

**WELLSPRING HOUSE, INC.**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**JUNE 30, 2025 AND 2024**

WELLSPRING HOUSE, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Wellspring House, Inc.

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Wellspring House, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Wellspring House, Inc. as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Wellspring House, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***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 House, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 House, 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 House, 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2025, on our consideration of Wellspring House, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Wellspring House, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wellspring House, Inc.'s internal control over financial reporting and compliance.

## Report on Summarized Comparative Information

We have previously audited Wellspring House, Inc.'s 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*BJHC PC*

Topsfield, Massachusetts  
November 11, 2025

WELLSPRING HOUSE, INC.

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2025 AND 2024

	2025	2024
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 488,673	\$ 234,053
Program service fees receivable	336,277	542,982
Current portion of grants receivable and unconditional promises to give	160,000	159,034
Prepaid expenses	55,258	40,747
Deposits	9,460	5,107
Total current assets	<u>1,049,668</u>	<u>981,923</u>
PROPERTY AND EQUIPMENT - At cost	2,449,694	2,322,054
Less accumulated depreciation	<u>1,616,076</u>	<u>1,550,559</u>
Net property and equipment	<u>833,618</u>	<u>771,495</u>
OTHER ASSETS:		
Grants receivable and unconditional promises to give, net of current portion	90,000	170,000
Cash and cash equivalents - board designated scholarships	25,323	-
Board designated endowment:		
Cash and cash equivalents	15,843	18,013
Investments	1,480,074	1,707,582
Endowment:		
Cash and cash equivalents	8,581	2,687
Investments	<u>165,483</u>	<u>156,286</u>
Total other assets	<u>1,785,304</u>	<u>2,054,568</u>
TOTAL ASSETS	<u>\$ 3,668,590</u>	<u>\$ 3,807,986</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Line of credit	\$ -	\$ 275,000
Current portion of term loans	10,605	20,969
Accounts payable and accrued expenses	181,392	213,856
Accrued payroll and benefits	136,710	118,970
Contingent liability	30,889	-
Total current liabilities	<u>359,596</u>	<u>628,795</u>
LONG-TERM DEBT -		
Term loans	<u>-</u>	<u>11,002</u>
Total liabilities	<u>359,596</u>	<u>639,797</u>
NET ASSETS:		
Without donor restrictions:		
Undesignated	1,344,192	939,916
Designated by the Board for scholarships	25,323	-
Designated by the Board for endowment	<u>1,492,404</u>	<u>1,706,991</u>
Total net assets without donor restrictions	2,861,919	2,646,907
With donor restrictions	<u>447,075</u>	<u>521,282</u>
TOTAL NET ASSETS	<u>3,308,994</u>	<u>3,168,189</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,668,590</u>	<u>\$ 3,807,986</u>

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

WELLSPRING HOUSE, INC.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2025

*(with comparative totals for the year ended June 30, 2024)*

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL 2025	TOTAL 2024
<b>OPERATING REVENUES AND OTHER SUPPORT:</b>				
Contributions and grants of cash and other financial assets	\$ 886,912	\$ 675,375	\$ 1,562,287	\$ 1,705,210
Fundraising events, net	205,651	-	205,651	92,882
Contributions of nonfinancial assets	264,886	-	264,886	193,886
Program service fees	1,640,817	-	1,640,817	1,406,537
Rental income	145,644	-	145,644	130,008
Other income	5,416	-	5,416	3,843
Net assets released from restrictions	749,582	(749,582)	-	-
Total operating revenues and other support	3,898,908	(74,207)	3,824,701	3,532,366
<b>OPERATING EXPENSES:</b>				
Program services:				
Family shelter	1,495,058	-	1,495,058	1,247,712
Affordable housing	86,373	-	86,373	72,946
Mediclerk	622,948	-	622,948	578,122
Community education	935,010	-	935,010	707,626
Total program services	3,139,389	-	3,139,389	2,606,406
Supporting services:				
General and administrative	725,822	-	725,822	563,672
Fundraising	540,022	-	540,022	467,256
Total supporting services	1,265,844	-	1,265,844	1,030,928
Total operating expenses	4,405,233	-	4,405,233	3,637,334
CHANGE IN NET ASSETS FROM OPERATIONS	(506,325)	(74,207)	(580,532)	(104,968)
<b>NON-OPERATING ACTIVITIES:</b>				
Realized and unrealized gain on investments	107,661	-	107,661	194,378
Interest and dividend income, net	187,780	-	187,780	39,377
Employee retention credits income	515,934	-	515,934	-
Employee retention credits - Consultant fees	(90,038)	-	(90,038)	-
Total non-operating activities	721,337	-	721,337	233,755
TOTAL CHANGE IN NET ASSETS	215,012	(74,207)	140,805	128,787
NET ASSETS AT BEGINNING OF YEAR	2,646,907	521,282	3,168,189	3,039,402
NET ASSETS AT END OF YEAR	\$ 2,861,919	\$ 447,075	\$ 3,308,994	\$ 3,168,189

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

WELLSPRING HOUSE, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2025  
*(with comparative totals for the year ended June 30, 2024)*

