

# Wellsprings Village, Inc.

## Financial Statements


December 31, 2018 and 2017



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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Wellsprings Village, Inc. (Wellsprings) (a Texas Non-Profit Organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility 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; this includes 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.

### **Auditors' Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Case, Riggs & Ingram, L.L.C.*

Houston, Texas

June 19, 2019

Wellsprings Village, Inc.  
Statements of Financial Position

<i>December 31,</i>	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 105,760	\$ 140,512
Grants receivable	-	47,642
Total current assets	<b>105,760</b>	188,154
Property and equipment, net	<b>1,718,221</b>	1,761,121
Total assets	<b>\$ 1,823,981</b>	\$ 1,949,275
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable	\$ 8,521	\$ 1,295
Net assets		
Without donor restrictions	<b>1,814,570</b>	1,939,643
With donor restrictions	<b>890</b>	8,337
Total net assets	<b>1,815,460</b>	1,947,980
Total liabilities and net assets	<b>\$ 1,823,981</b>	\$ 1,949,275

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

Wellsprings Village, Inc.  
Statements of Activities

<i>For the years ended December 31,</i>	<b>2018</b>			<b>2017</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenue</b>						
Contributions	\$ 236,887	\$ 20,500	\$ 257,387	\$ 246,859	\$ 103,000	\$ 349,859
Fundraising	94,085	-	94,085	73,431	-	73,431
Grants and contracts	87,785	-	87,785	100,044	-	100,044
Other income	1,787	-	1,787	2,497	-	2,497
Net assets released from restrictions	27,947	(27,947)	-	111,557	(111,557)	-
Total support and revenue	448,491	(7,447)	441,044	534,388	(8,557)	525,831
<b>Expenses</b>						
Program expenses	415,669	-	415,669	379,330	-	379,330
Administrative expenses	101,845	-	101,845	99,946	-	99,946
Fundraising expenses	56,050	-	56,050	24,469	-	24,469
Total operating expenses	573,564	-	573,564	503,745	-	503,745
Total expenses	573,564	-	573,564	503,745	-	503,745
Change in net assets	(125,073)	(7,447)	(132,520)	30,643	(8,557)	22,086
Net assets, beginning of year	1,939,643	8,337	1,947,980	1,909,000	16,894	1,925,894
Net assets, end of year	\$ 1,814,570	\$ 890	\$ 1,815,460	\$ 1,939,643	\$ 8,337	\$ 1,947,980

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

Wellsprings Village, Inc.  
Statement of Functional Expenses

*For the year ended December 31,*

**2018**

	Program Services	Administrative Expenses	Fundraising Expenses	Total
Salaries, wages and benefits	\$ 239,269	\$ 22,366	\$ 13,332	\$ 274,967
Specific assistance to individuals	69,119	-	-	69,119
Insurance	8,186	9,884	-	18,070
Miscellaneous expense	382	1,642	80	2,104
Office supplies	2,152	4,034	-	6,186
Postage and shipping	813	736	52	1,601
Printing and publications	-	-	12,122	12,122
Professional fees and consultants - other	-	48,184	9,340	57,524
Occupancy	1,881	918	-	2,799
Repairs and maintenance	44,716	6,208	-	50,924
Special events	500	1,500	21,015	23,015
Telephone	6,900	257	-	7,157
Travel and meetings	358	72	109	539
Utilities	1,510	3,027	-	4,537
Total expenses before depreciation	375,786	98,828	56,050	530,664
Depreciation expense	39,883	3,017	-	42,900
Total expenses	\$ 415,669	\$ 101,845	\$ 56,050	\$ 573,564

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

Wellsprings Village, Inc.  
Statement of Functional Expenses

*For the year ended December 31,*

2017

	Program Services	Administrative Expenses	Fundraising Expenses	Total
Salaries, wages and benefits	\$ 227,662	\$ 36,670	\$ -	\$ 264,332
Specific assistance to individuals	52,424	-	-	52,424
Contract staff	702	9,360	-	10,062
Furniture and equipment	4,279	-	-	4,279
Insurance	12,069	7,343	-	19,412
Miscellaneous expense	32	3,117	-	3,149
Office supplies	849	1,882	28	2,759
Postage and shipping	1,186	838	980	3,004
Printing and publications	-	-	7,817	7,817
Professional fees and consultants - other	934	24,973	3,479	29,386
Occupancy	1,704	390	-	2,094
Repairs and maintenance	29,857	7,554	-	37,411
Special events	-	-	12,165	12,165
Telephone	7,412	832	-	8,244
Travel and meetings	337	1,422	-	1,759
Utilities	-	2,548	-	2,548
<b>Total expenses before depreciation</b>	<b>339,447</b>	<b>96,929</b>	<b>24,469</b>	<b>460,845</b>
Depreciation expense	39,883	3,017	-	42,900
<b>Total expenses</b>	<b>\$ 379,330</b>	<b>\$ 99,946</b>	<b>\$ 24,469</b>	<b>\$ 503,745</b>

