

• **Financial Statements**

• **Wellspring Living, Inc.**

• December 31, 2024 and 2023



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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, 2024 and 2023, 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, 2024 and 2023, 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 30, 2025

WELLSPRING LIVING, INC.

Statements of Financial Position

December 31, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	\$ -	\$ 1,739,104
Investments	10,408	-
Accounts and contributions receivable	2,319,772	1,724,242
Pledges receivable - current, net	3,183,334	3,250,166
Prepaid expenses and other current assets	232,724	45,350
Total current assets	<u>5,746,238</u>	<u>6,758,862</u>
Property and Equipment		
Land	165,000	165,000
Buildings and improvements	677,360	677,360
Leasehold improvements	944,218	944,218
Machinery and equipment	169,323	169,323
Vehicles	295,500	295,500
Construction in progress	1,976,968	496,209
	<u>4,228,369</u>	<u>2,747,610</u>
Less: accumulated depreciation	(1,207,494)	(1,123,935)
Total property and equipment, net	<u>3,020,875</u>	<u>1,623,675</u>
Other Assets		
Cash and cash equivalents held for long-term purposes	10,673,375	6,204,370
Pledges receivable - noncurrent, net	762,526	1,938,367
Right-of-use assets - operating leases	174,062	133,254
Total other assets	<u>11,609,963</u>	<u>8,275,991</u>
TOTAL ASSETS	<u>\$ 20,377,076</u>	<u>\$ 16,658,528</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 145,585	\$ 101,312
Accrued liabilities	344,777	331,324
Current portion of operating lease liabilities	96,861	96,136
Total current liabilities	<u>587,223</u>	<u>528,772</u>
Operating lease liabilities , less current portion	83,938	41,610
Net Assets		
Without donor restrictions	3,726,870	4,695,243
With donor restrictions	15,979,045	11,392,903
Total net assets	<u>19,705,915</u>	<u>16,088,146</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,377,076</u>	<u>\$ 16,658,528</u>

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, 2024 and 2023

	2024	2023
Net Assets without Donor Restrictions		
Revenues, gains and other support		
Donations	\$ 2,541,810	\$ 2,951,957
Grant revenue	3,586,032	3,121,502
Service revenue	1,158,545	1,368,403
Fundraisers	692,698	778,899
Contributions of non-financial assets	210,427	95,570
Other revenue	-	53,181
Investment income, net	289,557	93,319
Interest income	121	8,674
Satisfaction of donor restrictions	2,546,336	1,147,037
Total revenues, gains, and other supports	11,025,526	9,618,542
Thrift store sales	594,411	578,055
Contributions of non-financial assets - thrift stores	287,232	267,404
Total thrift store revenue	881,643	845,459
Total revenues, gains, and other supports	11,907,169	10,464,001
Expenses		
Program activities	7,975,209	6,629,029
Thrift stores	793,151	777,429
Management and general	3,116,274	2,527,622
Fundraising	228,506	229,325
Welcome home campaign	762,402	650,828
Total expenses	12,875,542	10,814,233
Change in Net Assets without Donor Restrictions	(968,373)	(350,232)
Net Assets without Donor Restrictions - Beginning of Year	4,695,243	5,045,475
Net Assets without Donor Restrictions - End of Year	\$ 3,726,870	\$ 4,695,243

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

WELLSPRING LIVING, INC.
Statements of Activities and Changes in Net Assets (continued)
For the Years Ended December 31, 2024 and 2023

	2024	2023
Net Assets with Donor Restrictions		
Donor restricted contributions	\$ 7,232,478	\$ 8,965,256
Donor restricted contributions of non-financial assets	-	275,000
Loss on uncollectable pledges receivable	(100,000)	(1,399,790)
Satisfaction of donor restrictions	(2,546,336)	(1,147,037)
Change in Net Assets with Donor Restrictions	4,586,142	6,693,429
Net Assets with Donor Restrictions - Beginning of Year	11,392,903	4,699,474
Net Assets with Donor Restrictions - End of Year	\$ 15,979,045	\$ 11,392,903
Summary of Changes in Net Assets		
From net assets without donor restrictions	\$ (968,373)	\$ (350,232)
From net assets with donor restrictions	4,586,142	6,693,429
Total Changes in Net Assets	\$ 3,617,769	\$ 6,343,197

