

**WELLSPRINGS VILLAGE, INC.**  
**(A Texas Non-Profit Organization)**

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FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

GAINER DONNELLY & DESROCHES

WELLSPRINGS VILLAGE, INC.  
(A Texas Non-Profit Organization)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Wellsprings Village, Inc.  
Houston, Texas

We have audited the accompanying statements of financial position of Wellsprings Village, Inc. (a Texas non-profit organization) as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Wellsprings Village, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wellsprings Village, Inc. as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Gainer, Donnelly & Desroches, LLP*

June 18, 2012

WELLSPRINGS VILLAGE, INC.  
(A Texas Non-Profit Organization)  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2011 AND 2010

ASSETS		
	2011	2010
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 33,781	\$ 65,506
Unconditional Promises to Give	25,200	-
Grants Receivable	46,129	35,323
Prepaid Expenses	13,699	6,284
Total Current Assets	118,809	107,113
<b>PROPERTY AND EQUIPMENT, NET</b>	2,247,605	2,263,490
<b>LONG-TERM ASSETS:</b>		
Unconditional Promises to Give	\$ 30,000	\$ -
<b>TOTAL ASSETS</b>	\$ 2,396,414	\$ 2,370,603
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable and Accrued Expenses	\$ 4,250	\$ 3,138
Current Maturities of Long-Term Debt	82,659	104,274
Total Current Liabilities	86,909	107,412
<b>LONG-TERM LIABILITIES:</b>		
Long-Term Debt, Net of Current Maturities	309,204	277,355
<b>TOTAL LIABILITIES</b>	396,113	384,767
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS:</b>		
Unrestricted:		
Designated	25,000	25,000
Undesignated	1,917,781	1,944,101
Total Unrestricted	1,942,781	1,969,101
Temporarily Restricted	57,520	16,735
<b>TOTAL NET ASSETS</b>	2,000,301	1,985,836
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 2,396,414	\$ 2,370,603

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

WELLSPRINGS VILLAGE, INC.  
(A Texas Non-Profit Organization)  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 306,229	\$ 159,700	\$ 465,929	\$ 321,644	\$ 68,000	\$ 389,644
Fundraising	19,071	-	19,071	19,228	-	19,228
Grants and Contracts	132,137	-	132,137	125,953	-	125,953
United Way	-	74,934	74,934	-	125,216	125,216
Investment Loss	(128)	-	(128)	(144)	-	(144)
Net Assets Released from Restrictions	193,849	(193,849)	-	194,268	(194,268)	-
<b>Total Support and Revenue</b>	<b>651,158</b>	<b>40,785</b>	<b>691,943</b>	<b>660,949</b>	<b>(1,052)</b>	<b>659,897</b>
<b>EXPENSES:</b>						
Program Expenses	504,465	-	504,465	497,272	-	497,272
Administrative Expenses	135,960	-	135,960	173,018	-	173,018
Fundraising Expenses	37,053	-	37,053	56,855	-	56,855
<b>Total Operating Expenses</b>	<b>677,478</b>	<b>-</b>	<b>677,478</b>	<b>727,145</b>	<b>-</b>	<b>727,145</b>
<b>Total Expenses</b>	<b>677,478</b>	<b>-</b>	<b>677,478</b>	<b>727,145</b>	<b>-</b>	<b>727,145</b>
<b>CHANGE IN NET ASSETS</b>	<b>(26,320)</b>	<b>40,785</b>	<b>14,465</b>	<b>(66,196)</b>	<b>(1,052)</b>	<b>(67,248)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,969,101</b>	<b>16,735</b>	<b>1,985,836</b>	<b>2,035,297</b>	<b>17,787</b>	<b>2,053,084</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,942,781</b>	<b>\$ 57,520</b>	<b>\$ 2,000,301</b>	<b>\$ 1,969,101</b>	<b>\$ 16,735</b>	<b>\$ 1,985,836</b>

