WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Financial Statements

For the Year Ended December 31, 2014

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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, 2014, 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.

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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, 2014, 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 2013 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated May 13, 2014. As part of our audit of the 2014 financial statements, we also audited adjustments described in Note 11 that were applied to restate the 2013 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 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 and 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
April 16, 2015

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Statement of Financial Position
December 31, 2014
(With Comparative Totals for 2013)

	2014	2013 (As Restated, Note 11)
Assets		
Current Assets:		
Cash and cash equivalents	$ 1,678,110	$ 2,066,156
Accounts receivable, net of allowance for doubtful accounts of $19,024 ($68,519 - 2013)	1,193,124	1,112,312
Current portion of pledges receivable, net	186,638	75,464
Current portion of capital campaign pledges receivable, net	7,331	61,788
Donated inventory	89,400	89,400
Prepaid expenses and other current assets	66,905	100,582
Total Current Assets	**3,221,508**	**3,505,702**
Property and equipment, net	14,129,209	14,629,056
Other Assets:		
Pledges receivable, net, less current portion	166,130	26,000
Capital campaign pledges receivable, net, less current portion	12,227	48,929
Beneficial interest in assets held by The Seattle Foundation	72,834	127,820
Total Assets	**$ 17,601,908**	**$ 18,337,507**
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	$ 770,746	$ 641,605
Deferred revenue	153,388	254,828
Current portion of capital lease obligations	30,800	29,521
Current portion of notes payable	5,495,032	208,588
Total Current Liabilities	**6,449,966**	**1,134,542**
Accrued interest payable	13,931	13,931
Capital lease obligations, less current portion	54,330	85,130
Notes payable, less current portion		5,494,596
Total Liabilities	**6,518,227**	**6,728,199**
Net Assets:		
Unrestricted	10,263,382	11,022,295
Temporarily restricted	774,799	541,513
Permanently restricted	45,500	45,500
Total Net Assets	**11,083,681**	**11,609,308**
Total Liabilities and Net Assets	**$ 17,601,908**	**$ 18,337,507**

See accompanying notes.

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Statement of Activities
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total (As Restated, Note 11)
Support, Revenue and Reclassifications:					
Program service fees	$ 7,567,685	$ -	$ -	$ 7,567,685	$ 7,252,634
Fees and grants from governmental agencies, including federal assistance of $30,214 ($57,657 - 2013)	1,979,299			1,979,299	1,541,508
Contributions	1,248,522	704,856		1,953,378	1,737,743
United Way of King County	679,587			679,587	784,514
In-kind contributions	890,057			890,057	930,880
Training fee revenues	269,540			269,540	37,623
Investment return	(546)	6,849		6,303	18,769
Other	5,201			5,201	4,107
Net assets released from restrictions	478,419	(478,419)			
Total Support, Revenue and Reclassifications	**13,117,764**	**233,286**		**13,351,050**	**12,307,778**
Expenses:					
Program services-					
Children and early learning center	1,025,914			1,025,914	1,537,093
Homeless and at-risk families	2,995,008			2,995,008	2,333,457
Domestic violence intervention and prevention	318,848			318,848	328,652
Clinical and training services	3,402,055			3,402,055	3,057,190
Employee assistance program	3,257,320			3,257,320	2,860,422
Total program services	10,999,145			10,999,145	10,116,814
Supporting services-					
Management and general	1,680,731			1,680,731	1,478,474
Fundraising	501,661			501,661	403,638
Total supporting services	2,182,392			2,182,392	1,882,112
Total Expenses Before Depreciation and Amortization	**13,181,537**			**13,181,537**	**11,998,926**
Change in Net Assets Before Depreciation and Amortization	**(63,773)**	**233,286**		**169,513**	**308,852**
Depreciation and amortization	695,140			695,140	715,364
Total Change in Net Assets	**(758,913)**	**233,286**		**(525,627)**	**(406,512)**
Net assets, beginning of year	11,022,295	541,513	45,500	11,609,308	12,015,820
Net Assets, End of Year	**$ 10,263,382**	**$ 774,799**	**$ 45,500**	**$ 11,083,681**	**$ 11,609,308**

See accompanying notes.

