

BELLA HOUSE, INC.

Plano, Texas

FINANCIAL STATEMENTS

As of

DECEMBER 31, 2021, 2020 and 2019

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

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

BELLA HOUSE, INC.
FINANCIAL STATEMENTS
Years Ended December 31, 2021, 2020 and 2019

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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

Opinion

We have audited the accompanying financial statements of **Bella House, Inc.** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Bella House, Inc.** as of December 31, 2021, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Bella House, 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 Bella House, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Bella House, 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 **Bella House, 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.

Schnauffer & Walker, P.C.

Dallas, Texas
April 29, 2022

BELLA HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 192,659	\$ 127,310	\$ 109,276
Investments	-	4,545	4,814
Total current assets	<u>192,659</u>	<u>131,855</u>	<u>114,090</u>
Long-term assets:			
Property and equipment - net of accumulated depreciation	618,389	637,185	305,149
Other assets	-	-	2,500
Total long-term assets	<u>618,389</u>	<u>637,185</u>	<u>307,649</u>
TOTAL ASSETS	<u>\$ 811,048</u>	<u>\$ 769,040</u>	<u>\$ 421,739</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 866	\$ 6,769	\$ 18,406
Note payable, current portion	6,610	6,330	-
Total current liabilities	<u>7,476</u>	<u>13,099</u>	<u>18,406</u>
Long-term liabilities:			
Note payable, net current portion	332,439	339,070	-
TOTAL LIABILITIES	<u>339,915</u>	<u>352,169</u>	<u>18,406</u>
Commitments and contingencies	-	-	-
NET ASSETS			
Without donor restrictions	447,946	394,929	403,333
With donor restrictions	23,187	21,942	-
TOTAL NET ASSETS	<u>471,133</u>	<u>416,871</u>	<u>403,333</u>
TOTAL LIABILITES AND NET ASSETS	<u>\$ 811,048</u>	<u>\$ 769,040</u>	<u>\$ 421,739</u>

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

BELLA HOUSE, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:			
Operating:			
Revenue and other support:			
Donations	\$ 189,763	\$ 193,150	\$ 241,638
Texas Pregnancy Care	35,501	1,875	-
Private Foundation Grants	25,000	2,250	1,500
Special events	17,358	36,595	38,538
Gifts in-kind	-	7,585	30,801
Net assets released from restrictions	23,755	23,058	-
Total operating revenue and other support	<u>291,377</u>	<u>264,513</u>	<u>312,477</u>
Expenses:			
Program services:			
Programs	247,162	283,132	239,330
Supporting services:			
Fundraising	100	1,034	6,775
Management and general	22,517	21,616	18,718
Total supporting services	<u>22,617</u>	<u>22,650</u>	<u>25,493</u>
Total operating expenses	<u>269,779</u>	<u>305,782</u>	<u>264,823</u>
Excess (deficit) of operating revenue over expenses	<u>21,598</u>	<u>(41,269)</u>	<u>47,654</u>
Nonoperating:			
Revenue and other support:			
Dividends and interest	234	165	12
Gain on extinguishment of PPP loan debt to SBA	31,185	32,700	-
Total nonoperating revenue and other support	<u>31,419</u>	<u>32,865</u>	<u>12</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:			
Grants	25,000	45,000	-
Net assets released from restrictions	<u>(23,755)</u>	<u>(23,058)</u>	<u>-</u>
Increase in net assets with donor restrictions	1,245	21,942	-
INCREASE IN NET ASSETS	54,262	13,538	47,666
NET ASSETS AT BEGINNING OF YEAR	416,871	403,333	355,667
NET ASSETS AT END OF YEAR	<u>\$ 471,133</u>	<u>\$ 416,871</u>	<u>\$ 403,333</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, 2021