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

WELLSPRINGS VILLAGE, INC.  
(A Texas Non-Profit Organization)  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	PROGRAM SERVICES	ADMINISTRATIVE EXPENSES	FUNDRAISING EXPENSES	TOTAL
Salaries and Wages	\$ 277,786	\$ 56,593	\$ 21,500	\$ 355,879
Specific Assistance to Individuals	110,688	800	-	111,488
Contract Staff	620	-	7,887	8,507
Depreciation Expense	36,275	8,892	-	45,167
Insurance	14,819	-	-	14,819
Interest Expense	178	17,404	-	17,582
Miscellaneous Expense	-	1,185	-	1,185
Office Supplies	1,567	2,556	-	4,123
Postage and Shipping	1,100	2,598	-	3,698
Printing and Publications	82	8,875	-	8,957
Professional Fees and Consultants - Other	614	16,234	-	16,848
Occupancy	5,798	1,814	-	7,612
Repairs and Maintenance	17,323	13,444	-	30,767
Security Services	30,233	-	-	30,233
Special Events	-	-	7,666	7,666
Telephone	7,163	336	-	7,499
Travel and Meetings	157	100	-	257
Utilities	62	5,129	-	5,191
Total Operating Expenses	<u>\$ 504,465</u>	<u>\$ 135,960</u>	<u>\$ 37,053</u>	<u>\$ 677,478</u>

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

WELLSPRINGS VILLAGE, INC.  
(A Texas Non-Profit Organization)  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	PROGRAM SERVICES	ADMINISTRATIVE EXPENSES	FUNDRAISING EXPENSES	TOTAL
Salaries and Wages	\$ 269,836	\$ 88,532	\$ 48,166	\$ 406,534
Specific Assistance to Individuals	109,267	5,440	-	114,707
Contract Staff	913	-	-	913
Depreciation Expense	36,086	7,269	-	43,355
Insurance	12,554	-	-	12,554
Interest Expense	258	21,506	-	21,764
Miscellaneous Expense	1,173	769	-	1,942
Office Supplies	332	4,437	137	4,906
Postage and Shipping	19	4,985	220	5,224
Printing and Publications	-	6,752	290	7,042
Professional Fees and Consultants - Other	475	15,952	-	16,427
Occupancy	4,190	1,485	-	5,675
Repairs and Maintenance	23,867	12,975	-	36,842
Security Services	24,003	1,280	-	25,283
Special Events	-	-	8,042	8,042
Telephone	6,992	563	-	7,555
Travel and Meetings	157	-	-	157
Utilities	7,150	1,073	-	8,223
Total Operating Expenses	<u>\$ 497,272</u>	<u>\$ 173,018</u>	<u>\$ 56,855</u>	<u>\$ 727,145</u>

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

WELLSPRINGS VILLAGE, INC.  
(A Texas Non-Profit Organization)  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 14,465	\$ (67,248)
Adjustments to Reconcile Changes in Net Assets to Net Cash Used in Operating Activities:		
Depreciation	45,167	43,355
(Increase) Decrease in:		
Unconditional Promises to Give	(55,200)	-
Grants Receivable	(10,806)	2,059
Prepaid Expenses	(7,415)	3,467
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	<u>1,112</u>	<u>(1,021)</u>
Net Cash Used in Operating Activities	<u>(12,677)</u>	<u>(19,388)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of Property and Equipment	(29,282)	(4,855)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net Borrowings	320,000	75,000
Payments on Long-Term Debt	<u>(309,766)</u>	<u>(2,087)</u>
Net Cash Provided by Financing Activities	<u>10,234</u>	<u>72,913</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(31,725)</b>	<b>48,670</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b><u>65,506</u></b>	<b><u>16,836</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ <u><u>33,781</u></u></b>	<b>\$ <u><u>65,506</u></u></b>
<b>SUPPLEMENTARY SCHEDULE OF CASH FLOW ACTIVITIES:</b>		
Cash Paid for Interest	\$ <u><u>17,582</u></u>	\$ <u><u>21,764</u></u>
<b>SUPPLEMENTARY NONCASH OPERATING AND INVESTING ACTIVITIES:</b>		
Forgiveness of Debt	\$ <u><u>25,000</u></u>	\$ <u><u>26,042</u></u>

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

WELLSPRINGS VILLAGE, INC.  
(A Texas Non-Profit Organization)  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

Wellsprings Village, Inc. (“Wellsprings”), a Texas non-profit organization, was founded in 1988. Wellsprings is a non-sectarian charitable organization operating family-style homes. Wellsprings provides residences for homeless, abused/battered employable women between the ages of 30 and 50. The residents also receive food, clothing, personal items, education, job training, group therapy, counseling, and transportation. The mission of Wellsprings is to provide a safe, growthful environment for homeless and abused women, including women in recovery, in order to empower them to become economically and emotionally self-sustaining, contributing members of society.