	Family Shelter	Affordable Housing	Mediclerk	Community Education	Total Program Services	General and Administrative	Fundraising	Total 2025	Total 2024
Personnel:									
Salaries	\$ 671,933	\$ 28,031	\$ 350,972	\$ 570,452	\$ 1,621,388	\$ 343,312	\$ 248,078	\$ 2,212,778	\$ 1,820,246
Fringe benefits	84,075	875	62,253	32,165	179,368	51,190	55,400	285,958	230,410
Payroll taxes	55,213	2,757	29,027	47,970	134,967	40,579	25,870	201,416	160,488
Total personnel expenses	811,221	31,663	442,252	650,587	1,935,723	435,081	329,348	2,700,152	2,211,144
Contractual services	200,538	-	-	1,477	202,015	101,337	91,245	394,597	357,265
Scholarship and client assistance	189,927	-	43,444	125,323	358,694	-	-	358,694	188,693
Contributions of nonfinancial assets	30,622	-	81,000	39,390	151,012	900	-	151,912	193,886
Rent	93,853	-	-	6,000	99,853	-	-	99,853	61,571
Professional fees	4,070	545	2,262	3,015	9,892	84,677	1,985	96,554	45,267
Depreciation	24,113	9,219	2,140	24,090	59,562	16,931	18,570	95,063	75,830
Repairs and maintenance	33,541	21,211	870	12,539	68,161	10,450	15,442	94,053	114,131
Network expense	28,098	2,868	14,236	28,231	73,433	7,169	12,598	93,200	76,174
Insurance	16,872	1,097	10,123	13,497	41,589	8,436	8,436	58,461	43,298
Utilities	22,579	13,764	-	4,084	40,427	3,404	3,404	47,235	30,163
Special events costs	-	-	-	-	-	-	44,108	44,108	40,878
Miscellaneous	2,260	-	382	536	3,178	13,916	23,231	40,325	23,755
Interest expense	-	-	-	-	-	25,991	-	25,991	7,471
Equipment	4,726	220	9,699	5,134	19,779	3,274	1,140	24,193	72,350
Subscriptions and program material	575	34	1,418	7,816	9,843	3,365	2,783	15,991	22,447
Telephone and internet	6,330	1,658	1,102	2,637	11,727	2,108	1,767	15,602	15,289
Office expense	2,437	340	2,047	3,772	8,596	4,306	1,639	14,541	10,659
Printing and postage	625	25	296	489	1,435	806	12,002	14,243	12,144
Advertising	1,869	98	2,829	1,691	6,487	1,201	4,640	12,328	14,731
Travel	9,115	-	255	288	9,658	104	54	9,816	7,532
Bad debt expense	-	884	3,711	-	4,595	-	4,950	9,545	204
Household supplies	3,311	1,534	235	1,235	6,315	977	919	8,211	10,535
Staff training	3,818	1,213	-	545	5,576	664	1,872	8,112	3,213
Program supplies	-	-	3,689	1,588	5,277	-	-	5,277	17,927
Bank charges	-	-	-	-	-	725	3,900	4,625	4,411
Participant expenses	3,402	-	28	-	3,430	-	-	3,430	500
Food	1,156	-	930	1,046	3,132	-	97	3,229	16,744
Total expenses by function	1,495,058	86,373	622,948	935,010	3,139,389	725,822	584,130	4,449,341	3,678,212
Less expenses included with revenues on the statement of activities - Special event costs	-	-	-	-	-	-	(44,108)	(44,108)	(40,878)
Total expenses included in the expense section on the statement of activities	\$ 1,495,058	\$ 86,373	\$ 622,948	\$ 935,010	\$ 3,139,389	\$ 725,822	\$ 540,022	\$ 4,405,233	\$ 3,637,334

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

WELLSPRING HOUSE, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 140,805	\$ 128,787
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	95,063	75,830
Realized and unrealized gain on investments	(107,661)	(194,378)
Donated securities	(32,444)	-
Proceeds from sale of donated securities	33,269	-
Donated property and equipment	(80,530)	-
Bad debt expense	9,545	204
Cash provided by (used in) changes in:		
Program service fees receivable	202,110	(251,661)
Grants receivable and unconditional promises to give	74,084	(50,851)
Prepaid expenses	(14,511)	368
Deposits	(4,353)	(5,107)
Accounts payable and accrued expenses	(34,564)	77,287
Accrued payroll and benefits	17,740	(14,809)
Contingent liability	30,889	-
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>329,442</b>	<b>(234,330)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to property and equipment	(74,556)	(171,570)
Proceeds from sale of investments	1,593,953	531,155
Purchases of investments	(1,268,806)	(476,138)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>250,591</b>	<b>(116,553)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on term loans	(21,366)	(68,819)
Advances from (payments to) line of credit	(275,000)	275,000
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>(296,366)</b>	<b>206,181</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>283,667</b>	<b>(144,702)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>254,753</b>	<b>399,455</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 538,420</b>	<b>\$ 254,753</b>

(Continued)

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

WELLSPRING HOUSE, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024  
(Continued)

	2025	2024
<u>CASH AND CASH EQUIVALENTS:</u>		
Cash and cash equivalents	\$ 488,673	\$ 234,053
Cash and cash equivalents - Board designated scholarships	25,323	-
Cash and cash equivalents - Board designated endowment	15,843	18,013
Cash and cash equivalents - Endowment	8,581	2,687
	<hr/>	<hr/>
Total cash and cash equivalents at end of year	\$ 538,420	\$ 254,753
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the years for -		
Interest	\$ 25,991	\$ 7,471
<u>SUPPLEMENTAL DATA FOR NONCASH INVESTING ACTIVITIES</u>		
Property and equipment included in accrued expenses	\$ 2,100	\$ -
Noncash donation of property and equipment	\$ 80,530	\$ -
Noncash donation of securities	\$ 32,444	\$ -

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

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024

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1. BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES:

Business Activity

Wellspring House, Inc. (the “Organization” or “Wellspring”) was incorporated on July 8, 1981 under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. Wellspring has been classified as an organization which is not a private foundation under Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes.

