Wellsprings Village, Inc.

FINANCIAL STATEMENTS

December 31, 2020 and 2019

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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. (Wellsrpings) (a Texas Non-Profit Organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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, 2020 and 2019, 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, including omissions, 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
August 25, 2021

Wellsprings Village, Inc.
Statements of Financial Position

December 31,		**2020**		2019
Assets				
Current assets				
Cash and cash equivalents	**$**	**158,274**	$	18,520
Grants receivable		**33,515**		27,980
Prepaid expenses		**116**		60
Total current assets		**191,905**		46,560
Property and equipment, net		**1,667,792**		1,682,194
Total assets	**$**	**1,859,697**	$	1,728,754
Liabilities and net assets				
Current liabilities				
Accounts payable	**$**	**15,483**	$	11,166
EID loan - non-current		**150,000**		-
Total liabilities		**165,483**		11,166
Net assets				
Without donor restrictions		**1,684,214**		1,694,903
With donor restrictions		**10,000**		22,685
Total net assets		**1,694,214**		1,717,588
Total liabilities and net assets	**$**	**1,859,697**	$	1,728,754

For the years ended December 31,	**2020**			2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions	**$ 218,125**	**$ 28,035**	**$ 246,160**	$ 255,235	$ 54,295	$ 309,530
Fundraising	**68,539**	**-**	**68,539**	82,906	-	82,906
Grants and contracts	**65,219**	**-**	**65,219**	54,750	-	54,750
Government grants - PPP and EIDL grant	**68,500**	**-**	**68,500**	-	-	-
Other income	**-**	**-**	**-**	383	-	383
Net assets released from restrictions	**40,720**	**(40,720)**	**-**	32,500	(32,500)	-
Total support and revenue	**461,103**	**(12,685)**	**448,418**	425,774	21,795	447,569
Expenses						
Program expenses	**360,567**	**-**	**360,567**	383,132	-	383,132
Administrative expenses	**79,260**	**-**	**79,260**	116,064	-	116,064
Fundraising expenses	**31,965**	**-**	**31,965**	46,245	-	46,245
Total expenses	**471,792**	**-**	**471,792**	545,441	-	545,441
Change in net assets	**(10,689)**	**(12,685)**	**(23,374)**	(119,667)	21,795	(97,872)
Net assets, beginning of year	**1,694,903**	**22,685**	**1,717,588**	1,814,570	890	1,815,460
Net assets, end of year	**$ 1,684,214**	**$ 10,000**	**$ 1,694,214**	$ 1,694,903	$ 22,685	$ 1,717,588

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.

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

Wellsprings Village, Inc.
Statements of Cash Flows

For the years ended December 31,	**2020**	2019
Operating activities		
Change in net assets	**$ (23,374)**	$ (97,872)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	**35,554**	36,027
Change in operating assets and liabilities		
Grants receivable	**(5,535)**	(27,980)
Prepaid expenses	**(56)**	(60)
Accounts payable	**4,317**	2,645
Net cash provided by (used in) operating activities	**10,906**	(87,240)
Investing activities		
Purchase of property and equipment	**(21,152)**	-
Financing activities		
Proceeds from issuance of debt - EID loan	**150,000**	-
Net change in cash and cash equivalents	**139,754**	(87,240)
Cash and cash equivalents, beginning of year	**18,520**	105,760
Cash and cash equivalents, end of year	**$ 158,274**	$ 18,520
Noncash investing and financing activities		
Disposal of fully depreciated property and equipment	**$ -**	$ 19,362

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, 2020 and 2019.

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.

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. 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 2020 and 2019.

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, 2020 and 2019, 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, August 25, 2021. See Notes 5 and 9 for relevant disclosures. 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.

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.

December 31,	**2020**	2019
Financial assets at year end	**$ 191,789**	$ 46,500
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions	**(10,000)**	(21,795)
Financial assets available to meet cash needs for general expenditures within one year	**$ 181,789**	$ 24,705

Note 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

December 31,	**2020**	2019
Land and improvements	**$ 814,073**	$ 814,073
Buildings and improvements	**1,331,595**	1,331,595
Automotive equipment	**65,464**	44,312
Office equipment	**48,839**	48,839
Home furniture and equipment	**28,830**	28,830
	2,288,801	2,267,649
Less: accumulated depreciation	**(621,009)**	(585,455)
Property and equipment, net	**$ 1,667,792**	$ 1,682,194

Depreciation expense for the years ended December 31, 2020 and 2019 totaled $35,554 and $36,027, respectively.

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.

Wellsprings recognized revenue from the PPP loan 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. 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. Additionally, in April 2021, Wellsprings received notification from the SBA that the PPP loan was fully forgiven.

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 May 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:

Years ending December 31,	
2021	$ -
2022	1,930
2023	3,386
2024	3,486
2025	3,590
Thereafter	137,608
	$ 150,000

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 $40,720 and $32,500, for the years ended December 31, 2020 and 2019, respectively.

Note 7: NET ASSETS WITH DONOR RESTRICTIONS

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

December 31,	**2020**	2019
Purchase of equipment for virtual counseling and interview	**$ 10,000**	$ -
Purchase of van	**-**	21,795
Other	**-**	890
Total	**$ 10,000**	$ 22,685

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.

Note 9: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after December 31, 2020 through August 25, 2021, the date Wellsprings financial statements were available to be issued.

In February 2021, Wellsprings received a second PPP loan in the amount of $57,300 (Second Draw PPP Loan) from the SBA. Proceeds from the loan may only be used for qualifying expenses including payroll, benefits, rent, utilities and other qualifying expenses. Under the terms of the Second Draw PPP Loan, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act and the Economic Aid Act. While there can be no guarantee until Wellsprings formally receives forgiveness from the SBA, Wellsprings intends to use these proceeds on qualifying expenses and believes the loan will ultimately be forgiven. The unforgiven portion of the loan along with interest at 1% is payable beginning upon the earlier of forgiveness being determined or denied by the SBA or 10 months after the end of borrower's loan forgiveness covered period through the loan maturity date of January 2026.