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

	Program Services						Supporting Services			
	Children & Early Learning Center	Homeless & At-Risk Families	Domestic Violence Intervention & Prevention	Clinical & Training Services	Employee Assistance Program	Total Program Services	Management & General	Fund-Raising	2014 Total	2013 Total (As Restated, Note 11)
Salaries and wages	$ 654,336	$ 944,548	$ 203,688	$ 2,280,399	$ 1,153,972	$ 5,236,943	$ 920,433	$ 298,442	$ 6,455,818	$ 5,733,221
Payroll taxes	52,603	72,025	15,431	173,647	83,235	396,941	69,043	23,207	489,191	465,201
Employee benefits	76,284	115,175	31,317	226,599	120,679	570,054	90,307	21,773	682,134	640,200
Total salary and related expenses	783,223	1,131,748	250,436	2,680,645	1,357,886	6,203,938	1,079,783	343,422	7,627,143	6,838,622
Professional services	8,368	40,733	22,739	91,574	1,675,365	1,838,779	217,237	6,120	2,062,136	1,877,102
Human resources	1,327	639	190	860	494	3,510	25,172		28,682	19,916
Professional development and training	5,039	4,295	2,300	1,480	451	13,565	2,322	1,013	16,900	22,401
Occupancy	45,091	63,277	13,460	370,807	12,462	505,097	65,632	3,513	574,242	565,023
Electronic communications	12,252	16,621	2,582	22,571	62,895	116,921	102,051	10,298	229,270	183,157
Equipment maintenance	3,350	8,965	5,060	9,300	6,295	32,970	16,884	2,773	52,627	68,599
Agency sponsored conferences	150		14	27,494		27,658	10		27,668	848
Office/supplies/other	19,177	17,319	5,972	81,204	91,274	214,946	44,752	9,166	268,864	267,982
Postage and shipping	66	993	273	5,008	7,198	13,538	2,496	4,959	20,993	14,874
Insurance and financial	52,551	57,532	15,822	36,988	26,220	189,113	50,311	30,036	269,460	256,503
Volunteer and donor expenses		1,535			564	2,099	12,574	72,894	87,567	78,231
Marketing/promotion/public relations				20,973	16,116	37,089	61,507	429	99,025	105,102
Bad debt				49,651	100	49,751		17,038	66,789	141,475
Specific assistance	95,320	1,651,351		3,500		1,750,171			1,750,171	1,559,091
Total expenses before depreciation and amortization	1,025,914	2,995,008	318,848	3,402,055	3,257,320	10,999,145	1,680,731	501,661	13,181,537	11,998,926
Depreciation and amortization	156,909	157,239	37,333	10,725	47,358	409,564	272,750	12,826	695,140	715,364
Total Expenses	**$ 1,182,823**	**$ 3,152,247**	**$ 356,181**	**$ 3,412,780**	**$ 3,304,678**	**$ 11,408,709**	**$ 1,953,481**	**$ 514,487**	**$ 13,876,677**	**$ 12,714,290**

See accompanying notes.

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

	2014	2013
Cash Flows From Operating Activities:		
Change in net assets	$ (525,627)	$ (406,512)
Adjustments to reconcile change in net assets to		
net cash (used) provided by operating activities-		
Depreciation and amortization	695,140	715,364
Net loss (gain) from the beneficial interest		
held by The Seattle Foundation	(5,014)	(16,776)
Decrease (increase) in assets:		
Accounts receivable	(80,812)	169,126
Pledges receivable	(241,212)	103,048
Prepaid expenses and other current assets	5,143	7,109
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	129,141	(294,743)
Deferred revenue	(101,440)	254,828
Net Cash (Used in) Provided by Operating Activities	**(124,681)**	**531,444**
Cash Flows From Investing Activities:		
Purchase of property and equipment	(166,759)	(176,725)
Distribution of beneficial interest in asset		
held by The Seattle Foundation	60,000	30,000
Net Cash Used in Investing Activities	**(106,759)**	**(146,725)**
Cash Flows From Financing Activities:		
Payments on notes payable	(208,152)	(202,804)
Payments on capital lease obligations	(29,521)	(28,295)
Proceeds from contributions restricted for the		
acquisition of long-term assets	81,067	37,679
Net Cash Used in Financing Activities	**(156,606)**	**(193,420)**
Net Change in Cash and Cash Equivalents	**(388,046)**	**191,299**
Cash and cash equivalents, beginning of year	2,066,156	1,874,857
Cash and Cash Equivalents, End of Year	**$ 1,678,110**	**$ 2,066,156**
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 152,510	$ 159,915

See accompanying notes.

