Financial Statements

Wellspring Living, Inc.

December 31, 2022 and 2021

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GBQ Partners

To the Board of Directors
Wellspring Living, Inc.
Atlanta, Georgia

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of Wellspring Living, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Wellspring Living, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Wellspring Living, Inc. 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 Living Inc.'s ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities 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 Living Inc.'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 Living Inc.'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.

GBQ Partners LLC

Columbus, Ohio
September 28, 2023

WELLSPRING LIVING, INC.
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
ASSETS		
Current Assets		
Cash	**$ 1,787,054**	$ 1,712,378
Investments	**170,150**	96,096
Accounts and contributions receivable	**1,922,831**	1,298,772
Pledges receivable - current, net	**500,166**	-
Inventories	**21,103**	21,103
Prepaid expenses	**12,055**	16,000
Total current assets	**4,413,359**	3,144,349
Fixed Assets		
Land	**165,000**	150,000
Buildings and improvements	**677,360**	677,360
Leasehold improvements	**944,218**	944,218
Machinery and equipment	**233,390**	233,002
Vehicles	**231,405**	231,294
Less: accumulated depreciation	**(1,033,908)**	(946,673)
Total fixed assets	**1,217,465**	1,289,201
Other Assets		
Cash held for long-term purposes	**2,345,168**	1,000,000
Pledges receivable - noncurrent, net	**2,056,874**	-
Right-of-use assets - operating leases	**304,524**	-
Total other assets	**4,706,566**	1,000,000
TOTAL ASSETS	**$ 10,337,390**	$ 5,433,550

	2022	2021
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	**$ 58,206**	$ 110,371
Accrued liabilities	**225,370**	176,499
Current portion of operating lease liabilities	**172,527**	-
Total current liabilities	**456,103**	286,870
Operating lease liabilities, less current portion	**136,338**	-
Net Assets		
Without donor restrictions	**5,045,475**	4,146,680
With donor restrictions	**4,699,474**	1,000,000
Total net assets	**9,744,949**	5,146,680
TOTAL LIABILITIES AND NET ASSETS	**$ 10,337,390**	$ 5,433,550

The accompanying notes are an integral part of the financial statements.

WELLSPRING LIVING, INC.
Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2022 and 2021

	2022	2021
Net Assets without Donor Restrictions		
Revenues, gains and other support		
Donations	**$ 2,625,239**	$ 3,055,511
Grant revenue	**3,635,503**	2,907,388
Service revenue	**1,461,486**	1,196,336
Fundraisers	**991,972**	635,952
Contributions of non-financial assets	**88,730**	1,236,905
Other revenue	**38,218**	42,416
(Loss) gain on investments, net	**(20,465)**	18,520
Interest income	**4,748**	1,158
Satisfaction of donor restrictions	**202,734**	-
Total revenues, gains, and other supports	**9,028,165**	9,094,186
Thrift store sales	**580,885**	608,346
Contributions of non-financial assets - thrift stores	**268,537**	275,598
Total thrift store revenue	**849,422**	883,944
Total revenues, gains, and other supports	**9,877,587**	9,978,130
Expenses		
Program activities	**5,346,589**	5,520,792
Thrift stores	**742,357**	772,167
Management and general	**2,598,531**	2,805,091
Fundraising	**88,581**	128,595
Welcome home campaign	**202,734**	-
Total expenses	**8,978,792**	9,226,645
Change in Net Assets without Donor Restrictions	**898,795**	751,485
Net Assets without Donor Restrictions - Beginning of Year	**4,146,680**	3,395,195
Net Assets without Donor Restrictions - End of Year	**$ 5,045,475**	$ 4,146,680

The accompanying notes are an integral part of the financial statements.