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

WELLSPRING LIVING, INC.
Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	\$ 3,617,769	\$ 6,343,197
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	83,559	90,027
Realized and unrealized (gain) loss on investments	(10,408)	(10,764)
Pledged non-financial assets	-	(275,000)
Loss on uncollectable pledges receivable	-	(1,399,790)
(Increase) decrease in operating assets:		
Accounts and contributions receivable	(595,530)	198,589
Pledges receivable, net	1,242,673	(956,703)
Prepaid expenses and other current assets	(187,374)	(12,192)
Operating lease assets and liabilities, net	2,245	151
Increase (decrease) in operating liabilities:		
Accounts payable	44,273	43,106
Accrued liabilities	13,453	105,954
Total adjustments	592,891	(2,216,622)
Net cash and cash equivalents provided by operating activities	4,210,660	4,126,575
Cash Flows From Investing Activities		
Purchase of fixed assets	(1,480,759)	(496,237)
Proceeds from sale of investments	-	180,914
Net cash and cash equivalents used in investing activities	(1,480,759)	(315,323)
Net Change in Cash and Cash Equivalents	2,729,901	3,811,252
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	7,943,474	4,132,222
Cash, Cash Equivalents and Restricted Cash - End of Year	\$ 10,673,375	\$ 7,943,474
Supplemental Disclosure of Cash Flow Information		
Non-cash receipt of inventory	\$ 287,232	\$ 267,404
Classification of Cash, Cash Equivalents and Restricted Cash		
Cash and cash equivalents	\$ -	\$ 1,739,104
Cash held for long-term purposes	10,673,375	6,204,370
Cash, Cash Equivalents and Restricted Cash	\$ 10,673,375	\$ 7,943,474

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

WELLSPRING LIVING, INC.

Statements of Functional Expenses

For the Year Ended December 31, 2024

	Program Activities		Supporting Activities			Total Expenses
	Programs and Services	Thrift Stores	Management and General	Fundraising - Other	Fundraising - Welcome Home Campaign	
Salaries and wages	\$ 4,838,438	\$ 319,109	\$ 1,136,582	\$ -	\$ 441,057	\$ 6,735,186
Client assistance	1,176,870	49,187	246,803	-	9,742	1,482,602
Professional fees	645,765	180	952,628	-	222,343	1,820,916
Payroll taxes	388,805	25,606	94,035	-	30,944	539,390
Costs of goods sold	-	183,335	-	-	-	183,335
Rent	16,000	127,070	62,669	-	4,652	210,391
Insurance	62,042	8,180	4,087	-	-	74,309
Benefits	567,731	30,830	168,393	-	28,069	795,023
Utilities	133,467	28,518	73,479	-	662	236,126
Depreciation	-	-	83,559	-	-	83,559
Advertising and promotions	10,061	181	117,084	-	2,837	130,163
Repairs and maintenance	112,271	4,741	67,617	-	7,241	191,870
Bank charges	30	14,136	21,216	-	-	35,382
Travel and transportation	8,011	-	38,755	-	418	47,184
Office expenses	15,718	1,334	49,367	-	14,437	80,856
Event expenses	-	-	-	228,506	-	228,506
Interest	-	744	-	-	-	744
TOTAL EXPENSES	\$ 7,975,209	\$ 793,151	\$ 3,116,274	\$ 228,506	\$ 762,402	\$ 12,875,542

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

WELLSPRING LIVING, INC.

Statements of Functional Expenses

For the Year Ended December 31, 2023

	Program Activities		Supporting Activities			Total Expenses
	Programs and Services	Thrift Stores	Management and General	Fundraising - Other	Fundraising - Welcome Home Campaign	
Salaries and wages	\$ 4,434,971	\$ 273,857	\$ 1,208,103	\$ -	\$ 339,032	\$ 6,255,963
Client assistance	570,967	11,731	88,690	-	1,230	672,618
Professional fees	585,454	16,217	624,680	-	251,538	1,477,889
Payroll taxes	391,969	23,474	94,275	-	27,557	537,275
Costs of goods sold	-	267,404	-	-	-	267,404
Rent	-	130,267	64,551	-	-	194,818
Insurance	21,025	2,968	1,484	-	-	25,477
Benefits	233,377	6,331	62,543	-	17,693	319,944
Utilities	113,304	16,950	50,993	-	349	181,596
Depreciation	-	-	90,027	-	-	90,027
Advertising and promotions	3,344	-	29,607	-	-	32,951
Repairs and maintenance	166,683	7,691	27,671	-	26	202,071
Bank charges	13,879	14,818	26,602	-	363	55,662
Travel and transportation	80,933	5,427	77,412	-	3,245	167,017
Office expenses	12,989	294	80,984	-	9,795	104,062
Event expenses	134	-	-	229,325	-	229,459
TOTAL EXPENSES	\$ 6,629,029	\$ 777,429	\$ 2,527,622	\$ 229,325	\$ 650,828	\$ 10,814,233

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 \$10,673,375 and \$6,204,370 as of December 31, 2024 and 2023, 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 \$2,319,722 and \$1,724,242 as of December 31, 2024 and 2023, respectively.

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, 2024 and 2023 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.

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, 2023 or 2022.

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.

At December 31, 2024, contributions approximating \$2,274,000 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.

WELLSPRING LIVING, INC.
Notes to Financial Statements
December 31, 2024 and 2023

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	2024	2023
Materials and supplies	Hygiene products and household items	U.S. wholesale prices of identical or similar products	\$ 145,567	\$ 66,197
Clothing	Various clothing items and accessories	U.S. wholesale prices of identical or similar products	9,050	18,217
Food	Meals and groceries	U.S. wholesale prices of identical or similar products	55,810	11,156
Building materials	Lumber, gypsum and wood panels	U.S. wholesale prices of identical or similar products	-	275,000
Inventory - thrift stores	Donated clothing, furniture and household items	U.S. wholesale prices of identical or similar products	287,232	267,404
Total			\$ 497,659	\$ 637,974

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.

