



Wellsprings Village, Inc.

FINANCIAL STATEMENTS

December 31, 2021 and 2020



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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Wellsprings and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Wellsprings ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 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, 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 Wellsprings 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 Wellsprings 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.

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

Houston, Texas
July 20, 2022

Wellsprings Village, Inc.
Statements of Financial Position

<i>December 31,</i>	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 121,668	\$ 158,274
Grants receivable	-	33,515
Prepaid expenses	2,707	116
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Total current assets	124,375	191,905
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Property and equipment, net	1,651,397	1,667,792
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Total assets	\$ 1,775,772	\$ 1,859,697
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Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 10,920	\$ 15,483
EID loan - current	274	-
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Total current liabilities	11,194	15,483
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EID loan - non-current	149,726	150,000
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Total liabilities	160,920	165,483
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Net assets		
Without donor restrictions	1,599,852	1,684,214
With donor restrictions	15,000	10,000
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Total net assets	1,614,852	1,694,214
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Total liabilities and net assets	\$ 1,775,772	\$ 1,859,697
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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>	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions	\$ 196,872	\$ 53,000	\$ 249,872	\$ 218,125	\$ 28,035	\$ 246,160
Fundraising	50,785	-	50,785	68,539	-	68,539
Grants and contracts	66,635	-	66,635	65,219	-	65,219
Government grants - PPP	68,500	-	68,500	68,500	-	68,500
Other income	623	-	623	-	-	-
Net assets released from restrictions	48,000	(48,000)	-	40,720	(40,720)	-
Total support and revenue	431,415	5,000	436,415	461,103	(12,685)	448,418
Expenses						
Program expenses	406,668	-	406,668	360,567	-	360,567
Administrative expenses	77,311	-	77,311	79,260	-	79,260
Fundraising expenses	31,798	-	31,798	31,965	-	31,965
Total expenses	515,777	-	515,777	471,792	-	471,792
Change in net assets	(84,362)	5,000	(79,362)	(10,689)	(12,685)	(23,374)
Net assets, beginning of year	1,684,214	10,000	1,694,214	1,694,903	22,685	1,717,588
Net assets, end of year	\$ 1,599,852	\$ 15,000	\$ 1,614,852	\$ 1,684,214	\$ 10,000	\$ 1,694,214

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

Wellsprings Village, Inc.
Statement of Functional Expenses

For the year ended December 31,

2021

	Program Services	Administrative Expenses	Fundraising Expenses	Total
Salaries, wages and benefits	\$ 240,941	\$ 30,714	\$ 24,490	\$ 296,145
Specific assistance to individuals	55,110	269	-	55,379
Insurance	8,327	6,889	-	15,216
Miscellaneous expense	7,991	2,041	-	10,032
Office supplies	1,680	374	-	2,054
Postage and shipping	241	1,111	69	1,421
Printing and publications	1,996	-	-	1,996
Professional fees and consultants - other	8,968	20,466	500	29,934
Occupancy	2,564	426	-	2,990
Repairs and maintenance	29,027	7,616	-	36,643
Special events	-	-	6,739	6,739
Telephone	11,558	535	-	12,093
Travel and meetings	96	-	-	96
Utilities	561	2,143	-	2,704
Total expenses before depreciation	369,060	72,584	31,798	473,442
Depreciation expense	37,608	4,727	-	42,335
Total expenses	\$ 406,668	\$ 77,311	\$ 31,798	\$ 515,777

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

Wellsprings Village, Inc.
Statement of Functional Expenses

For the year ended December 31,

2020

	Program Services	Administrative Expenses	Fundraising Expenses	Total
Salaries, wages and benefits	\$ 228,688	\$ 27,500	\$ 25,132	\$ 281,320
Specific assistance to individuals	48,285	1,052	-	49,337
Insurance	3,971	16,906	-	20,877
Miscellaneous expense	1,224	(1,340)	-	(116)
Office supplies	2,971	56	-	3,027
Postage and shipping	207	1,219	55	1,481
Printing and publications	336	-	-	336
Professional fees and consultants - other	6,431	17,090	-	23,521
Occupancy	2,394	852	-	3,246
Repairs and maintenance	25,043	7,771	-	32,814
Special events	-	-	6,778	6,778
Telephone	9,632	583	-	10,215
Utilities	295	3,107	-	3,402
Total expenses before depreciation	329,477	74,796	31,965	436,238
Depreciation expense	31,090	4,464	-	35,554
Total expenses	\$ 360,567	\$ 79,260	\$ 31,965	\$ 471,792

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>	2021	2020
Operating activities		
Change in net assets	\$ (79,362)	\$ (23,374)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	42,335	35,554
Change in operating assets and liabilities		
Grants receivable	33,515	(5,535)
Prepaid expenses	(2,591)	(56)
Accounts payable	(4,563)	4,317
Net cash provided by (used in) operating activities	(10,666)	10,906
Investing activities		
Purchase of property and equipment	(25,940)	(21,152)
Financing activities		
Proceeds from issuance of debt - EID loan	-	150,000
Net change in cash and cash equivalents	(36,606)	139,754
Cash and cash equivalents, beginning of year	158,274	18,520
Cash and cash equivalents, end of year	\$ 121,668	\$ 158,274

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

Wellsprings Village, Inc. Notes to Financial Statements

Note 1: DESCRIPTION OF THE ORGANIZATION

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 accompanying financial statements have been prepared 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 Updates (ASUs).

