent events through May 13, 2014, the date on which the consolidated 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:

	2013	*2012*
Less than one year	$ 149,252	$ 263,840
One to five years	77,375	110,848
	226,627	374,688
Allowance for uncollectible pledges	(12,000)	(19,000)
Present value discount at 2-5%	(2,446)	(2,780)
	$ 212,181	**$ 352,908**

Pledges receivable from two donors represented 35% and 24% of total pledges receivable at December 31, 2013 and 2012, respectively. Capital campaign pledges have been spent on their intended purpose and therefore are no longer classified as assets restricted for the acquisition of long-term assets on the consolidated statement of financial position.

Note 4 - Property and Equipment

Property and equipment consisted of the following at December 31:

	2013	*2012*
Land	$ 2,456,349	$ 2,456,349
Building	13,588,083	13,588,083
Furniture and equipment	1,319,511	1,079,578
Vehicles	23,143	23,143
Leasehold improvements	436,954	436,954
Assets not yet placed in service	157,353	225,554
	17,981,393	17,809,661
Less accumulated depreciation	(3,352,337)	(2,665,509)
	$ 14,629,056	**$ 15,144,152**

Note 5 - Beneficial Interest in Assets Held by The Seattle Foundation

Wellspring transferred $330,000 to The Seattle Foundation in 2003. The agreement permits Wellspring's Board of Directors to transfer funds back to Wellspring and stipulates that the timing and amount of distributions will be on an as needed basis. Under U.S. GAAP these funds have been recorded as a contribution and a beneficial interest in assets held by others. At December 31, 2013 and 2012, the balance of $127,820 and $141,044, respectively, is recorded as an asset in the consolidated statement of financial position.

Note 6 - Fair Value Measurements

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

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

Note 6 - Continued

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2013and 2012.

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

A reconciliation of the beginning and ending balances, by each major category of assets and liabilities, for fair value measurements made at December 31, 2013, using significant unobservable inputs (Level 3) is as follows:

Beginning balance	$ 141,044
Grants paid	(30,000)
Net investment return	18,587
Fees	(1,811)
	$ 127,820

Note 7 - Notes Payable

On November 13, 2008, Wellspring entered into a New Markets Tax Credit transaction to help finance the construction of the Support Center.

The New Markets Tax Credit Program was designed to stimulate investment and economic growth in specially designated Low-Income Communities (LICs) by offering a seven-year, 39% federal tax credit for Qualified Equity Investments (QEI) made through investment vehicles known as Community Development Entities (CDE). CDEs use capital derived from tax credits to make loans to or investments in Qualified Active Low Income Community Businesses (QALICBs) located in LICs. The Support Center is identified as a QALICB for this purpose.

At December 31, 2013 and 2012, the balance of the loan was $5,703,184 and $5,905,988, respectively. Interest accrues at 2.57% per annum and the rate lock fees are 2%. The balance of the loan is due in November 2015.

As of December 31, 2013, future minimum payments on the notes are as follows:

For the Year Ending December 31,

2014	$ 208,588
2015	5,494,596
	$ 5,703,184

Under the terms of the agreement, Wellspring must comply with a debt service covenant ratio. Compliance with such covenants is determined on an annual basis. As of December 31, 2013, Wellspring was in compliance with the financial covenant.

Note 8 - Line of Credit

Wellspring had available an $800,000 line of credit with a bank, expiring September 1, 2013. There was no outstanding balance on the line at September 1, 2013. The line bore interest at the greater of prime rate plus 0.875% or 5% at January 1, 2013. The line was collateralized with assets owned by Wellspring. Renewal of the line was postponed until 2014. Wellspring has entered into a new $500,000 line of credit with the same bank as of April 4, 2014, expiring September 30, 2014, at a revised rate of prime rate plus 1.00% or 4.25% as at April 4, 2014.

Under the terms of the expired line of credit and the new line of credit, Wellspring must comply with two financial covenants; total debt to tangible net worth and operating cash flow to fixed charge ratio. Compliance with such covenants is determined on an annual basis. As of December 31, 2012, Wellspring was not in compliance with one of the financial covenants. The lending institution provided a waiver of compliance for the covenant. The December 31, 2013 financial results are in compliance with the covenants of the renewed line of credit.

Note 9 - Temporarily Restricted Net Assets

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

	2013	*2012*
Capital campaign - program	$ 45,017	$ 145,017
Project Permanency	106,906	141,044
Homeless children services	347,590	124,000
New parent services	42,000	84,000
Housing diversion program		75,000
	$ 541,513	**$ 569,061**

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, 2013:

Purpose restriction-	
Homeless children services	$ 311,000
Capital campaign - program and other	100,000
Project permanency	52,777
Housing diversion program	75,000
	$ 538,777

Note 10 - Commitments and Contingencies

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

For the Year Ending December 31,	
2014	$ 33,828
2015	33,828
2016	33,828
2017	22,552
	124,036
Less amounts representing interest at 4.25%	(9,385)
	$ 114,651

Property and equipment included copiers under capital leases of $152,114 and accumulated depreciation of $49,706 at December 31, 2013.

Operating Leases - Wellspring leases space for several of its offices in the Seattle area under operating lease agreements expiring through December 2016. Lease expense under these operating leases in 2013 was $229,426. As of December 31, 2013, future minimum lease payments under operating leases with terms in excess of one year are as follows:

For the Year Ending December 31,	
2014	$ 277,324
2015	114,435
2016	116,978
	$ 508,737

Note 11 - Retirement Plan

Wellspring’s Tax Deferred Annuity Retirement Plan (the Plan) covers all eligible employees. The benefit formula used to determine Wellspring’s contribution to the Plan is based on a stated contribution formula. Contributions to the defined contribution plan amounted to $82,498 and $225,881 for the years ended December 31, 2013 and 2012, respectively. Employer contributions vest incrementally based on years of service up to five years.