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.

Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Exchange Transactions (continued)

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, 2024 or 2023 relating to material uncertain positions taken as management believes there are none.

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

As of December 31, 2024, investments consist of equity securities measured at level 1 of the fair value hierarchy. There were no investments as of December 31, 2023.

WELLSPRING LIVING, INC.
Notes to Financial Statements
December 31, 2024 and 2023

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. Pledges payable over multiple years are recorded net of a discount rate ranging from 7.50% to 8.50%.

Pledges receivable at December 31 consist of the following:

	2024	2023
Gross pledges receivable	\$ 4,045,835	\$ 5,430,130
Less: unamortized discount	(99,975)	(241,597)
Net pledges receivable	3,945,860	5,188,533
Less: amounts due within one year	(3,183,334)	(3,250,166)
Pledges receivable due between two to four years	\$ 762,526	\$ 1,938,367

As of December 31, 2024, 78% of gross pledges receivable were due from four donors. As of December 31, 2023, 48% of gross pledges receivable were due from three donors.

The Organization previously received an unconditional promise to construct 14 tiny homes and a community center that had an estimated fair value of \$1,399,790. During 2023, the donor decommitted from the promise to give the non-financial asset as a result of significant changes to the donor's organization. As such, the Organization wrote off the pledge receivable and recorded a loss on uncollectable pledges receivable, which has been included in changes in net assets with donor restrictions in the accompanying statements of financial position for the year ended December 31, 2023.

Line of Credit

The Organization had a line of credit with a bank with a credit limit of \$650,000, which matured in September 2025 and bore interest at prime plus 0.25% (7.75% and 8.75% at December 31, 2024 and 2023, respectively). There were no balances outstanding at December 31, 2024 or 2023. The Organization is in active communication with their bank regarding the renewal of their line of credit; however, as of the date of this report, the renewal has not yet been finalized. As the Organization is currently in good standing with the bank, management expects the line of credit to be successfully renewed in the coming months with terms comparable to their prior line updated for applicable market changes.

WELLSPRING LIVING, INC.
Notes to Financial Statements
December 31, 2024 and 2023

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 \$4,565 to \$5,877 and mature at various dates through July 2027.

The maturities of lease liabilities as of December 31, 2024 were as follows:

2025	\$ 101,797
2026	54,780
2027	31,955
Total undiscounted cash flows	188,532
Less: present value discount	(7,733)
Total lease liabilities	\$ 180,799

The following summarizes the components of lease expense for the years ended December 31:

	2024	2023
Operating lease expense	\$ 125,508	\$ 174,043
Short-term and other lease expense	84,883	20,775
Total lease liabilities	\$ 210,391	\$ 194,818

The following summarizes additional information related to leases for the years ended December 31:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 116,709	\$ 172,527
ROU assets obtained in exchange for new operating lease liabilities for the year ended December 31	154,713	-
Weighted-average remaining lease term in years for operating leases	2.01	1.53
Weighted-average discount rate for operating leases	3.67%	2.82%

Net Assets

The Organization's donor restricted net assets as of December 31, 2024 and 2023 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.

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Deficit of Assets Supporting Donor-Restricted Net Assets

As of December 31, 2024, the Organization reported net assets with donor restrictions totaling \$15,979,045. However, the Organization’s liquid assets available to support these donor-restricted net assets were insufficient, resulting in a deficit of \$1,359,810. This deficit arose due to the following factors:

- Certain donor-restricted funds were expended for purposes not yet fulfilled, pending future reimbursement or fulfillment of donor conditions.
- A portion of donor-restricted net assets is invested in long-term or illiquid assets, which are not readily available to meet current obligations.
- Timing differences between the recognition of restricted contributions and the availability of corresponding resources.

Management is actively monitoring the situation and has implemented the following corrective actions:

- Enhanced tracking of donor restrictions and related expenditures.
- Improved cash flow forecasting to ensure alignment of liquid assets with donor-imposed restrictions.
- Engaging with donors to clarify restrictions and, where appropriate, seek release or modification of terms.

The Organization believes that the deficit does not impair its ability to fulfill donor intentions and is committed to resolving the shortfall in the upcoming fiscal year.

Liquidity and Availability of Resources

The following represents Wellspring's financial assets at December 31, 2024 and 2023, 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.

	2024	2023
Cash	\$ -	\$ 1,739,104
Investments	10,408	-
Accounts and contributions receivable	2,319,772	1,724,242
Pledges receivable - current	3,183,334	3,250,166
Total financial assets available within one year	5,513,514	6,713,512
Less: amounts unavailable for general expenditures within one year:		
Pledges receivable restricted for purchase of property and equipment	(3,183,334)	(3,250,166)
Total financial assets available within one year	\$ 2,330,180	\$ 3,463,346

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Liquidity and Availability of Resources (continued)

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.