



Independent Auditors' Report and  
Financial Statements for

**Wells of Life, Inc.**

December 31, 2023

# Wells of Life, Inc.

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## **Independent Auditors' Report**

To the Board of Directors  
Wells of Life, Inc.

### **Opinion**

We have audited the accompanying financial statements of Wells of Life, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 Wells of Life, Inc. as of December 31, 2023, 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.

### **Basis for Opinion**

We conducted our audit 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 Wells of Life, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the 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 Wells of Life, Inc.'s 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.

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To the Board of Directors  
Wells of Life, Inc.

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 Wells of Life, Inc.'s 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 Wells of Life, Inc.'s 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.



Irvine, California  
November 8, 2024

# Wells of Life, Inc.

## Statement of Financial Position

December 31, 2023

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### ASSETS

#### Current assets

Cash and cash equivalents	\$	921,504
Pledges receivable, current portion		832,600
Prepaid expenses		2,965

Total current assets 1,757,069

Property and equipment, net of accumulated depreciation 15,180

#### Other assets

Deposits		5,032
Right-of-use asset - operating lease		76,563
Pledges receivable, net		1,209,628

Total other assets 1,291,223

Total assets \$ 3,063,472

### LIABILITIES AND NET ASSETS

#### Current liabilities

Accounts payable and accrued expenses	\$	83,999
Current portion operating lease liability		50,253

Total current liabilities 134,252

#### Long-term liabilities

Operating lease liability, net of current portion 29,974

Total long-term liabilities 29,974

Total liabilities 164,226

#### Net assets

Without donor restrictions		495,338
With donor restrictions		2,403,908

Total net assets 2,899,246

\$ 3,063,472

**Wells of Life, Inc.**

## Statement of Activities

For the Year Ended December 31, 2023

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	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenue and gains			
Contributions	\$ 478,583	\$ 2,114,470	\$ 2,593,053
Government grants	60,055	-	60,055
Special events	6,390	-	6,390
Investment income	12,063	-	12,063
Net assets released from restrictions			
Purpose restriction met	642,311	(642,311)	-
Time restriction met	1,219,140	(1,219,140)	-
	<u>2,418,542</u>	<u>253,019</u>	<u>2,671,561</u>
Total support, revenue and gains			
	<u>2,418,542</u>	<u>253,019</u>	<u>2,671,561</u>
Expenses			
Program services			
Support of well drilling and maintenance	2,498,731	-	2,498,731
	<u>2,498,731</u>	<u>-</u>	<u>2,498,731</u>
Total program services			
	<u>2,498,731</u>	<u>-</u>	<u>2,498,731</u>
Support services			
General and administrative	262,410	-	262,410
Fundraising	540,658	-	540,658
	<u>803,068</u>	<u>-</u>	<u>803,068</u>
Total support services			
	<u>803,068</u>	<u>-</u>	<u>803,068</u>
Total expenses			
	<u>3,301,799</u>	<u>-</u>	<u>3,301,799</u>
Increase (decrease) in net assets	<u>(883,257)</u>	<u>253,019</u>	<u>(630,238)</u>
Net assets, beginning of year	<u>1,378,595</u>	<u>2,150,889</u>	<u>3,529,484</u>
Net assets, end of year	<u>\$ 495,338</u>	<u>\$ 2,403,908</u>	<u>\$ 2,899,246</u>

**Wells of Life, Inc.**

## Statement of Functional Expenses

For the Year Ended December 31, 2023

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	Program services	Support services		
	Support of well drilling and maintenance	General and administrative	Fundraising	Total
Compensation and benefits				
Compensation	\$ 296,004	\$ 51,180	\$ 64,753	\$ 411,937
Payroll taxes and benefits	37,623	8,584	7,448	53,655
Total compensation and benefits	333,627	59,764	72,201	465,592
Accounting fees	3,487	67,809	-	71,296
Advertising and promotion	49	-	99,307	99,356
Bank charges	-	20,188	-	20,188
Contract services - Uganda	1,696,944	-	-	1,696,944
Credit losses	-	30,000	-	30,000
Depreciation	-	4,699	-	4,699
Dues and subscriptions	-	8,076	8,076	16,152
Insurance	6,674	2,668	193	9,535
Interest expense	356	-	-	356
Legal and professional	403,493	5,404	71,598	480,495
Miscellaneous	-	816	1,099	1,915
Office supplies and expense	17,376	24,811	18,997	61,184
Payroll processing	2,411	551	482	3,444
Postage and mailing	-	11,119	-	11,119
Rent and occupancy	-	24,403	35,587	59,990
Special event costs	-	-	208,839	208,839
Telephone and internet	2,101	2,102	-	4,203
Travel	32,213	-	24,279	56,492
Total expenses	<u>\$ 2,498,731</u>	<u>\$ 262,410</u>	<u>\$ 540,658</u>	<u>\$ 3,301,799</u>

