

BELLA HOUSE, INC.

Plano, Texas

FINANCIAL STATEMENTS

As of

DECEMBER 31, 2020, 2019 and 2018

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

Schnauffer & Walker, P.C.
Certified Public Accountants
Dallas, Texas

BELLA HOUSE, INC.
FINANCIAL STATEMENTS
Years Ended December 31, 2020, 2019 and 2018

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Schnauffer & Walker, P.C.
Certified Public Accountants
2695 Villa Creek Drive, Suite 268
Dallas, Texas 75234
www.TheNonprofitCPA.org
Office: (972) 798-2046 Fax: (866) 334-1362

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bella House, Inc.
Plano, Texas

We have audited the accompanying financial statements of **Bella House, Inc.** (a Texas not-for-profit organization), which comprise the statements of financial position as of December 31, 2020, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors of
Bella House, Inc.
Independent Auditors' Report

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Bella House, Inc.** as of December 31, 2020, 2019 and 2018, 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.

Schnauffer & Walker, P.C.

Dallas, Texas
November 19, 2021

BELLA HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2020, 2019 and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 127,310	\$ 109,276	\$ 81,480
Investments	4,545	4,814	5,243
Prepaid expenses	-	-	1,088
Total current assets	<u>131,855</u>	<u>114,090</u>	<u>87,811</u>
Long-term assets:			
Property and equipment - net of accumulated depreciation	637,185	305,149	308,137
Other assets	-	2,500	2,500
Total long-term assets	<u>637,185</u>	<u>307,649</u>	<u>310,637</u>
TOTAL ASSETS	<u>\$ 769,040</u>	<u>\$ 421,739</u>	<u>\$ 398,448</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 6,769	\$ 16,638	\$ 510
Accrued expenses	-	1,768	42,271
Notes payable, current portion	6,330	-	-
Total current liabilities	<u>13,099</u>	<u>18,406</u>	<u>42,781</u>
Long-term liabilities:			
Notes payable, net current portion	339,070	-	-
TOTAL LIABILITIES	<u>352,169</u>	<u>18,406</u>	<u>42,781</u>
Commitments and contingencies	-	-	-
NET ASSETS			
Without donor restrictions	394,929	403,333	355,667
With donor restrictions	21,942	-	-
TOTAL NET ASSETS	<u>416,871</u>	<u>403,333</u>	<u>355,667</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 769,040</u>	<u>\$ 421,739</u>	<u>\$ 398,448</u>

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

BELLA HOUSE, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2020, 2019 and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:			
Operating:			
Revenue and other support:			
Donations	\$ 193,150	\$ 241,638	\$ 136,177
Special events	36,595	38,538	56,960
Other income	34,575	-	3,039
Gifts in-kind	7,585	30,801	31,105
Grants	2,250	1,500	20,000
Net assets released from restrictions	23,058	-	-
Total operating revenue and other support	<u>297,213</u>	<u>312,477</u>	<u>247,281</u>
Expenses:			
Program services:			
Programs	283,132	239,330	211,230
Supporting services:			
Fundraising	1,034	6,775	26,947
Management and general	21,616	18,718	17,892
Total supporting services	<u>22,650</u>	<u>25,493</u>	<u>44,839</u>
Total operating expenses	<u>305,782</u>	<u>264,823</u>	<u>256,069</u>
(Deficit) excess of operating revenue over expenses	(8,569)	47,654	(8,788)
Nonoperating:			
Revenue and other support:			
Dividends and interest	165	12	1,771
Loss on sale of an asset	-	-	(1,500)
Total nonoperating revenue and other support	<u>165</u>	<u>12</u>	<u>271</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:			
Grants	45,000	-	-
Net assets released from restrictions	<u>(23,058)</u>	<u>-</u>	<u>-</u>
Increase in net assets with donor restrictions	21,942	-	-
INCREASE (DECREASE) IN NET ASSETS	13,538	47,666	(8,517)
NET ASSETS AT BEGINNING OF YEAR	403,333	355,667	364,184
NET ASSETS AT END OF YEAR	<u>\$ 416,871</u>	<u>\$ 403,333</u>	<u>\$ 355,667</u>