	2022	2021
Net Assets with Donor Restrictions		
Donor restricted contributions	**$ 2,502,418**	$ 1,000,000
Donor restricted contributions of non-financial assets	**1,399,790**	-
Satisfaction of donor restrictions	**(202,734)**	-
Change in Net Assets with Donor Restrictions	**3,699,474**	1,000,000
Net Assets with Donor Restrictions - Beginning of Year	**1,000,000**	-
Net Assets with Donor Restrictions - End of Year	**$ 4,699,474**	$ 1,000,000

	2022	2021
Summary of Changes in Net Assets		
From net assets without donor restrictions	**$ 898,795**	$ 751,485
From net assets with donor restrictions	**3,699,474**	1,000,000
Total Changes in Net Assets	**$ 4,598,269**	$ 1,751,485

The accompanying notes are an integral part of the financial statements.

WELLSPRING LIVING, INC.
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	**$ 4,598,269**	$ 1,751,485
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	**87,235**	105,930
Gain on disposal of fixed assets	**-**	(20,821)
Unrealized loss (gain) on investments	**21,675**	(54,351)
Non-cash donation of fixed assets	**-**	(120,000)
Non-cash donation of marketable securities	**(95,729)**	-
(Increase) decrease in operating assets:		
Accounts and contributions receivable	**(624,059)**	23,156
Pledges receivable, net	**(2,557,040)**	-
Prepaid expenses	**3,945**	28,287
Operating lease right-of-use asset	**(304,524)**	-
Increase (decrease) in operating liabilities:		
Accounts payable	**(52,165)**	90,741
Accrued liabilities	**48,871**	25,332
Operating lease liabilities	**308,865**	-
Total adjustments	**(3,162,926)**	78,274
Net cash and cash equivalents provided by operating activities	**1,435,343**	1,829,759
Cash Flows From Investing Activities		
Proceeds from asset disposal	**-**	20,821
Purchase of fixed assets	**(15,499)**	(39,361)
Net cash and cash equivalents used in investing activities	**(15,499)**	(18,540)
Net Change in Cash and Cash Equivalents	**1,419,844**	1,811,219
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	**2,712,378**	901,159
Cash, Cash Equivalents and Restricted Cash - End of Year	**$ 4,132,222**	$ 2,712,378
Supplemental Disclosure of Cash Flow Information		
Non-cash receipt of inventory	**$ 268,537**	$ 275,598
Supplemental Disclosure of Non-Cash Investing Activities		
Contributions of non-financial assets - fixed assets	**$ -**	$ 120,000
Contributions of marketable securities	**95,729**	-
Classification of Cash, Cash Equivalents and Restricted Cash		
Cash and cash equivalents	**$ 1,787,054**	$ 1,712,378
Cash held for long-term purposes	**2,345,168**	1,000,000
Cash, Cash Equivalents and Restricted Cash	**$ 4,132,222**	$ 2,712,378

The accompanying notes are an integral part of the financial statements.

WELLSPRING LIVING, INC.
Statements of Functional Expenses
For the Year Ended December 31, 2022

	Program Activities		Supporting Activities			
	Programs and Services	Thrift Stores	Management and General	Fundaising	Welcome Home Campaign	Total Expenses
Salaries and wages	$ 3,409,780	$ 221,803	$ 1,372,990	$ -	$ 12,220	$ 5,016,793
Client assistance	463,406	4,520	216,782	-	141	684,849
Professional fees	542,325	15,334	488,095	-	177,483	1,223,237
Payroll taxes	317,609	20,242	72,111	-	849	410,811
Costs of goods sold	-	268,537	-	-	-	268,537
Rent	3,354	138,563	58,503	-	-	200,420
Insurance	48,476	6,954	3,384	-	-	58,814
Benefits	124,640	4,370	61,989	-	2,067	193,066
Utilities	161,832	25,211	19,483	-	-	206,526
Depreciation	-	-	87,235	-	-	87,235
Advertising and promotions	6,373	-	36,433	-	-	42,806
Repairs and maintenance	120,085	13,413	63,681	-	3,933	201,112
Bank charges	8,399	14,442	4,758	-	-	27,599
Travel and transportation	39,969	8,811	60,746	-	218	109,744
Office expenses	18,512	157	51,979	-	4,360	75,008
Bad debt expense	81,829	-	-	-	-	81,829
Fundraising	-	-	-	88,581	1,463	90,044
Interest	-	-	362	-	-	362
TOTAL EXPENSES	$ 5,346,589	$ 742,357	$ 2,598,531	$ 88,581	$ 202,734	$ 8,978,792

The accompanying notes are an integral part of the financial statements.

