Independent Auditors' Report and
Financial Statements for

Wells of Life, Inc.

December 31, 2021

Wells of Life, Inc.

Contents

Independent Auditors' Report

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

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, 2021, 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, 2021, 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.

Redwitz, Inc.

Redwitz, Inc.
Irvine, California
October 13, 2022

Wells of Life, Inc.
Statement of Financial Position
December 31, 2021

ASSETS

Current assets	
Cash and cash equivalents	$ 832,479
Pledges receivable, current portion	730,398
Prepaid expenses	6,927
Total current assets	1,569,804
Property and equipment, net of accumulated depreciation	415
Other assets	
Deposits	4,530
Pledges receivable, net of current portion	1,325,644
Total other assets	1,330,174
Total assets	$ 2,900,393

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	$ 56,084
Total current liabilites and total liabilities	56,084
Net assets	
Without donor restrictions	441,038
With donor restrictions	2,403,271
Total net assets	2,844,309
Total liabilities and net assets	$ 2,900,393

Wells of Life, Inc.

Statement of Activities

For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	2021 Total
Support, revenue and gains			
Contributions	$ 542,256	$ 2,831,461	$ 3,373,717
Investment income	260	-	260
Loan forgiveness - CARES Act	17,178	-	17,178
Net assets released from restrictions	1,378,970	(1,378,970)	-
Total support, revenue and gains	1,938,664	1,452,491	3,391,155
Expenses			
Program services - contributions to others	1,654,099	-	1,654,099
General and administrative	204,850	-	204,850
Fundraising	229,422	-	229,422
Total expenses	2,088,371	-	2,088,371
Increase (decrease) in net assets	(149,707)	1,452,491	1,302,784
Net assets, beginning of year	590,745	950,780	1,541,525
Net assets, end of year	$ 441,038	$ 2,403,271	$ 2,844,309

Wells of Life, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services	Support		
	Support of well drilling and maintenance	General and administrative	Fundraising	Total
Compensation and benefits				
Salaries	$ 338,098	$ 51,371	$ 77,156	$ 466,625
Payroll taxes and benefits	15,655	3,578	3,131	22,364
Total compensation and benefits	353,753	54,949	80,287	488,989
Accounting fees	32,828	56,030	-	88,858
Advertising and promotion	13,438	-	37,435	50,873
Bad debts	-	22,000	-	22,000
Bank charges	-	16,964	-	16,964
Contract services - Uganda	1,156,561	-	-	1,156,561
Depreciation	-	415	-	415
Dues and subscriptions	-	955	955	1,910
Insurance	4,692	2,011	-	6,703
Interest expense	422	-	-	422
Legal and professional	67,696	11,044	13,413	92,153
Miscellaneous	-	186	668	854
Office supplies and expense	18,331	22,657	20,255	61,243
Outside services	-	150	-	150
Payroll processing	1,322	302	264	1,888
Postage and mailing	-	10,648	-	10,648
Rent and housing	-	5,938	6,403	12,341
Special event costs	-	-	67,127	67,127
Taxes and licenses	-	548	-	548
Telephone and internet	53	53	-	106
Travel	5,003	-	2,615	7,618
Total expenses	$ 1,654,099	$ 204,850	$ 229,422	$ 2,088,371

Wells of Life, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	$ 1,302,784
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	415
Provision for uncollectible pledges receivable	22,000
Change in present value of long term pledges	4,474
Loan forgiveness - CARES Act	(17,178)
(Increase) decrease in operating assets:	
Pledges receivable	(1,208,350)
Prepaid expenses	4,453
Increase in operating liabilities:	
Accounts payable and accrued expenses	4,395
Net cash provided by operating activities	112,993
CASH FLOWS FROM FINANCING ACTIVITIES	
Loan advances - CARES Act	8,613
Net cash provided by financing activities	8,613
Increase in cash and cash equivalents	121,606
Cash and cash equivalents - beginning of year	710,873
Cash and cash equivalents - end of year	$ 832,479

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 (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 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.

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 no donated goods or services received by the Organization during the year ended December 31, 2021.

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, 2021.

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 and equipment 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, 2021.

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, 2021.

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. 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 13, 2022, which is the date the 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 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, 2021 include pledges receivable totaling $1,893,255. 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 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, 2021:

Pledges receivable in less than one year	$ 758,398
Pledges receivable in one to five years	1,408,500
Total pledges receivable	2,166,898
Less: discounts to net present value	(22,856)
Less: allowance for doubtful receivables	(88,000)
Net pledges receivable	$ 2,056,042

Note 4 - Property and equipment

Property and equipment as of December 31, 2021 net consists of the following:

Furniture and equipment	$ 2,077
Less: accumulated depreciation	(1,662)
Total	$ 415

Depreciation expense for the year ended December 31, 2021 totaled $415.

Note 5 – Line of credit

The organization has a revolving line of credit for $100,000 with a variable interest rate of 5% per annum with monthly interest payments required on any unpaid balance. The line of credit matured on June 8, 2022 and was renewed with an increase in the credit line to $150,000 and an extended maturity date of December 8, 2023. The credit line is secured by the Organization's assets. There was no balance due as of December 31, 2022.

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, 2021, the Organization had uninsured cash balances of $562,822.

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 $210,454 during the year ended December 31, 2021 which includes an annual bonus and cost reimbursements. In addition, the Organization contracted with an individual who serves as a Leadership Consultant. The organization paid for the services totaling $22,500 during the year ended December 31, 2021.

During the year ended December 31, 2021, the Organization paid the sum of $1,156,561 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, 2021:

Subject to expenditure for specified purpose:	
Contributions to be used for program services	$ 512,229
Subject to passage of time:	
Pledges receivable	1,893,255
Total net assets with donor restrictions	$ 2,405,484

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	$ 832,479
Pledges receivable, collectible in less than one year	730,398
Total financial assets excluding non-current receivables	1,562,877
Less: donor-imposed or board designated restrictions:	
Cash restricted by donors for specific purposes	(512,229)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,050,648

Note 10 – CARES Act

In response to COVID-19, in April 2020, the Organization applied for and received a loan under the federal Paycheck Protection Program (“PPP”) of the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) totaling $8,565. The Organization received a second PPP loan March 2021 totaling $8,613. In May 2021, the Organization was granted forgiveness on the initial PPP loan and in August 2021, the Organization was granted forgiveness on the second PPP loan. Debt forgiveness totaling $17,178 is included in the Statement of Activities.