SUPPLEMENTARY INFORMATION

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidating Statement of Financial Position
December 31, 2013
(With Comparative Totals for 2012)

	Wellspring Services Services	*Family Services Property LLC*	*Eliminations*	*2013 Total*	*2012 Total*
Assets					
Current Assets:					
Cash and cash equivalents	$ 1,549,884	$ 516,272	$ -	$ 2,066,156	$ 1,874,857
Accounts receivable, net of allowance for doubtful accounts of $68,519 ($34,815 - 2012)	10,860,600		(9,748,288)	1,112,312	1,281,438
Current portion of pledges receivable, net	75,464			75,464	124,950
Current portion of capital campaign pledges receivable, net	61,788			61,788	119,890
Prepaid expenses and other current assets	45,891	54,691		100,582	136,225
Total Current Assets	**12,593,627**	**570,963**	**(9,748,288)**	**3,416,302**	**3,537,360**
Property and equipment, net	601,767	14,027,289		14,629,056	15,144,152
Other Assets:					
Pledge receivable, net, less current portion	26,000			26,000	44,773
Capital campaign pledges receivable, net, less current portion	48,929			48,929	63,295
Beneficial interest in assets held by The Seattle Foundation	127,820			127,820	141,044
Total Assets	**$ 13,398,143**	**$ 14,598,252**	**$ (9,748,288)**	**$ 18,248,107**	**$ 18,930,624**
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable and accrued expenses	$ 641,605	$ 9,748,288	$ (9,748,288)	$ 641,605	$ 941,339
Deferred revenue	254,828			254,828	
Current portion of capital lease obligations	29,521			29,521	28,295
Current portion of notes payable		208,588		208,588	202,356
Total Current Liabilities	**925,954**	**9,956,876**	**(9,748,288)**	**1,134,542**	**1,171,990**
Accrued interest payable		13,931		13,931	13,931
Capital lease obligations, less current portion	85,130			85,130	114,651
Notes payable, less current portion		5,494,596		5,494,596	5,703,632
Total Liabilities	**1,011,084**	**15,465,403**	**(9,748,288)**	**6,728,199**	**7,004,204**
Net Assets:					
Unrestricted	11,800,046	(867,151)		10,932,895	11,311,859
Temporarily restricted	541,513			541,513	569,061
Permanently restricted	45,500			45,500	45,500
Total Net Assets	**12,387,059**	**(867,151)**		**11,519,908**	**11,926,420**
Total Liabilities and Net Assets	**$ 13,398,143**	**$ 14,598,252**	**$ (9,748,288)**	**$ 18,248,107**	**$ 18,930,624**

See independent auditor's report.

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidating Statement of Activities
For the Year Ended December 31, 2013
(With Comparative Totals for 2012)

	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Wellspring Family Services Total*	*Family Services Property LLC Unrestricted*	*Eliminations*	*2013 Total*	*2012 Total*
Support, Revenue and Reclassifications:								
Program service fees	7,252,634	$ -	$ -	$ 7,252,634	$ -	$ -	$ 7,252,634	$ 7,268,603
Fees and grants from governmental agencies, including federal assistance of $57,657 ($680,654 - 2012)	1,541,508			1,541,508			1,541,508	2,348,150
Contributions	1,245,153	492,590		1,737,743			1,737,743	1,560,769
United Way of King County	784,514			784,514			784,514	838,974
In-kind contributions	198,870			198,870			198,870	289,401
Training fee revenues	37,623			37,623			37,623	40,602
Investment return	130	18,639		18,769			18,769	18,012
Rental income					480,000	(480,000)		
Other	4,107			4,107			4,107	10,136
Net assets released from restrictions	538,777	(538,777)						
Total Support, Revenue and Reclassifications	**11,603,316**	**(27,548)**		**11,575,768**	**480,000**	**(480,000)**	**11,575,768**	**12,374,647**
Expenses:								
Program services-								
Homeless children's services	218,932			218,932			218,932	296,565
Homeless and at-risk families	2,919,608			2,919,608			2,919,608	3,709,023
Domestic violence intervention and prevention	328,652			328,652			328,652	337,881
Clinical and training services	3,057,190			3,057,190			3,057,190	3,433,233
Employee assistance program	2,860,422			2,860,422			2,860,422	2,816,742
Total program services	9,384,804			9,384,804			9,384,804	10,593,444
Supporting services-								
Management and general	1,803,746			1,803,746	154,728	(480,000)	1,478,474	1,467,028
Fundraising	403,638			403,638			403,638	445,918
Total supporting services	2,207,384			2,207,384	154,728	(480,000)	1,882,112	1,912,946
Total Expenses before Depreciation and Amortization	**11,592,188**			**11,592,188**	**154,728**	**(480,000)**	**11,266,916**	**12,506,390**
Change in Net Assets before Depreciation and Amortization	**11,128**	**(27,548)**		**(16,420)**	**325,272**		**308,852**	**(131,743)**
Depreciation and amortization	238,571			238,571	476,793		715,364	629,848
Total Change in Net Assets	**(227,443)**	**(27,548)**	**-**	**(254,991)**	**(151,521)**		**(406,512)**	**(761,591)**
Net assets, beginning of year	12,027,489	569,061	45,500	12,642,050	(715,630)		11,926,420	12,688,011
Net Assets, End of Year	**$ 11,800,046**	**$ 541,513**	**$ 45,500**	**$ 12,387,059**	**$ (867,151)**	**$ -**	**$ 11,519,908**	**$ 11,926,420**

See independent auditor's report.