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

BELLA HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Totals</u>
	<u>Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>	
Salaries and related expenses:					
Salaries	\$ 134,609	\$ -	\$ 14,956	\$ 14,956	\$ 149,565
Payroll taxes	9,309	-	1,032	1,032	10,341
Total salaries and related expenses	143,918	-	15,988	15,988	159,906
Advertising	1,599	-	-	-	1,599
Bank fees	-	-	1,642	1,642	1,642
Business	11,436	-	-	-	11,436
Dues and memberships	-	-	235	235	235
Depreciation	20,817	-	1,094	1,094	21,911
Fundraising	-	1,034	-	1,034	1,034
Groceries	2,302	-	-	-	2,302
House operations	21,395	-	-	-	21,395
Insurance	10,375	-	-	-	10,375
Interest	9,286	-	-	-	9,286
Licenses and permits	266	-	-	-	266
Meetings and events	145	-	-	-	145
Postage and mailing	-	-	691	691	691
Printing and copying	-	-	457	457	457
Professional fees	10,240	-	-	-	10,240
Property tax	3,090	-	-	-	3,090
Rent	8,053	-	-	-	8,053
Repairs and maintenance	15,992	-	-	-	15,992
Security	1,586	-	-	-	1,586
Supplies	5,166	-	-	-	5,166
Telephone	3,972	-	442	442	4,414
Transportation	59	-	-	-	59
Travel	3,836	-	-	-	3,836
Utilities	9,599	-	1,067	1,067	10,666
Totals	\$ 283,132	\$ 1,034	\$ 21,616	\$ 22,650	\$ 305,782

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

BELLA HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Totals</u>
	<u>Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>	
Salaries and related expenses:					
Salaries	\$ 118,853	\$ -	\$ 13,205	\$ 13,205	\$ 132,058
Payroll taxes	8,635	-	957	957	9,592
Total salaries and related expenses	127,488	-	14,162	14,162	141,650
Advertising	1,571	-	-	-	1,571
Bank fees	-	-	930	930	930
Business	5,492	-	-	-	5,492
Dues and memberships	-	-	385	385	385
Depreciation	13,472	-	708	708	14,180
Fundraising	-	6,775	-	6,775	6,775
Groceries	3,964	-	-	-	3,964
House operations	4,278	-	-	-	4,278
Insurance	10,327	-	-	-	10,327
Licenses and permits	232	-	-	-	232
Meetings and events	144	-	-	-	144
Postage and mailing	-	-	676	676	676
Printing and copying	-	-	357	357	357
Professional fees	6,225	-	-	-	6,225
Property tax	10,602	-	-	-	10,602
Rent	27,600	-	-	-	27,600
Repairs and maintenance	3,926	-	-	-	3,926
Security	1,491	-	-	-	1,491
Supplies	3,590	-	-	-	3,590
Telephone	4,208	-	468	468	4,676
Transportation	1,545	-	-	-	1,545
Travel	3,895	-	-	-	3,895
Utilities	9,280	-	1,032	1,032	10,312
Totals	<u>\$ 239,330</u>	<u>\$ 6,775</u>	<u>\$ 18,718</u>	<u>\$ 25,493</u>	<u>\$ 264,823</u>

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

BELLA HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Totals</u>
	<u>Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>	
Salaries and related expenses:					
Salaries	\$ 78,356	\$ -	\$ 8,706	\$ 8,706	\$ 87,062
Payroll taxes	2,976	-	330	330	3,306
Total salaries and related expenses	81,332	-	9,036	9,036	90,368
Advertising	355	-	-	-	355
Bank fees	-	-	2,450	2,450	2,450
Books and subscriptions	-	-	69	69	69
Business	6,790	-	-	-	6,790
Cost of goods sold	4,865	-	-	-	4,865
Contract labor	-	-	126	126	126
Dues and memberships	-	-	350	350	350
Depreciation	9,225	-	485	485	9,710
Fundraising	-	26,947	-	26,947	26,947
Groceries	3,932	-	-	-	3,932
House operations	1,786	-	-	-	1,786
Insurance	8,948	-	-	-	8,948
Licenses and permits	249	-	-	-	249
Meetings and events	1,170	-	-	-	1,170
Postage and mailing	-	-	2,417	2,417	2,417
Printing and copying	-	-	1,521	1,521	1,521
Professional fees	5,222	-	-	-	5,222
Property tax	9,893	-	-	-	9,893
Rent	3,900	-	-	-	3,900
Rent - in-kind	27,600	-	-	-	27,600
Repairs and maintenance	11,690	-	-	-	11,690
Security	3,073	-	-	-	3,073
Supplies	10,654	-	-	-	10,654
Telephone	4,239	-	471	471	4,710
Transportation	2,725	-	-	-	2,725
Travel	4,884	-	-	-	4,884
Utilities	8,698	-	967	967	9,665
Totals	<u>\$ 211,230</u>	<u>\$ 26,947</u>	<u>\$ 17,892</u>	<u>\$ 44,839</u>	<u>\$ 256,069</u>