Note 1 - Purpose and Programs

Mission Statement

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

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

Wellspring is located at The Rotary Support Center for Families (the Support Center) in Seattle, Washington. The Support Center houses administration, employee assistance, family stabilization programs, and services to children. In addition to the Support Center, Wellspring offers program services at other locations in the greater Seattle area.

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

Program Services

Wellspring helps children, adults, and families who are experiencing crisis take the next step forward, tap into their own resilience and strength, and build community. Wellspring helps people understand and address the root causes of challenges, as well as respond to immediate needs.

Wellspring's programs include three service groups:

Community Services (CS)

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

Clinical and Training Services (CTS)

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

Employee Assistance Program (EAP)

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-entity transactions have been eliminated.

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

> Unrestricted Net Assets - Net assets that are not subject to externally imposed restrictions.
>
> Temporarily Restricted Net Assets - Net assets subject to externally imposed restrictions that will be met either by actions of Wellspring and/or the passage of time. Temporarily restricted net assets subject to time and program restrictions were $774,799 and $541,513, as of December 31, 2014 and 2013, respectively (Note 8).
>
> Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by Wellspring. As of December 31, 2014 and 2013, 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.

Wellspring capitalizes all items over $1,000 which provides 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

Donated Inventory - Donated inventory consists of goods for Wellspring's Baby Boutique and is valued at its estimated fair value when donated.

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

Income Taxes - The IRS has determined that Wellspring Family Services is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). As such, it is subject to income taxes only on unrelated business income. FSP LLC is not subject to income taxes; such are the responsibility of its members. During the years ended December 31, 2014 and 2013, Wellspring had no unrelated business income and accordingly, no provision for federal income taxes has been reported in the accompanying consolidated financial statements.

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

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

	2014	2013 Total (As Restated, Note 11)
Facilities	$ 90,000	$ 91,000
Baby Boutique goods	800,057	839,880
	$ 890,057	**$ 930,880**

In addition, a substantial number of unpaid volunteers have made significant contributions of time (approximately 7,100 hours and 9,400 hours for the years ended December 31, 2014 and 2013, 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 accounting principles generally accepted in the United States of America (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.

Reclassifications - Certain reclassifications were made to the December 31, 2013 consolidated financial statements to conform to the current period presentation. The reclassifications have no effect on previously reported change in net assets or net assets.

Note 2 - Continued

Use of Estimates - The preparation of the consolidated financial statements in conformity with U.S. GAAP which 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 15% and 13% of revenues during the years ended December 31, 2014 and 2013, respectively.

Comparative Totals for 2013 - 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, 2013, from which the summarized information was derived.

Subsequent Events - Wellspring has evaluated subsequent events through April 16, 2015, 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:

	2014	2013
Less than one year	$ 206,969	$ 149,252
One to five years	187,421	77,375
	394,390	226,627
Allowance for uncollectible pledges	(13,000)	(12,000)
Present value discount at 5%	(9,064)	(2,446)
	$ 372,326	**$ 212,181**

Pledges receivable from one donor represented 63% of total pledges receivable at December 31, 2014 and two donors represented 35% of total pledges receivable at December 31, 2013. 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:

	2014	2013
Land	$ 2,456,349	$ 2,456,349
Building	13,588,083	13,588,083
Furniture and equipment	1,571,947	1,319,511
Vehicles	23,143	23,143
Leasehold improvements	442,467	436,954
Assets not yet placed in service	66,163	157,353
	18,148,152	17,981,393
Less accumulated depreciation	(4,018,943)	(3,352,337)
	$ 14,129,209	**$ 14,629,056**

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, 2014 and 2013, the balance of $72,834 and $127,820, 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, 2014 and 2013.