WELLSPRING LIVING, INC.
Statements of Functional Expenses
For the Year Ended December 31, 2021

	Program Activities		Supporting Activities		
	Programs and Services	Thrift Stores	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 3,659,049	$ 246,762	$ 821,850	$ -	$ 4,727,661
Client assistance	502,085	4,212	1,138,703	-	1,645,000
Professional fees	429,522	17,506	376,586	-	823,614
Payroll taxes	314,909	21,805	67,381	-	404,095
Costs of goods sold	-	275,598	-	-	275,598
Rent	-	133,865	49,136	-	183,001
Insurance	41,399	5,649	2,824	-	49,872
Benefits	112,971	8,910	10,737	-	132,618
Utilities	136,135	24,001	7,086	-	167,222
Depreciation	-	-	105,930	-	105,930
Advertising and promotions	(100)	378	53,581	-	53,859
Repairs and maintenance	231,449	480	28,563	-	260,492
Bank charges	(411)	15,251	16,136	-	30,976
Travel and transportation	67,004	17,397	24,963	-	109,364
Office expenses	26,780	353	48,675	-	75,808
Bad debt expense	-	-	73,596	-	73,596
Fundraising	-	-	-	128,595	128,595
Gain on disposal of fixed assets	-	-	(20,821)	-	(20,821)
Interest	-	-	165	-	165
TOTAL EXPENSES	$ 5,520,792	$ 772,167	$ 2,805,091	$ 128,595	$ 9,226,645

The accompanying notes are an integral part of the financial statements.

Nature and Scope of Business

Since 2001, Wellspring Living, Inc. ("Wellspring" or “the Organization”) has provided domestic sex trafficking victims and those at risk (ages 12+) with comprehensive, trauma-informed, victim-centered recovery services through residential programs, community-based programs, and graduate services. Each program utilizes a multi-disciplinary service model to provide transformative care through five service pillars: therapy, education, life skills, career readiness, and case management. The Organization also trains and consults organizations nationally and internationally to multiply impact through the Wellspring Living Institute.

Summary of Significant Accounting Policies

Use of Estimates

The preparation of 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 certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting years. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions – Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management’s discretion.

Net assets with donor restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include unrestricted cash on hand, demand deposits held by financial institutions and highly liquid investments with original maturities of three months or less. The Organization’s restricted cash balance of $2,345,168 and $1,000,000 as of December 31, 2022 and 2021, respectively, represents donor contributions that are restricted for long-term purposes. This total is included within cash held for long-term purposes in the accompanying statements of financial position.

Summary of Significant Accounting Policies (continued)

Accounts and Contributions Receivable

Accounts and contributions receivable consist of amounts due for unconditional promises to give that have not been received and for services performed in accordance with governmental grants and contracts. Delayed collection of accounts receivable from such agencies are considered past due, however, no interest can be charged to the agencies. Accounts and contributions receivable were $1,922,831 and $1,298,772 as of December 31, 2022 and 2021, respectively, and $1,321,928 as of January 1, 2021.

The balances are presented net of estimated allowances for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Amounts are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded in revenue and support when received. Management has determined that the outstanding balances as of December 31, 2022 and 2021 were fully collectible, and therefore, no allowance for doubtful accounts has been recorded.

Fair Value Measurements

U.S. GAAP established a fair value hierarchy that prioritizes the inputs to measure the fair value of the assets or liabilities being measured. Fair value is defined as the exchange value that would be received on the measurement date to sell an asset or to value the amount paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. The three levels of the fair value hierarchy are as follows:

Level 1 Inputs are unadjusted quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date. Level 1 inputs provide the most reliable measure of fair value as of the measurement date.