Wellspring’s activities are summarized within the following programs:

Family Shelter:

Since 1981, Wellspring’s emergency shelter program has housed nearly 900 homeless families. Case management services are provided to each family to help them secure permanent, affordable housing; ensure that children are enrolled in school or daycare; and that basic needs such as food, clothing, and healthcare are met. Volunteers and community groups provide additional resources including celebrating special occasions such as birthdays and providing household items as families move out of shelter into their new homes.

Wellspring launched a Homelessness Prevention and Stabilization team in March 2017. The purpose of this team is to provide support, financial coaching, and linkages to community resources during the 12-24 months following a period of homelessness or other housing crisis. Stabilization services ensure that families remain safely housed, with key social and health services in place, and parents are working on strengthening the financial health of the family, primarily by increasing earned income. Case managers help to connect parents with education and workforce opportunities in order to pursue employment with higher wages.

In addition to case management, Wellspring continued to operate its Homelessness Prevention Line and Homelessness Prevention Fund, providing resources and referrals to families on Cape Ann who are experiencing a potential housing crisis, as well as for any North Shore families currently participating in a Wellspring program. Each year Wellspring fields more than 900 calls to the Homelessness Prevention Line and awards one-time grants to assist with housing or utility costs.

Wellspring continues to be a contractor for DHCD with partial services sub-contracted to Lynn Housing and Neighborhood Development (LHAND) to provide “Front Door Diversion” crisis services to families facing the threat of homelessness. Services are provided through the access point of the state of Massachusetts’ centralized Emergency Assistance Shelter phone line, where families are deemed eligible for “Emergency Assistance” (EA). As a result of the Diversion program, eligible families remain safely housed in rental units in their home communities instead of experiencing homelessness and entering the state family shelter system.

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WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

(Continued)

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1. BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Affordable Housing:

Since 1987 Wellspring has owned and operated a multi-unit Single Room Occupancy property in downtown Gloucester that provides long-term housing for 11 low-income individuals. A part-time Resident Services Coordinator works with these tenants to assist them in connecting with community resources and maintain a safe, supportive residential setting.

MediClerk / Health Care Office Support Training:

The Health Care Office Support Training program (known as MediClerk) offers job training in partnership with Salem Hospital and prepares students for medical administrative positions. Wellspring has strong partnerships with North Shore Community College (NSCC), MassHire, and the Department of Transitional Assistance to attract interested candidates to the program, and provide higher education opportunities following the completion of MediClerk. Graduates of the program are able to receive up to 19 credits in NSCC's Medical Administrative Assistant Associate's Degree program, moving them further along in an educational path that will lead to higher wages. MediClerk celebrated its 20th anniversary in August 2022. Also in 2022, the Job Training Initiatives Team (of which MediClerk is a part), expanded with the addition of a health care career advisor. This has expanded our capacity to provide intensive career and educational advising to North Shore residents who are pursuing employment in any aspect of healthcare – whether through administrative or clinical roles.

Community Education:

Wellspring's Career Pathways program is an educational advising and mentoring service that helps low-income young adult and adult students to develop informed and achievable educational plans linked to living wage jobs. Professional career and educational counselors, in conjunction with volunteer mentors, continue to support students for a minimum of 18 months. Through a close partnership with Gloucester High School, Wellspring Career Pathways staff provide career advising and counseling during the school day to Gloucester high school seniors and juniors throughout the school year.

Wellspring's English for Speakers of Other Languages (ESOL) program is offered in partnership with the Sawyer Free Library in Gloucester. Adult students participate in a combination of online and in-person classes at the Beginner, Advanced Beginner or Intermediate Levels to build English proficiency in comprehension, verbal expression, reading, and writing. Volunteer tutors and class assistants help to round-out the ESOL offerings to supplement the learning that takes place within formal class sessions.

The College Readiness (Adult Learning) program enables low-income young adults and adults to update math and English skills, and acquire new computer skills, while earning college credits at North Shore Community College (NSCC). Wellspring offers computer classes which help students learn Word, Excel and PowerPoint skills to update their resumes. Wellspring also offers a full College Readiness Program with both math and college writing classes offered two nights per week which helps students prepare for and pass the Accuplacer™ college placement exam. Upon successful completion of these free courses, students become eligible to receive credit at NSCC.

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WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

(Continued)

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1. BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Community Education (Continued):

Each year Wellspring's Robert Clark Rogers Educational Opportunity Fund ("Bob Rogers Fund") makes awards ranging from \$1,000-\$4,000 to current students and graduates from Wellspring's education programs who have gone on to post-secondary educational opportunities.

Method of Accounting

The Organization's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Classification and Reporting Net Assets

The Organization classifies net assets, revenues, gains and losses based on the existence or absence of donor or grantor-imposed restrictions. Consequently, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions represent the portion of net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. Additionally, gains and investment income are treated as unrestricted revenue unless specifically restricted by the donor or by law.
- Net assets with donor restrictions represent the portion of net assets subject to donor-(or certain grantor-) imposed restrictions. Certain donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources to be maintained in perpetuity. Donor-imposed restrictions are released and are reclassified to net assets without donor restrictions when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources were restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Management's Review

In preparing these financial statements, the Organization's management has evaluated events and transactions for potential recognition or disclosure through November 11, 2025, the date the financial statements were available to be issued.

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

(Continued)

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1. BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Adopted Accounting Pronouncements

The Organization adopted ASU 2106-13 *Financial Instruments – Credit Losses* (Topic 326) *Measurement of Credit Losses on Financial Instruments*. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets, such as the Organization's program service fees receivables. The adoption of this standard did not have material impact on the Organization's financial statements but did change how the allowance for credit losses is determined.