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, 2014, using significant unobservable inputs (Level 3) is as follows:

Beginning balance	$	127,820
Grants paid		(60,000)
Net investment return		6,849
Fees		(1,835)
	$	**72,834**

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, 2014 and 2013, the balance of the loan was $5,495,032 and $5,703,184, 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; consequently, the full amount of the note is shown as a current liability. Wellspring plans to refinance the note before the due date.

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, 2014, Wellspring was not in compliance with the financial covenant. The lending institution provided a waiver of compliance for the covenant.

Note 8 - Temporarily Restricted Net Assets

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

	2014	2013
Capital campaign - program	$ 45,017	$ 45,017
Project Permanency	44,823	106,906
Homeless children and parent services	4,959	42,000
Early Learning Center - general	50,000	347,590
Early Learning Center - 5th classroom	630,000	
	$ 774,799	**$ 541,513**

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, 2014:

Purpose restriction-	
Project Permanency	$ 68,935
Homeless children and parent services	47,284
Early Learning Center - general	362,200
	$ 478,419

Note 9 - 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,	
2015	$ 33,828
2016	33,828
2017	22,540
	90,196
Less amounts representing interest at 4.25%	(5,066)
	$ 85,130

Property and equipment included copiers under capital leases of $152,114 at December 31, 2014 and 2013. Accumulated depreciation on these leases was $74,285 and $49,706 at December 31, 2014 and 2013, respectively.

Note 9 - Continued

Operating Leases - Wellspring leases space for several of its offices in the Seattle area under operating lease agreements expiring through December 2017. Lease expense under these operating leases in 2014 was $290,898. As of December 31, 2014, future minimum lease payments under operating leases with terms in excess of one year are as follows:

For the Year Ending December 31,		
2015	$	199,755
2016		206,564
2017		93,852
		500,171

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.

Contingencies - At times, Wellspring is subject to litigation and regulatory investigations arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect to Wellspring's future financial position or results from operations.

Note 10 - 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 $87,487 and $82,498 for the years ended December 31, 2014 and 2013, respectively. Employer contributions vest incrementally based on years of service up to five years.

Note 11 - Prior Period Restatement

During the year, management determined that in-kind revenues and expenses for Wellspring's Baby Boutique program of $732,010 should have been recognized during the year ended December 31, 2013. In addition, donated inventory of $89,400 should have been recognized at both December 31, 2013 and 2012. As such, the financial statements have been restated for the year ended December 31, 2013 to properly reflect those amounts. The adjustments had no effect on total change in net assets for the year ended December 31, 2013 but increased unrestricted net assets by $89,400 at December 31, 2012.

SUPPLEMENTARY INFORMATION

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidating Statement of Financial Position
December 31, 2014
(With Comparative Totals for 2013)

	Wellspring Family Services Services	Family Services Property LLC	Eliminations	2014 Total	2013 (As Restated, Note 11)
Assets					
Current Assets:					
Cash and cash equivalents	$ 1,035,786	$ 642,324	$ -	$ 1,678,110	$ 2,066,156
Accounts receivable, net of allowance for doubtful accounts of $19,024 ($68,519 - 2013)	10,941,412		(9,748,288)	1,193,124	1,112,312
Current portion of pledges receivable, net	186,638			186,638	75,464
Current portion of capital campaign pledges receivable, net	7,331			7,331	61,788
Donated inventory	89,400			89,400	89,400
Prepaid expenses and other current assets	40,746	26,159		66,905	100,582
Total Current Assets	**12,301,313**	**668,483**	**(9,748,288)**	**3,221,508**	**3,505,702**
Property and equipment, net	550,178	13,579,031		14,129,209	14,629,056
Other Assets:					
Pledge receivable, net, less current portion	166,130			166,130	26,000
Capital campaign pledges receivable, net, less current portion	12,227			12,227	48,929
Beneficial interest in assets held by The Seattle Foundation	72,834			72,834	127,820
Total Assets	**$ 13,102,682**	**$ 14,247,514**	**$ (9,748,288)**	**$ 17,601,908**	**$ 18,337,507**
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable and accrued expenses	$ 770,746	$ 9,748,288	$ (9,748,288)	$ 770,746	$ 641,605
Deferred revenue	153,388			153,388	254,828
Current portion of capital lease obligations	30,800			30,800	29,521
Current portion of notes payable		5,495,032		5,495,032	208,588
Total Current Liabilities	**954,934**	**15,243,320**	**(9,748,288)**	**6,449,966**	**1,134,542**
Accrued interest payable		13,931		13,931	13,931
Capital lease obligations, less current portion	54,330			54,330	85,130
Notes payable, less current portion					5,494,596
Total Liabilities	**1,009,264**	**15,257,251**	**(9,748,288)**	**6,518,227**	**6,728,199**
Net Assets:					
Unrestricted	11,273,119	(1,009,737)		10,263,382	11,022,295
Temporarily restricted	774,799			774,799	541,513
Permanently restricted	45,500			45,500	45,500
Total Net Assets	**12,093,418**	**(1,009,737)**		**11,083,681**	**11,609,308**
Total Liabilities and Net Assets	**$ 13,102,682**	**$ 14,247,514**	**$ (9,748,288)**	**$ 17,601,908**	**$ 18,337,507**