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

BELLA HOUSE, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020, 2019 and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from donations	\$ 193,316	\$ 241,638	\$ 136,177
Cash received from grants	47,250	1,500	45,000
Cash received from special events	36,595	38,538	56,960
Cash received from other income	34,575	-	3,310
Cash paid for compensation and benefits	(149,565)	(132,058)	(87,062)
Cash paid for programs	(105,098)	(69,915)	(46,730)
Cash paid for insurance	(10,375)	(10,327)	(8,948)
Cash paid for employer payroll taxes	(10,341)	(9,592)	(3,306)
Cash paid for management and general	(4,279)	(2,918)	(5,921)
Cash paid for property taxes	(3,090)	(10,602)	(9,893)
Cash paid for bank fees	(1,642)	(930)	(2,450)
Cash paid for fundraising	(1,034)	(6,775)	(26,947)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>26,312</u>	<u>38,559</u>	<u>50,190</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property and equipment	(353,947)	(11,192)	(308,543)
Sale of investments	269	429	274,082
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(353,678)</u>	<u>(10,763)</u>	<u>(34,461)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from note payable	345,400	-	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>345,400</u>	<u>-</u>	<u>-</u>
INCREASE IN CASH AND CASH EQUIVALENTS	18,034	27,796	15,729
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	109,276	81,480	65,751
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 127,310</u>	<u>\$ 109,276</u>	<u>\$ 81,480</u>
Supplemental cash flow disclosure:			
Contributed facilities, services and materials	\$ 7,585	\$ 30,801	\$ 31,105
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO			
NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Increase (decrease) in net assets	\$ 13,538	\$ 47,666	\$ (8,517)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:			
Depreciation	21,911	14,180	9,710
Loss on disposal of an asset	-	-	1,500
Changes in operating assets and liabilities:			
Decrease in accounts receivable	-	-	25,000
Decrease (increase) in prepaid expenses	-	1,088	(392)
Decrease in other assets	2,500	-	975
(Decrease) increase in accounts payable	(9,869)	16,128	278
(Decrease) increase in accrued liabilities	(1,768)	(40,503)	21,636
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 26,312</u>	<u>\$ 38,559</u>	<u>\$ 50,190</u>

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

BELLA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES

Bella House, Inc. (the Organization) is a Texas not-for-profit 501(c)(3) corporation, based in Plano, Texas. It provides faith-based, cost free residences for homeless pregnant women. The Organization offers case management services with enriching programs to transform lives and brighten futures for mothers and their children. The Organization’s revenue comes primarily from free-will donations, grants, in-kind goods and services and special events.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded when incurred, irrespective of when paid. The financial statements of the Organization have been prepared using accounting principles generally accepted in the United States of America. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization is in compliance with all federal tax filings for the years ended December 31, 2020, 2019 and 2018.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with United States generally accepted accounting principles (GAAP) and include all accounts of the Organization. For financial reporting purposes, the Organization follows the reporting requirements of GAAP, which requires that resources be classified for accounting and reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by the classification of net asset balances into two classes of net assets: without donor restrictions and with donor restrictions.

The Organization accounts for its funding in accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, ASU No. 2016-14 - *Not-for-Profit Entities (Topic 958)*, which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories according to donor imposed restrictions. ASC Topic 958 requires that unconditional promises to give (pledges) be recorded as receivables and requires the Organization to distinguish between contributions received for

BELLA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

each net asset category in accordance with donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Descriptions of the two net asset categories are as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions.

With donor restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time.