The Organization also adopted FASB ASC 606, *Revenue from Contracts with Customers*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to clients in an amount equal to the consideration the entity receives or expects to receive.

Revenue Recognition

Contributions and grants are recorded as net assets without donor restrictions and net assets with donor restrictions depending on the existence and nature of any donor restrictions. Contributions are required to be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give.

Contributions and grants, including unconditional promises to give, are recognized as revenues in the period received. 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. Contributions of assets other than cash are reported at their estimated fair value. Contributions and grants to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction, until the restrictions expire, at which time net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Revenues related to fundraising events hosted by the Organization are generally recognized when the event takes place. Fundraising event revenue is shown net of direct costs of benefits to donors.

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

(Continued)

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1. BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Revenue Recognition (Continued)

The Organization recognizes revenues from program service fees when services are provided to the Organization's clients and in an amount that reflects the consideration the Organization expects to be entitled to in exchange for services using the following steps: (1) identification of the contract; or contracts with a client, (2) identification of performance obligations in the contracts, (3) determine the transaction price, (4) allocation of the transaction price to the performance obligations in the contract and (5) recognition of revenue when or as the Organization satisfies the performance obligations. Program service fees are associated with its Family Shelter, Affordable Housing, Mediclerk, and Community Education programs. The majority of the funding for these programs comes from The Commonwealth of Massachusetts contractual funding.

Rental income for the Single Room Occupancy property is recognized on the accrual basis. The Gloucester Housing Authority approves and manages the Section 8 and the Massachusetts Rental Voucher Property subsidies for this program. The rental income required to be paid by the tenant is based on a formula prescribed by the Gloucester Housing Authority at agreed upon rates

Contributions of Nonfinancial Assets

Contributions of nonfinancial assets include donated services that are recognized as contributions in accordance with accounting principles generally accepted in the United States of America, if the services (a) create or enhance non-financial assets or (b) require specialized skills, and are performed by people with those skills, and would otherwise be purchased. The Organization generally pays for services requiring specific expertise. Contributions of nonfinancial assets include the fair value of gift of securities, volunteer services and rent. Contributions of nonfinancial assets also include the fair value of donated property and equipment and supplies that are used in the programs. Donations of property and equipment and supplies which meet the criteria of the Organization's capitalization policy are capitalized and depreciated pursuant to the Organization's policy described above.

Functional Expenses

The Organization allocates expenses on a functional basis amongst its programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly to those programs. The cost of providing for the programs and other activities has been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Expenses common to several functions are allocated in accordance with the Organization's indirect costs allocation plan. Supporting services are those costs related to operating and managing the Organization's programs on a day-to-day basis. Supporting services have been sub-classified as follows:

- General and administrative - includes all activities related to the Organization's internal management and accounting for program services.
- Fundraising - includes all activities related to maintaining contributor information, donor relations and recognition events, writing grant proposals, distribution of materials, and other similar projects related to the procurement of funds for the Wellspring House, Inc. programs. Fundraising expenses also include the indirect costs of special fundraising events, while direct costs are netted against event proceeds.

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

(Continued)

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1. BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Functional Expenses (Continued)

Allocation of functional expenses is based on management's discretion, time studies and estimates. These variables may change from year to year. As a result, there may be a fluctuation in the comparative presentation of data from year to year

Cash and Cash Equivalents

The Organization considers all liquid investments with a maturity of three months or less to be cash or cash equivalents.

Program Service Fees Receivable and Allowance for Credit Losses

Program service fees receivable represent amounts which are due from state and municipal agencies. The Organization uses historical loss information based on the aging of receivables as the basis to determine expected credit losses for program service fees receivables and believes that the composition of program service fees receivables at year-end is consistent with historical conditions as credit terms and practices and the client base has not changed significantly. Management does not believe the Organization is likely to experience higher credit losses than historically experienced. Management did not establish an allowance for credit losses for the years ended June 30, 2025 and 2024. It is the Organizations policy to charge off uncollectible program service fees receivables when management determines the receivable will not be collected. During the years ended June 30, 2025 and 2024 the Organization charged off \$4,595 and \$204 of uncollectible program service fees receivables.

Grants Receivable and Unconditional Promises to Give

Grants receivable and unconditional promises to give are classified as current if they are scheduled for payment within one year, and non-current when the expected payment date exceeds one year. These amounts are considered fully collectible by management, and consequently, these financial statements do not contain a provision for uncollectible unconditional promises to give. Therefore, if unconditional promises to give become uncollectible, they will be charged as an expense when that determination is made. For the year ended June 30, 2025, the Organization charged off \$4,950 of uncollectible unconditional promises to give. During the year ended June 30, 2024, there were no unconditional promises to give that were considered uncollectible.

Cash and Cash Equivalents Restricted for Board Designated and Endowment

Restricted board designated and endowment cash represents cash restricted for expenditures as outlined in the Endowment policies.

Cash and Cash Equivalents Restricted for Board Designated Scholarships

Board designated cash represents cash designated by the board for scholarship funding.

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

(Continued)

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1. BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Investments

The Organization has adopted accounting principles generally accepted in the United States of America and established a framework for measuring fair value and provided expanded disclosures about fair value measurements. Under accounting principles generally accepted in the United States of America, fair value refers to the price that would be received to sell an asset or to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. It clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. In support of this principle, generally accepted accounting principles in the United States of America establishes a fair value hierarchy that prioritizes the information used to develop those assumptions.