In December 2006, Wellsprings completed construction of the first phase of Wellsprings Village (the Village). The Village can provide residency for up to 52 women.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

Wellsprings’ financial records have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Wellsprings’ is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Wellsprings had no permanently restricted net assets at December 31, 2011 and 2010.

Cash Equivalents

Wellsprings considers all highly liquid investments with initial maturities of three months or less at the time of purchase to be cash equivalents.

Receivables

Wellsprings consider grants and pledges receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be charged to operations when that determination is made.

Pledges are recorded as revenue in the year they are received unless they contain a conditional promise to give. Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are discounted to estimate the present value of future cash flows, if material.

Contributions

Wellsprings contributions are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donor-restricted contributions (including investment income and gains) are reported as increases in temporarily restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are released to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

WELLSPRINGS VILLAGE, INC.  
(A Texas Non-Profit Organization)  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributions - Continued

Funds received through government grants are a significant source of revenue upon which Wellsprings depends to carry out its operations. A decrease in such funding would have a direct effect on program services provided by Wellsprings.

Fair Value Considerations

Wellsprings uses fair value to measure certain financial and nonfinancial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs-Level 1) and the lowest priority to a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs-Level 3).

The fair value option allows entities to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. If an organization elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. Wellsprings' did not elect the fair value option for the measurement of any eligible assets or liabilities.

Wellspring's financial instruments consist of various receivables, liabilities and borrowings. Management believes the carrying amount of these financial instruments approximate their fair value.

Property and Equipment

Property and equipment are recorded at cost if purchased, or in the case of donated property, at the estimated fair market value at the date of donation. Wellsprings capitalizes all expenditures for property and equipment in excess of \$500. Depreciation is computed by use of the straight-line method for financial reporting purposes. Useful lives of the assets range from three to thirty-nine years.

Routine maintenance, repair, renewal and replacement costs are charged against operations in the year incurred. Expenditures, which materially increase values or extend useful lives of property and equipment, are capitalized.

Impairment of Long-Lived Assets

Wellspring's long-lived assets are evaluated for impairment in accordance with generally accepted accounting principles which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. This review requires significant judgments both in assessing events and circumstances as well as estimating future cash flows. Should events indicate that any of the assets are impaired, the amount of such impairment will be measured as the difference between the carrying value and the fair value of the impaired asset and the impairment will be recorded in earnings during the period of such impairment. Management believes no impairment has occurred with respect to long-lived assets at December 31, 2011 and 2010.

WELLSPRINGS VILLAGE, INC.  
(A Texas Non-Profit Organization)  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Donated Assets

Wellsprings recognizes all donated assets received, including contributions and gifts of furniture and equipment, as income in the period received. All donated assets are reported as unrestricted or as temporarily restricted depending on the existence of donor stipulations that limit the use of the assets. When a donor-restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. No donated assets were received in 2011 and 2010.

Donated Services

Wellsprings recognizes donated services at their fair value in the period received if the services received create or enhance nonfinancial assets that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Wellsprings benefited from certain donated services which were valued by management at \$13,000 during the years ended December 31, 2011 and 2010. These amounts have been reported as both contribution revenue and program expenses on the statements of activities and changes in net assets.

A substantial number of unpaid volunteers make significant contributions of their time to develop Wellsprings' programs. The value of the contributed time is not reflected in these statements because it does not require a specialized skill or create or enhance a nonfinancial asset.

Functional Expenses

The majority of expenses can generally be directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses have been allocated among the programs and supporting services benefited based on various determinations by management.

Federal Income Taxes

Wellsprings is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, Wellsprings was granted an individual ruling under the same section and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code and, as such, qualifies for the charitable contribution deduction for individual donors.

Wellsprings accounts for uncertain tax positions, when it is more likely than not, that such an asset or a liability will be realized. As of December 31, 2011, management believes there were no uncertain tax positions.