Level 2 Inputs are based on significant observable inputs, including unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active or inputs other than quoted prices that are observable for the asset or liability.

Level 3 Inputs are significant unobservable inputs for the asset or liability.

The level of the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Inventories

Inventories represent donated goods such as clothing, furniture, household items, etc., carried at estimated fair value at the time of receipt that are held for resale at Wellspring's thrift stores.

Summary of Significant Accounting Policies (continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Investment earnings, including interest and dividend income and realized and unrealized gains and losses, are recorded in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Investment revenue is presented in the statements of activities and changes in net assets, net of external and direct internal investment expenses. Donated marketable securities are recorded as contributions at the estimated fair value on the date of the receipt.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Wellspring currently uses a capitalization threshold policy of $2,500. Substantial betterment to property is capitalized and repairs are expensed as incurred. Property and equipment are depreciated using the straight-line method over their estimated useful lives of 5 to 40 years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the applicable lease term. The estimated fair market values of the various contributions of used furniture and items for the home fall under the capitalization limit and are therefore not capitalized and not recorded as revenue.

Impairment of Assets

The carrying value of long-lived assets is reviewed for impairment whenever events or changes in circumstances indicate the amount of the assets may not be recoverable. When an indication of impairment is present and the undiscounted cash flows estimated to be generated by the related assets are less than the assets' carrying amount, an impairment loss will be recorded based on the difference between the carrying amount of the assets and their estimated fair value. Management determined that no impairment existed at December 31, 2022 or 2021.

Leases

Pursuant to U.S. GAAP, a contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. Leases with an initial term of 12 months or less are not recorded within the accompanying consolidated statements of financial position.

Operating leases are included in operating lease right-of-use assets and operating lease liabilities within the Organization's accompanying consolidated statements of financial position.

Summary of Significant Accounting Policies (continued)

Leases (continued)

ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. If the Organization's leases do not provide an implicit rate, the Organization elected the practical expedient to utilize the risk-free rate to determine the present value of lease payments. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option.

The Organization has lease agreements with lease and non-lease components, however the Organization has elected the practical expedient to account for the lease and non-lease components as a single lease.

Revenue Recognition

Contribution Revenue

The Organization recognizes contributions, which includes grants and receipts from foundations, when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Contributions of assets other than cash are recorded at their estimated fair value as of the date of the contribution. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. The Organization records special events revenue equal to the fair value of direct benefits to donors and contribution income for the excess received when the event takes place.

Consequently, at December 31, 2022, contributions approximating $2,347,000 have not been recognized in the accompanying statements of activities and changes in net assets because the condition(s) on which they depend have not been met. These contributions are conditioned on qualifying expenditures being incurred on cost-reimbursement grants.

Contributions received are recorded as with or without donor restrictions depending on the existence or nature of any donor restrictions. All unconditional promises to give are recorded as a receivable at the time the promise is made. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities and changes in net assets as satisfaction of donor restrictions. Contributions whose restrictions expire during the year of the contribution are recognized as revenues without donor restrictions in that year.

A portion of the Organization's contribution revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contracts or grant provisions.

Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contributions of Non-financial Assets

The Organization receives various forms of gifts-in-kind (GIK) such as materials and supplies, clothing, food, buildings and in-kind services. GIK are reported as contributions based on their estimated fair value at the date of the contribution. GIK are valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor. GIK are not sold and are only distributed for program use. Donated inventory is held only until sold by the Organization at its retail stores.

