REDWITZ
CPAs | TRUSTED ADVISORS

Report of Independent Auditors and
Combined Financial Statements for

Wells of Life, Inc.

December 31, 2020

Wells of Life, Inc.

Contents

Independent Auditors' Report 1

Financial Statements

Combined Statement of Financial Position 2

Combined Statement of Activities 3

Combined Statement of Functional Expenses 4

Combined Statement of Cash Flows 5

Notes to Combined Financial Statements 6-11

Independent Auditors' Report

To the Board of Directors
Wells of Life, Inc.
Irvine, California

We have audited the accompanying combined financial statements of Wells of Life, Inc. (a nonprofit organization) which comprise the combined statement of financial position as of December 31, 2020, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined 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 combined financial statements based on our audit. We conducted our audit 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 combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Wells of Life, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Redwitz, Inc.

Redwitz, Inc.
Irvine, California
October 26, 2021

Redwitz, Inc.

Orange County	3 Park Plaza, Suite 1700, Irvine, California 92614	(949) 753-1514 ● (949) 753-1535 fax
San Francisco Bay Area	1 Almaden Boulevard, Suite 620, San Jose, California 95113	(408) 377-3441 ● (408) 377-5834 fax
San Diego County	4275 Executive Square, Suite 1000, La Jolla, California 92037	(858) 455-9000 ● (858) 455-8279 fax

www.redwitz.com (800) 576-1514

Wells of Life, Inc.
Combined Statements of Financial Position
December 31, 2020

ASSETS	
Current assets	
Cash and cash equivalents	$ 766,547
Pledges receivable, current portion	334,068
Prepaid expenses	11,380
Total current assets	1,111,995
Property and equipment, net of accumulated depreciation	29,047
Other assets	
Deposits	4,530
Pledges receivable, net of current portion	540,097
Total other assets	544,627
Total assets	$ 1,685,669
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable and accrued expenses	$ 51,688
Note payable - CARES Act	8,565
Total current liabilites and total liabilities	60,253
Net assets	
Without donor restrictions	651,905
With donor restrictions	973,511
Total net assets	1,625,416
Total liabilities and net assets	$ 1,685,669

Wells of Life, Inc.
Combined Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	2020 Total
Support, revenue and gains			
Contributions	$ 362,829	$ 1,351,839	$ 1,714,668
Grants	10,000	-	10,000
Investment income	1,117	-	1,117
Realized gains on investments	4,908	-	4,908
Net assets released from restrictions	1,139,448	(1,139,448)	-
Total support, revenue and gains	1,518,302	212,391	1,730,693
Expenses			
Program services			
Well drilling and maintenance	901,370	-	901,370
Total program services	901,370	-	901,370
General and administrative	204,978	-	204,978
Fundraising	209,525	-	209,525
Provision for unfulfilled pledges	50,000	-	50,000
Total expenses	1,365,873	-	1,365,873
Increase in net assets	152,429	212,391	364,820
Net assets, beginning of year	499,476	761,120	1,260,596
Net assets, end of year	$ 651,905	$ 973,511	$ 1,625,416

Wells of Life, Inc.
Combined Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services	Support		
	Well drilling and maintenance	General and administrative	Fundraising	Total
Compensation and benefits				
Salaries	$ 188,379	$ 51,378	$ 6,791	$ 246,548
Payroll taxes	27,811	3,043	1,522	32,376
Group insurance/benefits	785	224	112	1,121
Total compensation and benefits	216,975	54,645	8,425	280,045
Accounting fees	2,400	27,628	-	30,028
Advertising and promotion	7,308	-	23,416	30,724
Auto expense	38,227	2,366	-	40,593
Bank charges	2,010	16,279	-	18,289
Conferences and training	-	508	-	508
Contract services	194,133	38,320	68,097	300,550
Depreciation	-	4,600	-	4,600
Design and printing	9,463	6,309	15,772	31,544
Dues and subscriptions	-	-	3,038	3,038
Field expenses	391,147	-	-	391,147
Information technology	5,493	9,850	5,651	20,994
Insurance	2,701	6,842	-	9,543
Meals and entertainment	1,178	-	-	1,178
Miscellaneous	150	5,000	-	5,150
Office supplies and expense	11,280	4,881	-	16,161
Outside services	-	2,158	-	2,158
Payroll processing	-	1,683	-	1,683
Photos and videos	3,110	-	1,272	4,382
Postage and mailing	-	8,448	-	8,448
Rent and housing	9,914	8,515	11,514	29,943
Special event costs	-	-	72,340	72,340
Taxes and licenses	-	20	-	20
Telephone and internet	1,210	1,699	-	2,909
Travel	4,142	5,227	-	9,369
Utilities	529	-	-	529
Total expenses	$ 901,370	$ 204,978	$ 209,525	$ 1,315,873