See independent auditor’s report.

WELLSPRING FAMILY SERVICES AND SUBSIDIARY

Consolidating Statement of Activities
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Wellspring Family Services Total	Family Services Property LLC Unrestricted	Eliminations	2014 Total	2013 Total (As Restated, Note 11)
Support, Revenue and Reclassifications:								
Program service fees	$ 7,567,685	$ -	$ -	$ 7,567,685	$ -	$ -	$ 7,567,685	$ 7,252,634
Fees and grants from governmental agencies, including federal assistance of $30,214 ($57,657 - 2013)	1,979,299			1,979,299			1,979,299	1,541,508
Contributions	1,248,522	704,856		1,953,378			1,953,378	1,737,743
United Way of King County	679,587			679,587			679,587	784,514
In-kind contributions	890,057			890,057			890,057	930,880
Training fee revenues	269,540			269,540			269,540	37,623
Investment return	(546)	6,849		6,303			6,303	18,769
Rental income					480,000	(480,000)		
Other	5,201			5,201			5,201	4,107
Net assets released from restrictions	478,419	(478,419)						
Total Support, Revenue and Reclassifications	**13,117,764**	**233,286**		**13,351,050**	**480,000**	**(480,000)**	**13,351,050**	**12,307,778**
Expenses:								
Program services-								
Children and Early Learning Center	1,025,914			1,025,914			1,025,914	1,537,093
Homeless and at-risk families	2,995,008			2,995,008			2,995,008	2,333,457
Domestic violence intervention and prevention	318,848			318,848			318,848	328,652
Clinical and training services	3,402,055			3,402,055			3,402,055	3,057,190
Employee assistance program	3,257,320			3,257,320			3,257,320	2,860,422
Total program services	10,999,145			10,999,145			10,999,145	10,116,814
Supporting services-								
Management and general	2,014,938			2,014,938	145,793	(480,000)	1,680,731	1,478,474
Fundraising	501,661			501,661			501,661	403,638
Total supporting services	2,516,599			2,516,599	145,793	(480,000)	2,182,392	1,882,112
Total Expenses Before Depreciation and Amortization	**13,515,744**			**13,515,744**	**145,793**	**(480,000)**	**13,181,537**	**11,998,926**
Change in Net Assets Before Depreciation and Amortization	**(397,980)**	**233,286**		**(164,694)**	**334,207**		**169,513**	**308,852**
Depreciation and amortization	218,347			218,347	476,793		695,140	715,364
Total Change in Net Assets	**(616,327)**	**233,286**		**(383,041)**	**(142,586)**		**(525,627)**	**(406,512)**
Net assets, beginning of year	11,889,446	541,513	45,500	12,476,459	(867,151)		11,609,308	12,015,820
Net Assets, End of Year	**$ 11,273,119**	**$ 774,799**	**$ 45,500**	**$ 12,093,418**	**$ (1,009,737)**	**$ -**	**$ 11,083,681**	**$ 11,609,308**

See independent auditor's report.