Specific information related to contributions of non-financial assets are as follows for the years ended December 31:

Non-Financial Contributions Category	Type of Contributions for Beneficiaries	Valuation Method	2022	2021
Materials and supplies	Hygiene products and household items	U.S. wholesale prices of identical or similar products	**$ 58,573**	$ 157,707
Clothing	Various clothing items and accessories	U.S. wholesale prices of identical or similar products	**21,401**	937,185
Food	Meals and groceries	U.S. wholesale prices of identical or similar products	**8,756**	10,902
Buildings	Tiny homes and community center constructed for the Organization's new village	Fair value of comparable buildings in the Oranization's real estate market	**1,399,790**	-
In-kind services	Professional services such as property instillation and repair and advertising services	Standard industry pricing for similar services	**-**	131,111
Inventory - thrift stores	Donated clothing, furniture and household items	U.S. wholesale prices of identical or similar products	**268,537**	275,598
Total			**$ 1,757,057**	$ 1,512,503

Exchange Transactions

Included within service revenues in the statements of activities and changes in net assets are various reciprocal transactions of commensurate value that are considered exchange transactions in accordance with Accounting Standards Codification (ASC) Topic 606. Revenue for these transactions is recognized when a performance obligation has been satisfied by transferring control of promised products or services to customer in an amount that reflects the consideration the Organization expects to receive in exchange for these products and services.

Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Exchange Transactions (continued)

Service revenues consist of revenues earned for facility charges, medical care, academic support, therapeutic and other services with commensurate value delivered by the Organization. These are available to the public and are the revenues primary relate to registration fees. Any fees collected prior to performance are recognized as deferred revenue. Revenues or fees for service are recognized over the time period that the service has been provided to the customer. Revenue recognition for these items are recognized using output methods such as time elapsed or units of service provided.

Revenues from Wellspring's thrift stores are generated from the sale of donated items. Donated items have been reflected as revenue in the accompanying financial statements at their estimated fair value at date of receipt.

Contributed Services

Contributed services are reflected on the financial statements at the fair value of the services received. The contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing such skills and would typically be purchased if not provided by the donation.

Functional Expense Allocation

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of Wellspring. Those expenses including salaries and wages, payroll taxes, office expenses, rent, contract labor, insurance and depreciation, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRS), except for unrelated business income as defined by the IRS. Accordingly, no provisions for federal, state or local taxes are included in the financial statements.

The Organization performs an annual assessment for any uncertainty in income tax positions which includes an analysis of whether there are any tax positions the Organization takes with regard to unrelated business income, related deductions applied, or other activities that may jeopardize their tax exempt status and thus would meet the definition of an uncertain tax position. No tax liability accrual was recorded as of the years ended December 31, 2022 or 2021 relating to material uncertain positions taken as management believes there are none.

Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

Effective January 1, 2022, the Organization adopted the provisions and disclosure requirements described in ASC Topic 842, Leases. ASC 842 requires the recognition of lease assets and lease liabilities by lessees for most leases, unless the lease has a term of 12 months or less. ASC 842 also changed certain guidance of lessee accounting, lessor accounting, leveraged leases, sale and leaseback transactions and required disclosures.

The Organization adopted the standard using the modified retrospective method. Accordingly, the reporting periods beginning after January 1, 2022 are presented under ASC 842, while prior period amounts are not adjusted and continue to be reported under the accounting standards in effect during those periods.

In connection with the adoption of ASC 842, the Organization elected transition-related practical expedients as accounting policies which allowed it to not reassess, as of the adoption date, (1) whether any expired or existing contracts are or contain leases, (2) the classification of any expired or existing leases, and (3) if previously capitalized initial direct costs qualify for capitalization under ASC 842.

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07 – *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* to improve the presentation of financial statements for not-for-profit entities. This update requires additional transparency as well as quantitative and qualitative disclosure regarding contributed nonfinancial assets. This amendment is effective for 2022 and is required to be adopted retrospectively.

New Accounting Pronouncement – Yet to be Adopted

In June 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This standard sets forth a current expected credit loss (CECL) model, which requires the Organization to measure all expected credit losses for financial assets (or a group of financial assets) held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. The standard replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost, such as accounts receivable and related reserves. The new standard is effective for annual periods beginning after December 15, 2022. The Organization is currently evaluating the potential impact of the new pronouncement on its consolidated financial statements.

Reclassification

Certain reclassifications have been made to the prior period consolidated financial statements to conform to the current period presentation.