Investments measured at fair value are classified and disclosed in one of the following categories:

Level I: Quoted prices are available in active markets for identical investments as of the reporting date.

Level II: Pricing inputs are other than quoted prices in active markets of comparable investments, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level III: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment.

Investments include listed cash and cash equivalents and equity or debt instruments which are publicly traded, and whose fair value is therefore classified and disclosed as Level I. Corporate and government bonds are actively traded and are determined by the closing bid price on the last business day of the fiscal year and disclosed as Level II. Mutual funds are determined by the published net asset value per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date and disclosed as Level I. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Purchases and sale of securities are recorded on a trade-date basis. Investment income, primarily interest and dividends, is recorded when earned and considered available for unrestricted use unless otherwise restricted by the donor. Investment fees are offset against investment income. Realized and unrealized gains and losses are determined on the basis of specific identification and recognized on a trade-date basis.

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

(Continued)

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1. BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property and Equipment

Property and equipment are recorded at cost. Repairs and maintenance are charged to expense as incurred and improvements are capitalized. Acquisitions of property and equipment in excess of \$5,000 are capitalized. Upon retirement or sale, the asset cost and related accumulated depreciation are removed from the accounts and any gain or loss is credited to or charged against income. Depreciation is computed over the assets' estimated useful lives using the straight-line method.

<u>Assets</u>	<u>Estimated Useful Lives in Years</u>
Land Improvements	20-30
Buildings	30
Building improvements	10-20
Furniture and equipment	3-7
Software development	5
Vehicle	5

Impairment of Long-Lived Assets

In accordance with accounting principles generally accepted in the United States of America, the Organization has given consideration to the impairment or of long-lived assets, in its presentation of these financial statements. As of June 30, 2025, the Organization has not recognized any reduction in the carrying value of its property.

Income Taxes and Uncertainty of Income Taxes

Wellspring House, Inc. is a not-for-profit organization, qualifying under IRS Section 501(c)(3), and is exempt from federal and state income taxes, however, if the Organization had unrelated business income it would be taxable.

The Organization is required to report uncertain tax positions, related interest and penalties. As of June 30, 2025, the Organization determined that there were no material uncertain tax positions to report.

For the years ended June 30, 2025 and 2024, no provision for income taxes has been made. The Organization is subject to audit by tax authorities generally for three years after its returns were filed. The Organization believes that it has appropriate support for the positions taken on its tax returns.

Advertising

Wellspring House, Inc. expenses advertising costs as incurred. Total advertising costs were \$12,328 and \$14,731 for the years ending June 30, 2025 and 2024, respectively.

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

(Continued)

2. LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date, comprise the following:

	2025	2024
Cash and cash equivalents	\$ 488,673	\$ 234,053
Program service fees receivable	336,277	542,982
Current portion of grants and unconditional promises to give	160,000	159,034
Grants receivable and unconditional promises to give, net of current portion	90,000	170,000
Cash and cash equivalents - Board designated scholarship	25,323	-
Cash and cash equivalents - Board designated endowment	15,843	18,013
Investments - Board designated endowment	1,480,074	1,707,582
Cash and cash equivalents - Endowment	8,581	2,687
Investments - Endowment	165,483	156,286
	<u>2,770,254</u>	<u>2,990,637</u>
Less net assets with donor restrictions	447,075	521,282
	<u>\$ 2,323,179</u>	<u>\$ 2,469,355</u>

The Organization's endowment funds consist of donor restricted endowments and funds designated by the Board as endowments. Income from donor restricted endowments is unrestricted and available for general use. Donor restricted endowment funds are not available for general expenditure.

The Board designated endowment of \$1,492,404 is subject to a Board of Director's annual spending rate policy. Although the Organization does not intend to spend from their board designated endowment, these amounts could be made available if necessary.

The Organization has \$300,000 line of credit available to assist operationally as needed.

3. GRANTS RECEIVABLE AND UNCONDITIONAL PROMISES TO GIVE:

At June 30, 2025 and 2024, grants receivable and unconditional promises to give were comprised of the following:

	2025	2024
Receivable in less than one year	\$ 160,000	\$ 159,034
Receivable in one to five years	90,000	170,000
Total grants and unconditional promises to give	<u>\$ 250,000</u>	<u>\$ 329,034</u>

At June 30, 2025 and 2024 the discounted net present value of long-term grants and pledges receivable approximate the realizable value.

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

(Continued)

4. BOARD DESIGNATED AND ENDOWMENT INVESTMENTS:

As of June 30, 2025 and 2024, investments cost and unrealized gains and losses consisted of the following:

	June 30, 2025		June 30, 2024	
	Cost	Market Value	Cost	Market Value
Cash and cash equivalents	\$ 24,424	\$ 24,424	\$ 20,700	\$ 20,700
Government bonds	45,133	44,668	199,886	190,591
Corporate bonds	58,569	56,623	350,977	344,928
Mutual funds	874,202	897,034	-	-
Equities	65,209	216,118	538,497	1,003,637
Exchange traded funds	410,061	431,114	302,768	324,712
	<u>\$ 1,477,598</u>	<u>\$ 1,669,981</u>	<u>\$ 1,412,828</u>	<u>\$ 1,884,568</u>

Based on the fair value hierarchy levels, fair value measurements are classified as follows:

	June 30, 2025			
	Level I	Level II	Level III	Total
Cash and cash equivalents	\$ 24,424	\$ -	\$ -	\$ 24,424
Government bonds	-	44,668	-	44,668
Corporate bonds	-	56,623	-	56,623
Mutual funds	897,034	-	-	897,034
Equities	216,118	-	-	216,118
Exchange traded funds	431,114	-	-	431,114
	<u>\$ 1,568,690</u>	<u>\$ 101,291</u>	<u>\$ -</u>	<u>\$ 1,669,981</u>