## Wells of Life, Inc.

### Statement of Cash Flows

For the Year Ended December 31, 2023

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#### CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	\$ (630,238)
Adjustments to reconcile decrease in net assets to net cash used by operating activities	
Depreciation	4,699
Reduction in right-of-use asset - operating lease	48,355
Credit losses	30,000
Change in present value of long-term pledges	(5,150)
 (Increase) decrease in operating assets:	
Pledges receivable	396,500
Prepaid expenses	(1,277)
Deposits	1,275
 Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	17,294
Lease liability - operating lease	<u>(48,857)</u>
 Net cash used by operating activities	<u>(187,399)</u>

#### CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	<u>(5,336)</u>
 Net cash used by investing activities	<u>(5,336)</u>

#### CASH FLOWS FROM FINANCING ACTIVITIES

Payment on line of credit	<u>(150,000)</u>
 Net cash used by financing activities	<u>(150,000)</u>

Net decrease in cash and cash equivalents (342,735)

Cash and cash equivalents - beginning of year 1,264,239

Cash and cash equivalents - end of year \$ 921,504

#### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for interest	<u><u>\$ 356</u></u>
 Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	<u><u>\$ 51,869</u></u>



## **Wells of Life, Inc.**

Notes to Financial Statements

December 31, 2023

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### **Note 1 – Summary of significant accounting policies**

#### Nature of organization

Wells of Life, Inc. (“Organization” also known as “Wells of Life, USA”) is a not-for-profit Christian organization incorporated in 2011 in the United States of America. Wells of Life, USA is related to two affiliated organizations, Wells of Life, Uganda and Wells of Life, Ireland. In 2017, Wells of Life, Uganda became a non-governmental organization (NGO) with the Ugandan government. In 2018, Wells of Life, Ireland obtained NGO status in Ireland. Their collective 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.

Wells of Life, USA is a public benefit corporation which is tax exempt under section 501(c)3 of the Internal Revenue Code. Their primary objective is to raise funds through contributions and grants from donors as well as other fundraising activities. Funds raised by Wells of Life, USA are provided to Wells of Life, Uganda in order to carry out the primary program purpose of drilling and restoring wells in Uganda.

These financial statements include the accounts of Wells of Life, USA. These financial statements do not include the accounts of Wells of Life, Uganda and Wells of Life, Ireland.

#### Basis of presentation

The 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 (U.S. 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 donors. 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 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 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.

## **Wells of Life, Inc.**

Notes to Financial Statements

December 31, 2023

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### **Note 1 – Summary of significant accounting policies (continued)**

#### 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.

#### 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 donated goods totaling \$5,256 for the year ended December 31, 2023 which are included in contribution income. There were donated items for the annual gala event and were valued based on comparable retail values. There were no donated services received by the Organization during the year ended December 31, 2023.

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. The Organization has no investments as of December 31, 2023.

#### 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. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which is made up of furniture, equipment and computers with an estimated useful life of 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, 2023.

## Wells of Life, Inc.

Notes to Financial Statements

December 31, 2023

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### 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, 2023 as the total value is immaterial.

#### 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 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 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. 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.

#### Adoption of new accounting standard

The Company adopted the Financial Accounting Standards Board Accounting Standards Update ("ASU") No. 2016-12, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU No. 2016-13") on January 1, 2023. ASU No. 2016-13 and all subsequently issued clarifying ASU's introduce a new impairment model (the current expected credit loss model) based on expected losses to estimate credit losses on certain types of financial assets, including trade and other receivables, held-to-maturity debt securities, loans and other instruments. The adoption of the standard did not have a significant effect on the financial statements for the year ended December 31, 2023.

#### Leases

The Organization determines if an arrangement is a lease, or a contract which contains a lease, at inception and classifies the lease as operating or finance. Leases are included in ROU assets and lease liabilities in the statement of financial position. The Organization recognizes a ROU lease asset for the right to use the underlying assets for the lease term and a lease liability for the obligation to make lease payments. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent.

## Wells of Life, Inc.

Notes to Financial Statements

December 31, 2023

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### Note 1 – Summary of significant accounting policies (continued)

#### Leases (continued)

The Organization made an accounting policy election to not recognize ROU assets and lease liabilities for short-term leases that have terms of 12 months or less at commencement date and do not include a purchase option that the Organization is more than reasonably certain to exercise. Short-term leases are reported as lease expense on a straight-line basis over the lease term. The Organization also elected an accounting policy to use a risk-free rate for a period comparable with that of the lease term for all leases and to account for lease and non-lease components separately. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option.