Wells of Life, Inc.
Combined Statement of Cash Flows
For the Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	$ 364,820
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	4,600
Donated stocks	(95,080)
Provision for uncollectible pledges receivable	50,000
Change in present value of long term pledges	1,576
Realized and unrealized gains on investments	(4,908)
(Increase) decrease in operating assets:	
Pledges receivable	(105,320)
Prepaid expenses	(4,705)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	(19,153)
Net cash provided by operating activities	191,830
CASH FLOWS FROM INVESTING ACTIVITIES	
Investments - stock sales	99,988
Net cash provided by investing activities	99,988
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from note payable - Cares Act	8,565
Net cash provided by financing activities	8,565
Increase in cash and cash equivalents	300,383
Cash and cash equivalents - beginning of year	466,164
Cash and cash equivalents - end of year	$ 766,547

Note 1 – Summary of significant accounting policies

Nature of organization

Wells of Life, Inc. ("Organization") is a not-for-profit Christian organization incorporated in 2011. Their mission is to provide rural Ugandans access to safe, clean water. They are dedicated to serving the most vulnerable people by partnering with rural communities to overcome water poverty. The Organization is supported primarily from contributions from donors and fundraising activities. Wells of Life, Inc., is a public benefit corporation which is tax exempt under section 501(c)3 of the Internal Revenue Code.

Principles of combination

The combined financial statements include the accounts of Wells of Life, Inc. (USA), Wells of Life, Uganda and Wells of Life, Ireland (collectively "Wells of Life"). In 2017, Wells of Life became a non-governmental organization (NGO) with the Ugandan government. In 2018, Wells of Life obtained NGO status in Ireland.

Basis of presentation

The combined financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Organization reports information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor imposed stipulations. These net assets may be used at the discretion of the Organization's management.

Net Assets With Donor Restrictions – Net assets that are subject to stipulations imposed by donor. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of estimates

The preparation of combined financial statements in conformity with generally accepted accounting principles requires the Organization's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Revenue recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Contributions

The Organization's revenue is derived primarily from individual, corporate and foundation contributions. Contributions are recognized as revenue when they are received or unconditionally pledged and are recorded as with donor restrictions or without donor restrictions according to donor stipulations. Contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restriction to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Note 1 – Summary of significant accounting policies (continued)

Donated goods and services

Donations of goods are recorded at their estimated fair value on the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated goods to a specified purpose. Goods that are donated with explicit restrictions regarding their use are reported as restricted support. Donated services are recognized if the services received create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There were no donated goods or services received by the Organization during the year ended December 31, 2020.

A number of unpaid volunteers have made significant contributions of their time to the Organization. However, the value of these services is not reflected in these financial statements, because the criteria for recognition have not been satisfied.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. During the year ended December 31, 2020, the Organization received donations of stock totaling $95,080. The stock was sold prior to December 31, 2020 resulting in a gain of $4,908.

Property and equipment

Property and equipment are recorded at cost or estimated cost (when actual was unavailable) if purchased, or fair market value at date of contribution, if contributed. Property and equipment and expenditures for major renewals and betterments that extend the lives of property and equipment are capitalized if the cost of an asset is greater than or equal to $1,000 and the useful life is greater than one year. Expenditures for maintenance and repairs are charged to expense as incurred. Expenditures for major renewals and betterments that extend the lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Asset Type	Estimated life
Furniture and equipment	5 years
Drilling rigs	15 years
Vehicles	5 years

Long-lived assets

Long-lived assets are reviewed annually for impairment when circumstances indicate that the carrying amount of any asset may not be recoverable. If impairment exists, an adjustment is made to write the asset down to its fair value and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market value, discounted cash flows or internal and external appraisals, as applicable. Management has determined there are no long-lived assets that are impaired at December 31, 2020.

Note 1 – Summary of significant accounting policies (continued)

Compensated absences

Full time employees receive annual benefits for paid time off based on length of employment. Unpaid vacation time off is paid to employees upon termination of employment and is accrued in the financial statements. There were no compensated absences accrued as of December 31, 2020.

Income tax status

The Organization is exempt under Internal Revenue Code Section 170(b)(1)(A)(ii) as a public charity. Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. Management of the Organization considers the likelihood of taxes imposed by taxing authorities and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur, including changes to the Organization's status as a not-for-profit entity. Management believes the Organization has met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore no provision for income taxes has been provided in these combined financial statements.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the combined statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Where practicable, expenses that are directly identifiable are charged to specific program or supporting service categories. Costs that are not specifically identifiable within functional categories are classified using allocation methods. Direct costs related to well drilling and maintenance are charged to program services. Personnel and contract services are allocated based on management’s estimate of time devoted to each function. Other allocated costs are based on management’s estimate of consumption by each function.