	June 30, 2024			
	Level I	Level II	Level III	Total
Cash and cash equivalents	\$ 20,700	\$ -	\$ -	\$ 20,700
Government bonds	-	190,591	-	190,591
Corporate bonds	-	344,928	-	344,928
Equities	1,003,637	-	-	1,003,637
Exchange traded funds	324,712	-	-	324,712
	<u>\$ 1,349,049</u>	<u>\$ 535,519</u>	<u>\$ -</u>	<u>\$ 1,884,568</u>

The portfolio is diversified by type of investment and industry concentration so that no individual investment or a group of investments represent a significant concentration of market risk.

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

(Continued)

4. BOARD DESIGNATED AND ENDOWMENT INVESTMENTS (Continued):

Investment income for the years ended June 30, 2025 and 2024 is comprised of the following:

	2025	2024
Interest and dividend income, net	\$ 187,780	\$ 39,377
Realized gain on investments	390,334	78,206
Unrealized gain (loss) on investments	(282,673)	116,172
	<u>\$ 295,441</u>	<u>\$ 233,755</u>

Investment fees of \$18,205 and \$9,284 for the years ended June 30, 2025 and 2024, respectively were offset against interest and dividend income. Included in interest and dividend income for the year ended June 30, 2025 is \$145,389 of interest income earned on the employee retention credits claims received during the year.

5. PROPERTY AND EQUIPMENT:

At June 30, 2025 and 2024, property and equipment was comprised as follows:

	2025	2024
Land	\$ 83,957	\$ 83,957
Land improvements	248,143	248,141
Buildings	790,783	790,783
Building improvements	1,103,690	1,014,482
Furniture and equipment	150,631	154,691
Software development	30,000	30,000
Vehicle	42,490	-
	<u>2,449,694</u>	<u>2,322,054</u>
Less accumulated depreciation	<u>1,616,076</u>	<u>1,550,559</u>
Property and equipment - net	<u>\$ 833,618</u>	<u>\$ 771,495</u>

Depreciation of property and equipment was \$95,063 and \$75,830 for the years ended June 30, 2025 and 2024, respectively.

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024  
(Continued)

6. TERM LOANS:

At June 30, 2025 and 2024, long-term debt was comprised as follows:

	2025	2024
Real estate mortgage payable - bank, secured by real estate at Essex Avenue Gloucester, Massachusetts, monthly payments of \$1,779, including interest at 6.55%, matures December 25, 2025	\$ 10,020	\$ 30,342
Assessment for sewer betterment - City of Gloucester, annual payments of \$1,013 at an annual interest rate of 1.56%, matures May, 2026	585	1,629
	<u>10,605</u>	<u>31,971</u>
Less - current portion of term loans	<u>10,605</u>	<u>20,969</u>
Term loans, net of current portion	<u>\$ -</u>	<u>\$ 11,002</u>

Aggregate annual maturities of long-term debt are as follows:

June 30, 2026      \$    10,605

The Organization's mortgage loan agreement with its lender provides for restrictive covenants relating to compliance with certain administrative and financial matters.

The Organization also has a secured line of credit agreement with a bank with a maximum availability of \$300,000. Loans are collateralized by a second mortgage on the Chestnut Street, Essex Avenue and Washington Street properties, as well as all equipment, appliances, furnishings and fixtures therein. The agreement provides that any borrowings are due on demand and bear interest at the prevailing prime lending rate plus 1% (8.5% as of June 30, 2025). There was no amount outstanding on this agreement at June 30, 2025. \$275,000 was outstanding on this agreement at June 30, 2024.

7. CONTINGENT LIABILITY:

During the fiscal year ended June 30, 2025, the Organization received an additional payment under the service contract with the Massachusetts Department of Housing and Community Development (DHCD). Management has determined that it is reasonably possible that this payment will be required to be refunded in a subsequent period. The Organization has recorded a contingent liability of \$30,889 at June 30, 2025 in the accompanying Statements of Financial Position.

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

(Continued)

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8. DESIGNATIONS AND RESTRICTIONS OF NET ASSETS:

Board Designated Endowment Fund:

During fiscal year 1998, the Board of Directors established the Wellspring House, Inc. Endowment Fund, an unrestricted, board designated fund. An Endowment Policy was adopted and a committee was appointed to invest the funds. The Board of Directors determines the use of the funds on an annual basis, based on market conditions and the current needs of the Organization. The Robert Clark Rogers Education Opportunity Fund is a special fund within the Board Designated Endowment Fund, which was established to support Wellspring's education mission to include in-house education programs, research and teaching efforts, as well as educational assistance to program participants.

To satisfy its rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). All securities in the Endowment will be invested in securities that are traded on a United States exchange. The Organization maintains a diversified portfolio of funds across both equity-based and fixed income investments to achieve its long-term objectives within prudent risk constraints. The Organization's Board of Directors will establish its spending policy annually.

As of June 30, 2025 and 2024, the aggregate balance of the Board Designated Endowment Fund was \$1,492,404 (of which \$349,599 represents the Robert Clark Rogers Education Opportunity Fund) and \$1,706,991 (of which \$327,971 represents the Robert Clark Rogers Education Opportunity Fund), respectively, which is held in, government and corporate bonds, mutual funds, equities, exchange traded funds and cash equivalents.