#### Subsequent events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through November 8, 2024, which is the date the financial statements were available to be issued.

### Note 2 – Fair value measurements

Fair value is defined 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 on the measurement date.

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, is as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying amount of cash and cash equivalents, prepaid expenses, deposits, accounts payable and accrued expenses 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, 2023 include pledges receivable totaling \$2,042,228.

The following represents the changes in fair value measurements using significant unobservable inputs (Level 3):

	<u>Pledges receivable</u>
Balance, December 31, 2022	\$ 2,463,578
Realized losses	(30,000)
Unrealized gain	5,150
Issuances	699,400
Settlements	<u>(1,095,900)</u>
Balance, December 31, 2023	<u>\$ 2,042,228</u>

## Wells of Life, Inc.

Notes to Financial Statements

December 31, 2023

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### 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 due 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.

Pledges receivable consist of the following components as of December 31, 2023:

Pledges receivable in less than one year	\$ 887,100
Pledges receivable in one to five years	<u>1,277,500</u>
Total pledges receivable	2,164,600
Less: discounts to net present value	(22,372)
Less: allowance for credit losses	<u>(100,000)</u>
Net pledges receivable	<u>\$ 2,042,228</u>

### Note 4 - Property and equipment

Property and equipment as of December 31, 2023 consists of the following:

Furniture and equipment	\$ 22,460
Computers	3,140
Less: accumulated depreciation	<u>(10,420)</u>
Total	<u>\$ 15,180</u>

Depreciation expense for the year ended December 31, 2023 totaled \$4,699.

### Note 5 – Line of credit

The Organization has a revolving line of credit for \$200,000 with a variable interest rate of 9.00% per annum with monthly interest payments required on any unpaid balance. The line of credit maturity date is December 8, 2024. The credit line is secured by the Organization's assets. The Organization did not have a balance on the line of credit as of December 31, 2023.

### Note 6 – Concentrations

The Organization maintains cash balances at a single financial institution. The balances are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. At December 31, 2023, the Organization had uninsured cash balances of \$466,664.

### 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 corporation. The Organization paid the corporation \$258,354 during the year ended December 31, 2023 which includes an annual bonus and cost reimbursements. A board member's company was paid \$8,000 for leadership development, coaching, and strategic consultation during the year ended December 31, 2023.

## Wells of Life, Inc.

Notes to Financial Statements

December 31, 2023

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### Note 7 – Related party transactions (continued)

During the year ended December 31, 2023, the Organization paid the sum of \$1,696,944 to their affiliate, Wells of Life, Uganda. These contributions are restricted to fulfill the program purpose of drilling and restoring wells in Uganda.

### Note 8 – Net assets with donor restrictions

Net assets with donor restrictions consist of the following as of December 31, 2023:

Subject to expenditure for specified purpose:	
Contributions to be used for program services	\$ 361,680
Subject to passage of time:	
Pledges receivable	<u>2,042,228</u>
Total net assets with donor restrictions	<u>\$ 2,403,908</u>

### 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	\$ 921,504
Pledges receivable, collectible in less than one year	<u>832,600</u>
Total financial assets excluding non-current receivables	1,754,104
Less: donor-imposed restrictions:	
Restricted pledges subject to the passage of time	(1,209,628)
Cash restricted by donors for specific purposes	<u>(361,680)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 182,796</u>

### Note 10 – Lease

The Organization has a lease obligation for office space with an initial term of five years that has been classified as an operating lease. Lease and non-lease components of the lease agreements are accounted for separately. The Organization recognized a ROU asset and a lease liability totaling \$145,066 as of August 1, 2022 when the lease began. As of December 31, 2023, the ROU asset and corresponding liability totaled \$76,563 and \$80,227, respectively. Total operating lease costs for the year ended December 31, 2023 were \$51,869.

The weighted average lease term and discount rate as of December 31, 2023 were as follows:

Weighted average remaining lease term:	1.58 years
Weighted average discount rate:	2.82%

**Wells of Life, Inc.**

Notes to Financial Statements

December 31, 2023

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**Note 10 – Lease (continued)**

Future maturities of operating lease liability are as follows:

<u>Years ending December 31,</u>		
2024		\$ 51,869
2025		<u>30,257</u>
Total lease payments		82,126
Less: present value discount		<u>(1,899)</u>
Present value of lease liabilities		<u>\$ 80,227</u>