	<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	\$ 138,569	\$ -	\$ 15,396	\$ 15,396	\$ 153,965
Payroll taxes	12,437	-	1,379	1,379	13,816
Total salaries and related expenses	151,006	-	16,775	16,775	167,781
Advertising	1,250	-	-	-	1,250
Bank fees	-	-	2,105	2,105	2,105
Business	1,569	-	-	-	1,569
Dues and memberships	-	-	335	335	335
Depreciation	17,858	-	938	938	18,796
Fundraising	-	100	-	100	100
Groceries	3,460	-	-	-	3,460
House operations	5,280	-	-	-	5,280
Insurance	6,957	-	-	-	6,957
Meetings and events	5,914	-	-	-	5,914
Postage and mailing	-	-	535	535	535
Printing and copying	-	-	558	558	558
Professional fees	10,394	-	-	-	10,394
Interest	13,700	-	-	-	13,700
Repairs and maintenance	10,161	-	-	-	10,161
Security	1,528	-	-	-	1,528
Supplies	3,984	-	-	-	3,984
Telephone	4,720	-	525	525	5,245
Transportation	1,377	-	-	-	1,377
Travel	1,296	-	-	-	1,296
Utilities	6,708	-	746	746	7,454
Totals	<u>\$ 247,162</u>	<u>\$ 100</u>	<u>\$ 22,517</u>	<u>\$ 22,617</u>	<u>\$ 269,779</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.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from donations	\$ 189,763	\$ 193,316	\$ 241,638
Cash received from private foundation grants	50,000	47,250	1,500
Cash received from Texas Pregnancy Care	35,501	1,875	-
Cash received from other income	31,419	32,865	-
Cash received from special events	17,358	36,595	38,538
Cash paid for compensation and benefits	(153,965)	(149,565)	(132,058)
Cash paid for programs	(77,244)	(105,263)	(69,915)
Cash paid for insurance	(6,957)	(10,375)	(10,327)
Cash paid for employer payroll taxes	(13,816)	(10,341)	(9,592)
Cash paid for management and general	(2,699)	(4,279)	(2,918)
Cash paid for property taxes	-	(3,090)	(10,602)
Cash paid for bank fees	(2,105)	(1,642)	(930)
Cash paid for fundraising	(100)	(1,034)	(6,775)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>67,155</u>	<u>26,312</u>	<u>38,559</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property and equipment	-	(353,947)	(11,192)
Sale of investments	4,545	269	429
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>4,545</u>	<u>(353,678)</u>	<u>(10,763)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from note payable	-	350,000	-
Principal repayments on note payable	(6,351)	(4,600)	-
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	<u>(6,351)</u>	<u>345,400</u>	<u>-</u>
INCREASE IN CASH AND CASH EQUIVALENTS	65,349	18,034	27,796
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	127,310	109,276	81,480
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 192,659</u>	<u>\$ 127,310</u>	<u>\$ 109,276</u>
Supplemental cash flow disclosure:			
Contributed facilities, services and materials	\$ -	\$ 7,585	\$ 30,801
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Increase in net assets	\$ 54,262	\$ 13,538	\$ 47,666
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation	18,796	21,911	14,180
Loss on disposal of an asset	-	-	-
Changes in operating assets and liabilities:			
Decrease in other assets	-	2,500	-
(Decrease) increase in accounts payable	(5,903)	(9,869)	16,128
(Decrease) accrued liabilities	-	(1,768)	(40,503)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 67,155</u>	<u>\$ 26,312</u>	<u>\$ 38,559</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, 2021, 2020 and 2019.

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, 2021, 2020 and 2019, there were \$23,187, \$21,942 and \$0 net assets with donor restrictions. At December 31, 2021, 2020 and 2019, net assets without donor restrictions were \$447,946, \$394,929 and \$403,333, 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.

BELLA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Investments

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. The Organization's investments were held in money market accounts in a financial institution. For the fiscal years ending December 31, 2021, 2020, and 2019; the Organization's investment balances were \$0, \$4,545, and \$4,814, respectively.

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, 2021, 2020 and 2019.

Note Payable

The Organization has a note payable with an officer of the Organization. The note payable was used to finance the purchase of a house in Dallas, Texas. The house is used as a place of living for unwed mothers.

BELLA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 \$1,250, \$1,599 and \$1,571 for the years ended December 31, 2021, 2020 and 2019.

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.

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

Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Organization satisfies a performance obligation by transferring a promised good to or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Organization expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Organization combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met. The Organization recorded \$0, \$0, and \$0 as revenue accounted for as contracts with customers for the years ended December 31, 2021, 2020, and 2019, respectively.

Accounting Pronouncement

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 B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Accounting Pronouncement – continued

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This standard relates to leasing for both lessees and lessors. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. This standard has been subsequently updated by ASUs 2018-01, 2018-10, 2018-11, 2018-20, 2019-01, 2019-10, which deferred the effective date for private companies and certain not-for profit entities to fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The ASU is effective for the Organization's fiscal year 2021.

COVID-19 Pandemic

The COVID-19 pandemic has negatively affected national, state, and local economies along with global financial markets. While future potential impacts from COVID-19 on the Organization cannot be determined at this time. The Organization continues to monitor the course of the virus and related health and regulatory developments and, if necessary, is prepared to take additional measures to protect the health and welfare of the Organization.

Forgivable loans - Paycheck Protection Program (PPP)

The Organization's policy is to account for forgivable loans received through the Small Business Administration (SBA) under Coronavirus Aid, Relief and Economic Security Act (CARES Act) Paycheck Protection Program (PPP), as debt in accordance with Accounting Standards Codification (ASC) 470, Debt, and other related accounting pronouncements. The forgiveness of debt, in whole or in part, is recognized once the debt is extinguished, which occurs when the Organization is legally released from the liability by the SBA. The PPP loan was forgiven in 2021 by the SBA and the loan was recorded as a gain on extinguishment of debt in other income, and presented in the other income section of the statements of activities.