Endowment Fund:

During the year ended June 30, 2018, the Organization received an Endowment contribution from a donor in the amount of \$123,577. The endowment agreement states that all earnings from the gift corpus will be unrestricted and may be used to support the operations of the Organization, including without limitation in programmatic expenses, operational expenses and capital improvements. In the event that Wellspring no longer provides its program services to the community, the donor has specified that the corpus be awarded to a donor designated not-for-profit organization.

The Organization has adopted the same endowment policy as the Board Designated Endowment Fund for this gift.

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024  
(Continued)

8. DESIGNATIONS AND RESTRICTIONS OF NET ASSETS (Continued):

Composition of and changes in endowment net assets for the years ended June 30, 2025 and 2024 were as follows:

	Without Donor Restrictions 2025	With Donor Restrictions 2025	Total 2025
Endowment Fund, beginning of year	\$ 1,706,991	\$ 177,577	\$ 1,884,568
Investment return:			
Investment income	427,701	-	427,701
Net depreciation	(282,673)	-	(282,673)
Contributions and designations	7,385	-	7,385
Amounts appropriated for expenditure	(367,000)	-	(367,000)
Endowment Fund, end of year	<u>\$ 1,492,404</u>	<u>\$ 177,577</u>	<u>\$ 1,669,981</u>
	Without Donor Restrictions 2024	With Donor Restrictions 2024	Total 2024
Endowment Fund, beginning of year	\$ 1,595,734	\$ 177,577	\$ 1,773,311
Investment return:			
Investment income	113,063	-	113,063
Net appreciation	116,172	-	116,172
Contributions and designations	-	-	-
Amounts appropriated for expenditure	(117,978)	-	(117,978)
Endowment Fund, end of year	<u>\$ 1,706,991</u>	<u>\$ 177,577</u>	<u>\$ 1,884,568</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). At June 30, 2025, the Endowment fund was not underwater.

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024  
(Continued)

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8. DESIGNATIONS AND RESTRICTIONS OF NET ASSETS (Continued):

Net Assets with Donor Restrictions:

Net assets with donor restrictions include unexpended contributions and grants restricted by donors for the following purposes at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Restricted for future use	\$ 254,000	\$ 384,000
Endowment	123,577	123,577
Education programs	60,000	13,705
Freeman Family	6,498	-
Capital improvements	3,000	-
	<u>\$ 447,075</u>	<u>\$ 521,282</u>

At June 30, 2025, the board designated \$25,323 of undesignated without donor restrictions net assets for scholarship funding.

Net assets released from net assets with donor restrictions were as follows for the years presented:

	<u>2025</u>	<u>2024</u>
Education programs	\$ 168,371	\$ 190,826
Homelessness prevention fund	119,500	204,812
Mediclerk	86,000	325,750
Time restrictions elapsed	130,000	130,000
Family shelter	196,380	241,148
Capital improvements	43,760	-
Freeman Family	5,571	-
	<u>\$ 749,582</u>	<u>\$ 1,092,536</u>

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

(Continued)

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9. EMPLOYEE RETENTION CREDIT

The employee retention credits (ERC) is considered a conditional grant that is recognized by the Organization if it has overcome the barrier of eligibility in accordance with ASU Subtopic 958-605, *Contributions Received and Contributions Made*. Eligibility is determined based on one of two tests; a suspension of services test or a gross receipts test. Management has determined that the Organization has qualified for the ERC under the suspension of services test for the quarters ended June 30, 2020 through June 30, 2021.

The Organization recognized \$515,934 in employee retention credits during the year ended June 30, 2025. The Organization also incurred \$90,038 of related fees relating to the employee retention credits calculation. The employee retention credits income and related consultant fee are reported as non-operating activities in the Statement of Activities for the year ended June 30, 2025. The Organization also received \$145,389 of interest income during the year ended June 30, 2025 on the employee retention credits. The interest income is included in interest and dividend income, net in the Statement of Activities for the year ended June 30, 2025.

Laws and regulations, concern in government programs, including the ERC established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, are complex and subject to carrying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claims to the ERC, and it is not possible to determine the impact (if any) this would have upon the Organization.

10. GOVERNMENT CONTRACTS:

Wellspring House, Inc. is a party to the purchase of service contracts with the Massachusetts Department of Housing and Community Development (DHCD) to provide emergency shelter and related services to homeless families referred by the DHCD. The primary contract is administered on a unit rate basis and accordingly, the funding source is billed as services are provided. Unrestricted program service fees, and the related receivable are recorded in the period during which the costs were incurred and services were delivered. Total billings under the primary DHCD shelter contract amounted to \$1,241,769 and \$979,578 for the years ended June 30, 2025 and 2024, respectively.

Wellspring House, In. is also a party to the purchase of service contracts with the Massachusetts Department of Transitional Assistance (DTA) to provide training, education and job search services to low-income families receiving Transitional Aid for Families with Dependent Children (TAFDC) from DTA. The primary contract is administered on a unit rate basis and accordingly, the funding source is billed as services are provided. Unrestricted program service fees, and the related receivable are recorded in the period during which costs were incurred and services were delivered. Total billings under the DTA contract amounted to \$168,577 and \$126,613 for the years ended June 30, 2025 and 2024, respectively.

Total revenues arising from the above contracts amounted to \$1,410,346 and \$1,106,191, representing 37% and 31% of total operating revenues and support for the years ended June 30, 2025 and 2024, respectively.

11. FUNDRAISING ACTIVITIES:

The Organization sponsors various fundraising events to generate contributions as well as to gain public awareness for its programs and charitable purpose. Contributions from fundraising events are reported on the Statement of Activities net of the direct costs of the events, while indirect costs and the costs associated with direct mail campaigns and annual appeal letters are reported as fundraising expenses in the statements of functional expenses.