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



Wellsprings Village, Inc.  
Statements of Cash Flows

<i>For the years ended December 31,</i>	<b>2018</b>	<b>2017</b>
<b>Operating activities</b>		
Change in net assets	\$ (132,520)	\$ 22,086
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Depreciation	42,900	42,900
Change in operating assets and liabilities		
Unconditional promises to give	-	5,000
Grants receivable	47,642	(30,496)
Accounts payable and accrued expenses	7,226	1,021
<b>Net cash (used in) provided by operating activities</b>	<b>(34,752)</b>	40,511
<b>Net change in cash and cash equivalents</b>	<b>(34,752)</b>	40,511
<b>Cash and cash equivalents, beginning of year</b>	<b>140,512</b>	100,001
<b>Cash and cash equivalents, end of year</b>	<b>\$ 105,760</b>	<b>\$ 140,512</b>

*The accompanying notes are an integral part of these 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, nurturing environment for women who were homeless or abused, helping them to become independent, contributing members of our community. Wellsprings support primarily comes from government grants, foundation grants and donor contributions.

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***New Accounting Pronouncement***

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. Wellsprings adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses.

The accompanying information from the 2017 financial statements has been restated to conform to the 2018 presentation and disclosure requirements of ASU 2016-14.

***Financial Statement Presentation***

Wellsprings reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions— Net assets that are not subject to or are no longer subject to donor-imposed stipulations

Net Assets with Donor Restrictions— Net assets whose use is limited by donor-imposed time and/or purpose restrictions

***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.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Receivables***

Wellsprings consider grants 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***

Contributions received are recorded as increases in net assets without donor restrictions or net asset with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

During 2017, Wellsprings received 12% of contributions from one donor. There was no concentration in contributions in 2018.

***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 receivables and liabilities. Management believes the carrying amount of these financial instruments approximate their fair value.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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 capitalize 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, 2018 and 2017.

***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 with or without donor restrictions 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, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. No donated assets were received in 2018 and 2017.

***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.

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.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Functional Expenses***

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statements of activities and statements of 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. Salaries, wages and benefits, office supplies and miscellaneous expenses have been allocated among the programs and supporting services benefited based on estimates of time and effort whereas depreciation expense has been allocated among program and supporting services based on estimates of usage of the Village for program operations.

***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, 2018 and 2017, 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.

***Subsequent Events***

Wellsprings has evaluated subsequent events through the date the financial statements were available for issuance on June 19, 2019. No matters were identified affecting the accompanying financial statements and related disclosures.

***Recent Financial Accounting Pronouncement***

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This new guidance is effective for transactions in which an organization serves as a resource recipient for fiscal years beginning after December 15, 2018. Wellsprings is currently evaluating the impact of the guidance on its financial statements.

Wellsprings Village, Inc.  
Notes to Financial Statements

**NOTE 3: LIQUIDITY**

Wellsprings financial assets at December 31, 2018 consisted of cash and cash equivalents of \$105,760. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. Wellsprings monitors its liquidity so that it is able to meet its operating needs and strives to maintain cash on hand to meet operating needs with the goal of maintaining cash on hand to cover 60 days of operating expenses.

**NOTE 4: PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

<i>December 31,</i>	<b>2018</b>	2017
Land and improvements	\$ 814,073	\$ 814,073
Buildings and improvements	1,331,595	1,331,595
Automotive equipment	63,674	63,674
Office equipment	48,839	48,839
Home furniture and equipment	28,830	28,830
	<b>2,287,011</b>	2,287,011
Less: accumulated depreciation	<b>(568,790)</b>	(525,890)
Property and equipment, net	<b>\$ 1,718,221</b>	\$ 1,761,121

Depreciation expense for each of the years ended December 31, 2018 and 2017 totaled \$42,900.

**NOTE 5: 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:

<i>For the years ended December 31,</i>	<b>2018</b>	2017
Program restrictions accomplished	\$ 27,947	\$ 95,553
Time restrictions expired	-	16,004
Total	<b>\$ 27,947</b>	\$ 111,557

Wellsprings Village, Inc.  
Notes to Financial Statements

**NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes at December 31:

<i>December 31,</i>	<b>2018</b>	2017
Capital campaign	\$ 890	\$ 890
Housing repairs and maintenance	-	7,447
<b>Total</b>	<b>\$ 890</b>	<b>\$ 8,337</b>