New accounting standard not yet adopted

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (Topic 842)* which requires lessees to recognize substantially all leases on the statement of financial position as both a right-of-use asset and a liability. The standard has two types of leases for financial statement recognition purposes: operating leases and financial leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The standard is effective for fiscal years beginning after December 15, 2021. The pronouncement is to be applied using a modified retrospective approach with optional expedients and other special transition provisions. The Organization does not expect the adoption of the standard to have a material impact on the Organization’s financial statements.

Risks and uncertainties

In March 2020, the outbreak of a novel strain of coronavirus (”COVID-19”) became widespread in the United States and was declared a National Emergency. The COVID-19 outbreak has caused business disruption through mandated closing of non-essential business operations. The extent of the impact of COVID-19 on the Organization’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, employees and vendors all of which are uncertain and cannot be reasonably estimated.

Note 1 – Summary of significant accounting policies (continued)

Subsequent events

Management evaluates events occurring subsequent to the date of the combined financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 26, 2021, which is the date the combined financial statements were available to be issued. See Note 5 for disclosure of a subsequent event.

Note 2 – Fair value measurements

The Fair Value Measurements and Disclosure Topic defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

The Fair Value Measurements and Disclosure Topic establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. These three general valuation techniques that may be used to measure fair value are as follows: Market approach (Level 1) – which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources. Cost approach (Level 2) – which is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and the Income approach (Level 3) – which uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (including present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

The carrying amount of cash and cash equivalents, prepaid expenses, deposits, accounts payable, accrued expenses and notes payable approximate their fair values due to the short-term nature of these instruments.

Assets measured at fair value on a recurring basis as of December 31, 2020 include pledges receivable totaling $1,032,548. These assets were measured using significant unobservable inputs (Level 3).

Note 3 – Pledges receivable

Pledges receivable represent amounts committed by donors that have not been received by the Organization as of the fiscal year-end. Unconditional pledges due in the next year are reflected as current pledges and are recorded at their net realizable value. Unconditional pledges in subsequent years are reflected as long-term pledges and are recorded at the present value of their net realizable value, using risk-free interest rates. The discount rate used on long term pledges is 1%. The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance is based on experience and management's analysis of specific promises made. The allowance for uncollectible pledges as of December 31, 2020 totaled $140,000.

Pledges receivable consist of the following as of December 31, 2020

Pledges receivable in less than one year	$ 397,850
Pledges receivable in one to five years	634,698
Total pledges receivable	1,032,548
Less: discounts to net present value	(18,383)
Less: allowance for doubtful receivables	(140,000)
Net pledges receivable	$ 874,165

Note 4 – Property and equipment

Property and equipment as of December 31, 2020 net consists of the following:

Furniture and equipment	$ 2,077
Drilling rigs	29,770
Vehicles	11,000
Less: accumulated depreciation	(13,801)
Total	$ 29,047

Depreciation expense for the year ended December 31, 2020 totaled $4,600.

Note 5 – Note payable – CARES Act

In response to COVID-19, in April 2020, the Organization applied for and received a loan under the federal Paycheck Protection Program of the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) totaling $8,565. The loan has a 2 year payback period and an interest rate of 1% per annum, with the initial payment due October 2020. Additionally, the loan may be fully or partially forgiven if the funds are used for qualifying costs such as payroll costs, rent, and utilities over a specified period. The loan forgiveness feature is not guaranteed and must be applied for with the lender. In April 2021, the Organization was granted forgiveness on the loan.

Note 6 – Concentrations

The Organization maintains cash balances at several financial institutions. The balances are fully insured up to $250,000 by the Federal Deposit Insurance Corporation. At December 31, 2020, the Organization had uninsured cash balances of $423,250.

Note 7 – Related party transactions

The Organization has contracted with an individual who serves as the Chief Executive Officer of the Organization. The contract stipulates that fees paid for this service may be paid to the individual's limited liability company. The Organization paid the limited liability company $191,171 during the year ended December 31, 2020. Included in accounts payable as of December 31, 2020 is a payable to the limited liability company totaling $35,470.

Note 8 – Net assets with donor restrictions

Net assets with donor restrictions consist of the following as of December 31, 2020:

Subject to expenditure for specified purpose:	
Contributions for well drilling and maintenance	$ 433,413
Subject to passage of time:	
Pledges receivable	540,097
Total net assets with donor restrictions	$ 973,511

Note 9 – Liquidity and availability of financial assets

The Organization’s primary source of income is contributions from donors. Timing of collection of donations may fluctuate throughout the year. The Organization seeks to retain cash reserves to cover a minimum of six months of operating expenses.

The following table reflects the Organization’s financial assets, reduced by amounts not available for general expenditures within one year.

Total financial assets	
Cash and cash equivalents	$ 766,547
Pledges receivable, collectible in less than one year	334,068
Total financial assets excluding non-current receivables	1,100,615
Less: donor-imposed or board designated restrictions:	
Cash restricted by donors for specific purposes	(433,413)
Financial assets available to meet cash needs for general expenditures within one year	$ 667,202