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

(Continued)

11. FUNDRAISING ACTIVITIES (Continued):

The results of fundraising events are summarized below:

	Gross Proceeds	Direct Costs	Net Event Revenues	
			2025	2024
Spring Celebration	\$ 240,026	\$ 44,108	\$ 195,918	88,495
Holiday Store	-	-	-	4,387
Small Campaigns	9,733	-	9,733	-
Total	<u>\$ 249,759</u>	<u>\$ 44,108</u>	<u>\$ 205,651</u>	<u>\$ 92,882</u>

12. CONTRIBUTIONS OF NONFINANCIAL ASSETS:

For the years ended June 30, 2025 and 2024, the Organization recognized the following contributions of nonfinancial assets in its financial statements:

	2025	2024
Volunteer services	\$ 39,390	\$ 62,375
Books and program supplies	31,522	50,511
Rent	81,000	81,000
Securities	32,444	-
Building improvements	80,530	-
Total	<u>\$ 264,886</u>	<u>\$ 193,886</u>

The Organization received 1,313 and 2,079 hours of donated services that supported program services and fundraising for the years ended June 30, 2025 and 2024. At \$30 per hour, this amounts to \$39,390 and \$62,375 of additional contributions and expenses for program services and fundraising for the years ended June 30, 2025 and 2024, respectively. These hourly rates are the estimated value per volunteer time based upon teacher and staff rates. During the year ended June 30, 2025, Wellspring received additional donations of goods and services that while significant, did not meet the recognition criteria, and therefore, were not recognized as contributions in the accompanying financial statements.

Contributed educational services are provided by specifically trained educators and counselors who assist in helping clients develop and enhance their skills through group workshops and webinars. Contributed educational services are used in program services and are recognized at fair value based on current rates for similar educational services.

Contributed books and program supplies are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing date under a "like-kind" methodology considering the goods' condition and utility for use at the time of contribution. Contributed books and program supplies are used in the program services.

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

(Continued)

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12. CONTRIBUTIONS OF NONFINANCIAL ASSETS (Continued):

The Mediclerk program operates out of commercial space in Salem Massachusetts and is provided at no cost to the Organization. The Organization estimated the fair value based on publicly available comparable commercial rental listings for non-profits in the local real estate market. The contributed rent is used for program services.

The Organization received in-kind contributions of investment securities during the year ended June 30, 2025. Contributed securities are valued at fair market value on the date of receipt. The fair market value of contributed securities was \$32,444.

During the year ended June 30, 2025, the Organization completed a renovation project in a building used by their program, general and administrative and fundraising offices. As part of the project, an unrelated business donated materials and labor totaling \$80,530 which was capitalized and included in building improvements. The in-kind donation was valued by the business using their current labor rates and related retail value of materials.

13. EMPLOYEE BENEFIT PLANS:

Wellspring House, Inc. offers a simple IRA retirement plan, to which it is required to match a portion of the employees' elective deferral. The Organization matched \$47,250 and \$31,145 for the years ended June 30, 2025 and 2024, respectively.

14. CONCENTRATION OF CREDIT RISK:

Financial instruments which potentially subject the Organization to a concentration of credit risk consist of cash, investments and receivables. The Organization maintains its cash balances in various financial institutions. At times during the year, the Organization's cash balances may exceed federally insured limits; however, the Organization's cash balances are held at high credit quality financial institutions and management considers credit risk on cash balances to be low.

The Organization maintains an investment portfolio which includes cash equivalents and marketable securities in the form of professionally managed exchange traded funds. The Organization's investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances.

Credit risk with respect to receivables is limited to the credit worthiness of the government entities, individuals and organizations from whom the amounts are due. The Organization has not experienced any losses on such accounts and credit risk is considered low.

15. SURPLUS REVENUE RETENTION:

In accordance with Massachusetts regulation 808 CMR 1.19(3), if a non-profit provider realizes an annual net surplus from the revenues and expenses associated with services provided to purchasing agencies which are subject to 808 CMR 1.00, the provider may retain, for future use, a portion of that surplus not to exceed 5% of said revenues. The cumulative amount of a provider's surplus account may not exceed 20% of the prior years' revenues from purchasing agencies. Surpluses may be used by the provider for any of its established charitable purposes, provided that no portion of the surplus is used for any non-reimbursable cost set forth in 808 CMR 1.15. As of June 30, 2025 and 2024, there were no excess surpluses due to the Commonwealth of Massachusetts.

(Continued)

WELLSPRING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024  
(Continued)

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16. LITIGATION

During the year ended June 30, 2025, the Organization received a claim from a former employee in the ordinary course of business. The Organization's policy is to accrue for litigation and claims when amounts are probable of payment and can be reasonably estimated after consultation with external legal counsel. Included in accrued expenses on the Statements of Financial Position at June 30, 2025 is \$55,000 for this claim. It is the opinion of management that any resulting liability from this claim will not materially affect the financials position, changes in net assets, or cash flows of the Organization.

17. RECLASSIFICATION

Certain amounts in the 2024 comparative financial statements have been reclassified to conform to the 2025 presentation. The reclassification had no impact on the net assets.



INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors  
Wellspring House, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Wellspring House, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 11, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Wellspring House, Inc.’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wellspring House, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Wellspring House, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "BJHC PC". The letters are bold and slightly slanted, with a casual, professional appearance.

Topsfield, Massachusetts  
November 11, 2025