Use of Estimates

The preparation of the U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and changes therein, and disclosures of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenue and expenses, and the allocation of expenses among various functions during the reporting period. Actual results could differ from those estimates.

Cash and 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 capitalizes 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

Wellsprings' long-lived assets are evaluated for impairment in accordance with generally accepted accounting principles which requires long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate 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 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, 2021 and 2020.

Net Assets

Wellsprings reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: 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. The only limits on the use of net assets without donor restrictions are the broad limits results from the nature of Wellsprings, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

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

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Considerations

Wellsprings' financial instruments consist of receivables, liabilities and debt. 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. Fundraising revenue is comprised of an exchange element based upon the direct benefit donors receive and a contribution element for the difference. Fundraising revenue is recognized when the special event takes place. 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 statements 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 2021 and 2020.

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 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, 2021 and 2020, management believes there were no uncertain tax positions.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available for issuance, July 20, 2022, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Future Accounting Pronouncement

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this update apply to Not-for-Profit entities that receive contributed nonfinancial assets. Under the guidance, entities are required to (1) present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial assets and (2) disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statements of activities by category that depicts the type of contributed nonfinancial assets and certain qualitative information. This new guidance is required to be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. Early adoption is permitted. Wellsprings is currently evaluating the impact of the guidance on its financial statements.

Wellsprings Village, Inc.
Notes to Financial Statements

Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

The following reflects Wellsprings financial assets as of the statements of financial position date, reduced by amounts not available for general use within one year of the statements of financial position date because of contractual or donor-imposed restrictions. 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.

Financial assets at year end	\$ 121,668	\$ 191,789
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions	-	(10,000)
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Financial assets available to meet cash needs for general expenditures within one year	\$ 121,668	\$ 181,789
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Note 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<i>December 31,</i>	2021	2020
<hr/>		
Land and improvements	\$ 814,073	\$ 814,073
Buildings and improvements	1,331,595	1,331,595
Automotive equipment	65,464	65,464
Office equipment	48,839	48,839
Home furniture and equipment	54,770	28,830
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	2,314,741	2,288,801
Less: accumulated depreciation	(663,344)	(621,009)
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Property and equipment, net	\$ 1,651,397	\$ 1,667,792
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Depreciation expense for the years ended December 31, 2021 and 2020 totaled \$42,335 and \$35,554, respectively.

Wellsprings Village, Inc.
Notes to Financial Statements

Note 5: PAYCHECK PROTECTION PROGRAM and EID LOAN

In May 2020, Wellsprings received a loan in the amount of \$58,500 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provided loans to qualifying businesses and non-profit organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business for the qualifying time period. The loan and accrued interest are forgivable after the applicable time period in the CARES Act as long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent, and utilities, and maintains its payroll levels. In February 2021, Wellsprings received a second loan in the amount of \$57,300 under the PPP (Second Draw PPP). The terms were similar as the original PPP loan.

Wellsprings recognized revenue from the PPP loans following the guidance under FASB ASC 958-605, government grant model. PPP loan funds are considered a conditional contribution and recorded as a refundable advance on the statement of financial position until the barriers to entitlement are met. Wellsprings considers the barriers to entitlement to include the incurrence of qualifying expenses and maintaining specified levels of payroll and headcount. Revenue is recognized once conditions have been substantially met or explicitly forgiven.

Wellsprings used the PPP loan funds for eligible expenses, purposes consistent with the PPP during 2020 and 2021. As of December 31, 2020, Wellsprings had incurred \$58,500 of qualifying expenses under the PPP loan and has recognized the PPP loan as government grant revenue. Wellsprings received notification from the SBA that the PPP loan was fully forgiven in April 2021. As of December 31, 2021, Wellsprings had incurred \$57,300 of qualifying expenses under the Second Draw PPP loan and has recognized the Second Draw PPP loan as government grant revenue. Wellsprings received notification from the SBA that the Second Draw PPP loan was fully forgiven in August 2021.

In May 2020, Wellsprings received \$150,000 in loan proceeds under the Economic Injury Disaster Loan (EIDL) as established by Section 7(b) of the Small Business Act administered by the SBA to be used solely as working capital to alleviate economic injury caused by the outbreak of a novel coronavirus. The loan is payable over thirty years from the date of loan agreement. Monthly installment payments, including principal and interest, of \$641 begins in December 2022 and will be payable over 30 years through April 2050. Interest on the loan accrues at the rate of 2.75% per annum. The loan is secured by substantially all assets of Wellsprings.

Future minimum loan payments under the loan is as follows:

<i>Years ending December 31,</i>	
2022	\$ 274
2023	3,336
2024	3,436
2025	3,538
2026	3,643
Thereafter	135,773
	\$ 150,000

Wellsprings Village, Inc.
Notes to Financial Statements

Note 6: 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 totaling \$48,000 and \$40,720, for the years ended December 31, 2021 and 2020, respectively.

Note 7: NET ASSETS WITH DONOR RESTRICTIONS

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

<i>December 31,</i>	2021	2020
Purchase of equipment for virtual counseling and interview	\$ -	\$ 10,000
2022 fundraising event	15,000	-
Total	\$ 15,000	\$ 10,000

Note 8: UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of Wellsprings. The occurrence and extent of such impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel of meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.