Wellsprings Village, Inc.

Financial Statements

December 31, 2019 and 2018

Wellsprings Village, Inc.
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December 31, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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.

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
December 18, 2020

Wellsprings Village, Inc.
Statements of Financial Position

December 31,	2019	2018
Assets		
Current assets		
Cash and cash equivalents	**$ 18,520**	105,760
Grants receivable	**27,980**	-
Prepaid expenses	**60**	-
Total current assets	**46,560**	105,760
Property and equipment, net	**1,682,194**	1,718,221
Total assets	**$ 1,728,754**	$ 1,823,981
Liabilities and net assets		
Current liabilities		
Accounts payable	**$ 11,166**	$ 8,521
Net assets		
Without donor restrictions	**1,694,903**	1,814,570
With donor restrictions	**22,685**	890
Total net assets	**1,717,588**	1,815,460
Total liabilities and net assets	**$ 1,728,754**	$ 1,823,981

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

For the years ended December 31,	2019			2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions	**$ 255,235**	**$ 54,295**	**$ 309,530**	$ 236,887	$ 20,500	$ 257,387
Fundraising	**82,906**	**-**	**82,906**	94,085	-	94,085
Grants and contracts	**54,750**	**-**	**54,750**	87,785	-	87,785
Other income	**383**	**-**	**383**	1,787	-	1,787
Net assets released from restrictions	**32,500**	**(32,500)**	**-**	27,947	(27,947)	-
Total support and revenue	**425,774**	**21,795**	**447,569**	448,491	(7,447)	441,044
Expenses						
Program expenses	**383,132**	**-**	**383,132**	415,669	-	415,669
Administrative expenses	**116,064**	**-**	**116,064**	101,845	-	101,845
Fundraising expenses	**46,245**	**-**	**46,245**	56,050	-	56,050
Total operating expenses	**545,441**	**-**	**545,441**	573,564	-	573,564
Total expenses	**545,441**	**-**	**545,441**	573,564	-	573,564
Change in net assets	**(119,667)**	**21,795**	**(97,872)**	(125,073)	(7,447)	(132,520)
Net assets, beginning of year	**1,814,570**	**890**	**1,815,460**	1,939,643	8,337	1,947,980
Net assets, end of year	**$ 1,694,903**	**$ 22,685**	**$ 1,717,588**	$ 1,814,570	$ 890	$ 1,815,460

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

Wellsprings Village, Inc.
Statement of Functional Expenses

For the year ended December 31,				**2019**
	Program Services	Administrative Expenses	Fundraising Expenses	Total
Salaries, wages and benefits	$ 250,580	$ 43,397	$ 18,171	$ 312,148
Specific assistance to individuals	63,455	-	-	63,455
Insurance	3,618	16,003	-	19,621
Miscellaneous expense	308	906	-	1,214
Office supplies	1,083	643	-	1,726
Postage and shipping	1,030	144	55	1,229
Printing and publications	-	2,578	6,095	8,673
Professional fees and consultants - other	305	34,271	1,605	36,181
Occupancy	1,951	1,057	-	3,008
Repairs and maintenance	20,676	6,446	-	27,122
Special events	-	-	20,319	20,319
Telephone	8,915	1,606	-	10,521
Travel and meetings	198	685	-	883
Utilities	28	3,286	-	3,314
Total expenses before depreciation	352,147	111,022	46,245	509,414
Depreciation expense	30,985	5,042	-	36,027
Total expenses	$ 383,132	$ 116,064	$ 46,245	$ 545,441

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.
Statements of Cash Flows

For the years ended December 31,	2019	2018
Operating activities		
Change in net assets	**$ (97,872)**	$ (132,520)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation	**36,027**	42,900
Change in operating assets and liabilities		
Grants receivable	**(27,980)**	47,642
Prepaid expenses	**(60)**	-
Accounts payable and accrued expenses	**2,645**	7,226
Net cash used in operating activities	**(87,240)**	(34,752)
Net change in cash and cash equivalents	**(87,240)**	(34,752)
Cash and cash equivalents, beginning of year	**105,760**	140,512
Cash and cash equivalents, end of year	**$ 18,520**	$ 105,760
Noncash investing and financing activities		
Disposal of fully depreciated property and equipment	**$ 19,362**	$ -

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

Basis of Accounting

The financial statements are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updated (ASUs).

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.

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 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.

Promises to give are recorded as revenue in the year they are received unless they contain a conditional promise to give. Promises to give 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.

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 $1,000. 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, 2019 and 2018.

Net Assets

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

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 and 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).

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Contributions

Wellsprings recognizes contributions and grants and contracts when cash, other assets, or an unconditional promise to give is 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 received are recorded as increases in net assets with donor restrictions or without 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 purposes 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.

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 2019 and 2018.

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, 2019 and 2018, management believes there were no uncertain tax positions.

Newly Adopted Financial Accounting Pronouncements

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. Effective January 1, 2019, Wellsprings applied the provisions of this ASU on a modified prospective basis, which did not result in material impact to the financial statements.

Note 3: LIQUIDITY AND AVAILABILITY OF RESOURCES

Wellsprings financial assets as December 31, 2019 consisted of cash and cash equivalents and receivables totaling $24,705, which excludes amounts held for the acquisition of a van in 2020 from donor restricted funds (see Note 6). Wellsprings financial assets at December 31, 2018 consisted of cash and cash equivalents of $105,760. None of the financial assets for 2018 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:

December 31,	**2019**	2018
Land and improvements	**$ 814,073**	$ 814,073
Buildings and improvements	**1,331,595**	1,331,595
Automotive equipment	**44,312**	63,674
Office equipment	**48,839**	48,839
Home furniture and equipment	**28,830**	28,830
	2,267,649	2,287,011
Less: accumulated depreciation	**(585,455)**	(568,790)
Property and equipment, net	**$ 1,682,194**	$ 1,718,221

Depreciation expense for the years ended December 31, 2019 and 2018 totaled $36,027 and $42,900, respectively.

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:

For the years ended December 31,	**2019**	2018
Program restrictions accomplished	**$ 32,500**	$ 27,947
Time restrictions expired	**-**	-
Total	**$ 32,500**	$ 27,947

Note 6: NET ASSETS WITH DONOR RESTRICTIONS

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

December 31,	**2019**	2018
Capital campaign	**$ 890**	$ 890
Purchase of van	**21,795**	-
Total	**$ 22,685**	$ 890

Note 7: SUBSEQUENT EVENTS

Wellsprings has evaluated subsequent events through the date the financial statements were available for issuance on December 18, 2020. No matters except as noted below, were identified affecting the accompanying financial statements or related disclosures.

In March 2020, the World Health Organization characterized COVID-19 as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of Wellsprings. Future potential impacts may include continued disruptions or restrictions on our programs and ability to obtain contributions and volunteers. The future effects of these issues are unknown.

In April 2020, Wellsprings obtained a $10,000 EIDL grant from the SBA.

In May 2020, Wellsprings applied for and was approved for $58,500 loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (SBA). The loan accrues interest at 1%, but payments are not required to begin for 10 months after the end of the eight- or 24-week loan forgiveness covered period. Wellsprings is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirement during the covered period. The loan is uncollateralized and is fully guaranteed by the Federal government.

Also, in May 2020 Wellsprings entered into a 30-year loan agreement with the SBA under its EIDL program in the amount of $150,000 at an interest rate of 2.75% per annum. Wellsprings will owe monthly payments of $641 beginning May 2021. The maturity date of the loan is 2050. The loan is secured by all assets of Wellsprings.