Donations, grants, special event income and other income are recognized when earned, irrespective of when paid. Refundable advances are recorded when the revenue is earned, not received. Contributions are recognized as revenue when received or pledged and are recorded as net assets with donor restrictions and net assets without donor restrictions depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the contribution is accomplished, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

At December 31, 2020, 2019 and 2018, there were \$21,942, \$0 and \$0 net assets with donor restrictions. At December 31, 2020, 2019 and 2018, net assets without donor restrictions were \$394,929, \$403,333 and \$355,667, respectively, have been designated to be used with the permission of the Board of Directors (the “Board”).

Fair Value of Financial Instruments

The Organization’s financial instruments consist of cash and cash equivalents, prepaid expenses, accounts payable and accrued expenses. Accounts receivable, prepaid expenses, accounts payable and accrued expenses are stated at cost which approximates fair value. Cash and cash equivalents are stated at fair value.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents. The Organization limits its exposure by controlling the cash balances it maintains in any one financial institution.

Prepaid Expenses

Prepaid expenses are expenses that have been paid in advance by the Organization. At December 31, 2020, 2019 and 2018, prepaid expenses consisted of primarily prepaid insurance and had a balance of \$0, \$0 and \$1,088, respectively

BELLA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Investments

Investments in marketable equity securities and all debt securities are recorded at fair value, which is based on quoted market prices or dealer quotes. Interests and dividends, realized gains and losses and unrealized gains and losses are reported under investment income on the statement of activities. Investments are exposed to certain market risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities and the volatility in the capital markets, changes in the value of investment securities could occur in the near term, and those investment values could materially differ from the amounts reported in the financial statements.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method, ranging from five to thirty-nine years. Expenditures for repairs and maintenance are charged to operating expense as incurred.

Impairment of Long-Lived Assets

The Organization assesses potential impairments to long-lived assets or asset groups when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recovered. An impairment loss is recognized when the carrying amount of the long-lived asset or asset group is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset or asset group is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group. Any required impairment loss is measured as the amount by which the carrying amount of a long-lived asset or asset group exceeds its fair value and is recorded as a reduction in the carrying value of the related asset or asset group and a charge to operating results. Intangible assets with indefinite lives are tested annually for impairment and in interim periods if certain events occur indicating that the carrying value of the intangible assets may be impaired. There were no such adjustments for impairment during the years ended December 31, 2020, 2019 and 2018.

BELLA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Noncash Donations

Donated material, fixed assets and certain services are reflected as contributions at their estimated fair values on the date of receipt and are recorded in the appropriate asset or expense account. Services are recorded if they create or enhance nonfinancial assets or require special skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have donated significant amounts of time and service to the Organization's activities.

Advertising and Marketing

The Organization charges advertising and marketing costs to operations in the year the expense is incurred. The advertising and marketing expenses were \$1,599, \$1,571 and \$355 for the years ended December 31, 2020, 2019 and 2018.

Classification of Revenue and Expense

Operating activities include items which are directly related to the Organization or are essential support elements of those programs. The cost of providing the various programs and other activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program activities and supporting services as shown in the statements of functional expenses. Depreciation has been allocated to the related program and supporting activities.

Use of Estimates

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

BELLA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The updated guidance addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The main provisions of this guidance include: presentation of two net asset classes versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. The Organization has adjusted the presentation of these financials statements accordingly. The ASU has been applied retroactively to all periods presented.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU will assist in the determination of the nature of the transaction which will then govern the revenue and expense recognition methodology and timing of the transaction. The effective date of this standard varies based on whether an organization is a resource recipient or a resource provider. As a resource recipient, for contributions received, the Organization adopted this update on a prospective basis for the year ended December 31, 2019. Contribution revenue was accounted for under Accounting Standard Codification (ASC) Topic 958-605, Not-for-Profit Entities, Revenue Recognition, before the implementation of the new standard. With the clarifications outlined in ASU 2018-08, the Organization management reviewed existing agreements as of the effective date, as well as new agreements for 2019, and concluded that there were no material changes in revenue related to contributions received.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The update modifies certain disclosure requirements in Topic 820, Fair Value Measurement. The ASU is effective for the Organization’s financial statements for fiscal years beginning after December 15, 2019.

BELLA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE C – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted as shown in the statements of functional expenses. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort. Expenses are recorded when incurred in accordance with accrual basis of accounting.