Use of Estimates

The preparation of the 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 amount of assets and liabilities, the amounts of reported revenues and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used. Estimates that have the most impact on financial position and results of operations primarily relate to the collectability of grants and accounts receivable, useful lives and recoverability of property and equipment, and allocation of expenses by function. Management believes these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

WELLSPRINGS VILLAGE, INC.  
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Subsequent Events

Wellsprings has evaluated subsequent events through the date the financial statements were available for issuance on June 18, 2012. No matters were identified affecting the accompanying financial statements and related disclosures.

NOTE 3 – PROMISES TO GIVE

Unconditional promises to give at December 31, 2011 and 2010 are as follows:

	2011	2010
Receivable in Less than One Year	\$ 25,200	\$ -
Receivable in One to Five Years	30,000	-
Total Unconditional Promises to Give	\$ 55,200	\$ -

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2011 and 2010:

	2011	2010
Land and Improvements	\$ 1,063,573	\$ 1,063,573
Buildings and Improvements	1,331,595	1,331,595
Automotive Equipment	63,674	37,801
Office Equipment	35,058	34,558
Home Furniture and Equipment	16,639	14,030
Total Property and Equipment	2,510,839	2,481,557
Less: Accumulated Depreciation	(263,234)	(218,067)
Property and Equipment, Net	\$ 2,247,605	\$ 2,263,490

Depreciation expense for the years ended December 31, 2011 and 2010 totaled \$45,167 and \$43,355, respectively.

WELLSPRINGS VILLAGE, INC.  
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – LONG-TERM DEBT

In 2005, Wellsprings entered into a promissory note with an individual to provide \$125,000 towards construction of the Village. The note is unsecured and non-interest bearing and scheduled originally to mature on December 14, 2007. Wellsprings made principal payments totaling \$26,042 in 2006. In December 2010, Wellsprings received notification from the holder of the note payable that all principal payments previously made were forgiven. In addition, beginning in 2011, it is the intent of the holder to forgive \$25,000 of the note payable each year for the next four years. During the years ended December 31, 2011 and 2010, \$25,000 and \$26,042, respectively, was forgiven on the note.

In February 2007, Wellsprings entered into a note agreement with an individual to provide \$149,500 towards the purchase of land for the expansion of the Village. The note requires monthly payments beginning in July 2007 of \$1,255 including interest at 9% and is secured by the underlying property. The note was repaid in full in July 2011.

In July 2010, Wellsprings entered into a note agreement with the bank for repayment of the outstanding balance on the line of credit totaling \$140,000. No principal payments were required to be made on the note during 2010. Beginning in February 2011, the note required monthly payments of \$1,094 including interest of 7%. The note is collateralized by real property. The note was repaid in full in July 2011.

In July 2011, Wellsprings entered into a note agreement with a Foundation for \$320,000. Proceeds from the note were used to pay off the outstanding balances for the notes issued in 2007 and 2010. The note requires quarterly payments of \$6,895 including interest at 6%. The note matures on July 21, 2031 and is collateralized by real property.

A summary of long-term debt at December 31, is as follows:

	2011	2010
Note Payable – Wellsprings Village Construction	\$ 73,958	\$ 98,958
Note Payable – Wellsprings Village Expansion	-	142,671
Note Payable – Bank	-	140,000
Note Payable – Foundation	317,905	-
	391,863	381,629
Less: Current Portion	(82,659)	(104,274)
Long-Term Portion	\$ 309,204	\$ 277,355

Estimated maturities on long-term debt are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2012	\$ 82,659
2013	9,235
2014	9,802
2015	10,403
2016	11,041
2017 and Thereafter	268,723
Total	\$ 391,863

WELLSPRINGS VILLAGE, INC.  
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – DESIGNATED UNRESTRICTED NET ASSETS

As of December 31, 2011 and 2010, Wellsprings' Board of Directors had designated \$25,000 as an emergency reserve.

NOTE 7 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donors as follows:

	2011	2010
Program Restrictions Accomplished	\$ 79,700	\$ 68,000
Transportation	40,000	-
Time Restrictions Expired	74,149	126,268
Total	\$ 193,849	\$ 194,268

NOTE 8 – TEMPORARY RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31:

	2011	2010
Capital Campaign	\$ 890	\$ 890
For Periods after December 31	56,630	15,845
Total	\$ 57,520	\$ 16,735