Cash and Cash Equivalents

Cash and cash equivalents are held in twenty accounts with six different financial institutions. Balances in these accounts may periodically exceed federally insured limits.

Fair Value Measurements

The following table summarized the Organization's financial instruments measured at fair value on a recurring basis as of December 31, 2022 and 2021:

	Level 1	Level 2	Level 3	Total
Equities	**$ 148,734**	**$ -**	**$ -**	**$ 148,734**
Mutual funds	**21,416**	**-**	**-**	**21,416**
	$ 170,150	**$ -**	**$ -**	**$ 170,150**

	Level 1	Level 2	Level 3	Total
Equities	$ 75,673	$ -	$ -	$ 75,673
Mutual funds	20,423	-	-	20,423
	$ 96,096	$ -	$ -	$ 96,096

Pledges Receivable

Pledges receivable are unconditional promises to give from donors. Promises to give cash are recorded at the present value of future cash flows and promises to give noncash assets are recorded at the future fair value of the underlying asset. For 2022, pledges payable over multiple years are recorded net of a discount rate of 7.50%. There were no pledges receivable as of December 31, 2021.

Pledges receivable at December 31, 2022 consist of the following:

Gross pledges receivable	$ 2,610,124
Less: unamortized discount	(53,084)
Net pledges receivable	2,557,040
Less: amounts due within one year	(500,166)
Pledges receivable due between two to four years	$ 2,056,874

As of December 31, 2022, 70% of gross pledges receivable were due from two donors.

Property and Equipment

Property and equipment consisted of the following at December 31:

	2022	2021
Land	**$ 165,000**	$ 150,000
Buildings and improvements	**677,360**	677,360
Leasehold improvements	**944,218**	944,218
Machinery and equipment	**233,390**	233,002
Vehicles	**231,405**	231,294
Less: accumulated depreciation	**(1,033,908)**	(946,673)
Ending balance	$ 1,217,465	$ 1,289,201

Line of Credit

The Organization has a line of credit with a bank with a credit limit of $650,000, which matures in May 2023 and bears interest at prime plus .25% (7.75% and 3.50% at December 31, 2022 and 2021, respectively). There were no balances outstanding at December 31, 2022 or 2021.

Leases

The Organization has operating leases for various properties used to fulfill their mission, which are leased from unrelated parties. These leases require monthly rent payments ranging from $4,150 to $5,636 and mature at various dates through September 2025. Total operating lease expense was $200,420 and $183,001 for the years ended December 31, 2022 and 2021, respectively.

The maturities of lease liabilities as of December 31, 2022 were as follows:

2023	$ 172,527
2024	98,622
2025	47,017
Total undiscounted cash flows	318,166
Less: present value discount	(9,301)
Total lease liabilities	$ 308,865

Leases (continued)

The following summarizes additional information related to leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$	166,632
ROU assets obtained in exchange for new operating lease liabilities:		
Adoption of ASC 842 - beginning of year		465,525
For the year ended December 31		-
Weighted-average remaining lease term in years for operating leases		2.59
Weighted-average discount rate for operating leases		2.57%

Net Assets

The Organization's donor restricted net assets as of December 31, 2022 and 2021 consist of contributions that are purpose restricted for long-term purposes, specifically for capital expenditures and improvements to property and equipment. There are no time restrictions associated with these donor restricted contributions.

Liquidity and Availability of Resources

The following represents Wellspring's financial assets at December 31, 2022 and 2021, reduced by amounts not available for expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	2022	2021
Cash	**$ 1,787,054**	$ 1,712,378
Investments	**170,150**	96,096
Accounts receivable	**1,922,831**	1,298,772
Total financial assets available within one year	**$ 3,880,035**	$ 3,107,246

As a part of Wellspring's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. Wellspring currently has a line of credit with available funds of $650,000 which it could draw upon in the event of an unanticipated liquidity need.

Subsequent Events – Date of Management Evaluation

Management evaluated subsequent events through the date of the Independent Auditor's Report, which is the date the consolidated financial statements were available to be issued.