NOTE D – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2020, 2019 and 2018, financial assets and liquidity resources available within one year for general expenditures, such as ongoing operations and expansion efforts were as follows:

	2020	2019	2018
Cash and cash equivalents	\$ 127,310	\$ 109,276	\$ 81,480
Investments	4,545	4,814	5,243
Total financial assets, at year end	131,855	114,090	86,723
Less those unavailable for general expenditures within one year, due to:			
Restricted by donor with purpose restriction	(-)	(-)	(-)
Financial assets available to meet cash needs for general expenditures within one year	\$ 131,855	\$ 114,090	\$ 86,723

Expenses for ongoing operations are covered by a combination of monthly donations, special income, grants and other income. Average monthly revenue from ongoing operations in 2020, 2019 and 2018, were \$26,596, \$26,041 and \$18,307. Average monthly expenses for ongoing operations in 2020, 2019 and 2018 were \$25,482, \$22,069 and \$19,751. Thus, average monthly revenue from operating revenue covered 104% of average monthly expenses in 2020, 118% of average monthly expenses in 2019 and 93% of average monthly expenses in 2018.

NOTE E – CONTRIBUTED SERVICES AND MATERIALS

For the year ended December 31, 2020, 2019 and 2018, the Organization received and recognized total contributed gift in-kind facilities, services and materials of \$7,585, \$30,801 and \$31,105. These amounts are included in revenue as contributions without donor restrictions and in the applicable expense and assets categories in the accompanying financial statements. In addition, the Organization received contributed services and materials which are not recognized as contributions in the financial statements since the recognition criteria under U.S. GAAP were not met.

BELLA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE F – FAIR VALUE MEASUREMENT

FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, (“ASC 820”) provides the framework for measuring and reporting fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Those fair value measurements maximize the use of observable inputs.

The fair value framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quotes 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 following table presents the fair value hierarchy for the Organization’s financial assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2020:

<u>2020</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Money Market	\$ 4,585	\$ 4,585	\$ -	\$ -
Mutual Funds – Equities	-	-	-	-
Real Estate Investment Trusts	-	-	-	-
Total investments	<u>\$ 4,585</u>	<u>\$ 4,585</u>	<u>\$ -</u>	<u>\$ -</u>

BELLA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE F – FAIR VALUE MEASUREMENT – continued

The following table presents the fair value hierarchy for the Organization’s financial assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2019:

<u>2019</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Money Market	\$ 4,814	\$ 4,814	\$ -	\$ -
Mutual Funds – Equities	-	-	-	-
Real Estate Investment Trusts	-	-	-	-
Total investments	<u>\$ 4,814</u>	<u>\$ 4,814</u>	<u>\$ -</u>	<u>\$ -</u>

The following table presents the fair value hierarchy for the Organization’s financial assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2018:

<u>2018</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Money Market	\$ 5,243	\$ 5,243	\$ -	\$ -
Mutual Funds – Equities	-	-	-	-
Real Estate Investment Trusts	-	-	-	-
Total investments	<u>\$ 5,243</u>	<u>\$ 5,243</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE G – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31st:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Property and equipment:			
Land	\$ 120,000	\$ -	\$ -
Furniture and equipment	16,439	16,439	9,652
Building	521,939	287,992	287,992
Leasehold improvements	33,038	33,038	28,633
	<u>691,416</u>	<u>337,469</u>	<u>326,277</u>
Accumulated depreciation	(54,231)	(32,320)	(18,140)
Property and equipment, net	<u>\$ 637,185</u>	<u>\$ 305,149</u>	<u>\$ 308,137</u>

The Organization expensed \$21,911, \$14,180 and \$9,710 to depreciation expense for the years ended December 31, 2020, 2019 and 2018.

BELLA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE H – COMMITMENTS AND CONTINGENCIES

Contracts, grants and bequests require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions could result in the return of funds to the grantor. Although that remains a possibility, the Board deems such contingency remote since by accepting the gifts and their terms, the Organization has, in essence, accommodated the provisions of the gifts.

NOTE I – NOTE PAYABLE AND RELATED PARTY TRANSACTION

The Organization’s long-term debt consists of the following at December 31st:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Note payable to an officer, secured by real property, interest at 4.00%, fixed, payable in monthly principal and interest payments, with a maturity date of April 2050.	\$ 345,400	\$ -	\$ -
Total notes payable		-	-
Less current portion	<u>(6,330)</u>	<u>(-)</u>	<u>(-)</u>
Total notes payable, less current	<u>\$ 339,070</u>	<u>\$ -</u>	<u>\$ -</u>

The following are maturities of the note payable as of December 31, 2020, for each of the next five years and in the aggregate thereafter:

2021	\$ 6,330
2022	6,588
2023	6,856
2024	7,135
2025	7,426
Thereafter	<u>311,583</u>
Total	<u>\$ 345,400</u>

The Organization expensed \$9,286, \$0 and \$0 to interest expense for the years ended December 31, 2020, 2019 and 2018, respectively.

BELLA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE J – CONCENTRATION OF REVENUE

The Organization received program revenue totaling more than 10% in 2020, 2019 and 2018. They were as follows:

	<u>2020</u>		<u>2019</u>		<u>2018</u>	
Officer	\$ 50,000	16%	\$ 50,150	15%	\$ -	0%
Donor	50,000	16%	-	-	-	-
Total	<u>\$ 100,000</u>	<u>32%</u>	<u>\$ 50,150</u>	<u>15%</u>	<u>\$ -</u>	<u>0%</u>

NOTE K – NET ASSETS

The Organization’s net assets for the years ended December 31, 2020, 2019 and 2018 were as follows:

<u>2020</u>		Beginning Balance	Increase (Decrease)	Ending Balance
Without donor restrictions		\$ 403,333	\$ (8,404)	\$ 394,929
With donor restrictions		-	21,942	21,942
Totals		<u>\$ 403,333</u>	<u>\$ 13,538</u>	<u>\$ 416,871</u>
<u>2019</u>		Beginning Balance	Increase (Decrease)	Ending Balance
Without donor restrictions		\$ 355,667	\$ 47,666	\$ 403,333
With donor restrictions		-	(-)	-
Totals		<u>\$ 355,667</u>	<u>\$ 47,666</u>	<u>\$ 403,333</u>
<u>2018</u>		Beginning Balance	Increase (Decrease)	Ending Balance
Without donor restrictions		\$ 364,184	\$ (8,517)	\$ 355,667
With donor restrictions		-	-	-
Totals		<u>\$ 364,184</u>	<u>\$ (8,517)</u>	<u>\$ 355,667</u>

BELLA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE L – CONTRIBUTIONS WITH DONOR RESTRICTIONS

Contributions with donor restrictions are net assets subject to restrictions imposed by the Organization or donor that may or will be met by actions of the Board and/or passage of time. When the restriction expires (i.e., when a stipulated time restriction ends or the Board fulfills the purpose for which the net assets were restricted), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. For the year ended December 31, 2020, there were \$45,000 of contributions with donor restrictions given to the Organization, \$25,000 given for new computer hardware and software for residents of the organization \$20,000 given for caseworker program. For the year ended December 31, 2019, there were \$0 of contributions with donor restrictions given to the Organization. For the year ended December 31, 2018, there were \$0 of contributions with donor restrictions given to the Organization.

NOTE M – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions of \$23,058 were released from donor restrictions by incurring expenses satisfying the restricted purposes for the year ended December 31, 2020. The net assets with donor restrictions spent were \$23,058 on the new computer hardware and software for residents of the organization. Net assets with donor restrictions of \$0 were released from donor restrictions by incurring expenses satisfying the restricted purposes for the year ended December 31, 2019. Net assets with donor restrictions of \$0 were released from donor restrictions by incurring expenses satisfying the restricted purposes for the year ended December 31, 2018.

NOTE N - NET ASSETS WITH DONOR RESTRICTIONS

The Organization’s net assets with donor restrictions for the year ended December 31, 2020 were as follows:

<u>2020</u>	Beginning Balance	With donor restrictions	With donor restrictions released	Ending Balance
Computer hardware and software for residents	\$ -	\$ 25,000	\$ (23,058)	\$ 1,942
Caseworker program	-	20,000	(-)	20,000
Totals	\$ -	\$ 45,000	\$ (23,058)	\$ 21,942

BELLA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE O – SUBSEQUENT EVENTS

FASB ASC 855-10 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. That is, whether that date represents the date the financial statements were issued or were available to be issued. The Organization has evaluated subsequent events for potential recognition and/or disclosure in these financial statements through November 19, 2021, the date that the financial statements were available to be issued.