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.

BELLA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE D – 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 E – OTHER INCOME

In 2021, 2020 and 2019, the Organization received a \$31,185, \$32,700 and \$0 in Paycheck Protection Program Loans (PPP Loan) from the Small Business Administration (SBA). The PPP loans were forgiven by the SBA in 2021 and 2020 and the Organization recorded the forgiveness of debt as a nonoperating item in other income in the statements of activities.

NOTE F – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2021, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditures, such as ongoing operations and expansion efforts were as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 193,907	\$ 127,310	\$ 109,276
Investments	-	4,545	4,814
Total financial assets, at year end	193,907	131,855	114,090
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	\$ 193,907	\$ 131,855	\$ 114,090

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 2021, 2020 and 2019, were \$24,385, \$26,596 and \$26,041. Average monthly expenses for ongoing operations in 2021, 2020 and 2019 were \$22,482, \$25,482 and \$22,069. Thus, average monthly revenue from operating revenue covered 108% of average monthly expenses in 2021, 104% of average monthly expenses in 2020 and 118% of average monthly expenses in 2019.

BELLA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE G – PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Property and equipment:			
Land	\$ 120,000	\$ 120,000	\$ -
Furniture and equipment	16,439	16,439	16,439
Building	521,939	521,939	287,992
Leasehold improvements	33,038	33,038	33,038
	<u>691,416</u>	<u>691,416</u>	<u>337,469</u>
Accumulated depreciation	(73,027)	(54,231)	(32,320)
Property and equipment, net	<u>\$ 618,389</u>	<u>\$ 637,185</u>	<u>\$ 305,149</u>

The Organization expensed \$18,796, \$21,911 and \$14,180 to depreciation expense for the years ended December 31, 2021, 2020 and 2019.

NOTE H – NOTE PAYABLE AND RELATED PARTY TRANSACTION

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

	<u>2021</u>	<u>2020</u>	<u>2019</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.	\$ 339,049	\$ 345,400	\$ -
Total notes payable	-	-	-
Less current portion	(6,610)	(6,330)	(-)
Total notes payable, less current	<u>\$ 332,439</u>	<u>\$ 339,070</u>	<u>\$ -</u>

BELLA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE H – NOTE PAYABLE AND RELATED PARTY TRANSACTION – continued

The following are maturities of the note payable as of December 31, 2021, for each of the next five years and in the aggregate thereafter:

2022	\$	6,610
2023		6,879
2024		7,159
2025		7,451
2026		7,755
Thereafter		<u>303,195</u>
Total	\$	<u>339,049</u>

The Organization expensed \$13,700, \$9,286 and \$0 to interest expense for the years ended December 31, 2021, 2020 and 2019, respectively.

NOTE I – CONTRIBUTED SERVICES AND MATERIALS

For the years ended December 31st, the Organization received and recognized contributed services and materials as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Gifts in kind - services	\$ -	\$ -	\$ 1,276
Gifts in kind - goods	-	7,585	29,525
Totals	<u>\$ -</u>	<u>\$ 7,585</u>	<u>\$ 30,801</u>

These amounts are included in revenue as unrestricted contributions 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.

NOTE J – CONCENTRATION OF REVENUE

The Organization received program revenue totaling more than 10% in 2021, 2020 and 2019. They were as follows:

	<u>2021</u>		<u>2020</u>		<u>2019</u>	
Officer	\$ 55,500	17%	\$ 50,000	16%	\$ 50,150	15%
Donor	-	-	50,000	16%	-	-
Total	<u>\$ 55,500</u>	<u>17%</u>	<u>\$ 100,000</u>	<u>32%</u>	<u>\$ 50,150</u>	<u>15%</u>

BELLA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE K – NET ASSETS

The Organization’s net assets for the years ended December 31, 2021, 2020 and 2019 were as follows:

<u>2021</u>		Beginning Balance	Increase (Decrease)	Ending Balance
Without donor restrictions		\$ 394,929	\$ 53,017	\$ 447,946
With donor restrictions		21,942	1,245	23,187
	Totals	<u>\$ 416,871</u>	<u>\$ 54,262</u>	<u>\$ 471,133</u>
<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>

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 statements of activities as net assets released from restrictions. For the year ended December 31, 2021, there were \$25,000 of contributions with donor restrictions given to the Organization. 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.

BELLA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE M – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions of \$23,755 were released from donor restrictions by incurring expenses satisfying the restricted purposes for the year ended December 31, 2021. 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.

NOTE N - NET ASSETS WITH DONOR RESTRICTIONS

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

<u>2021</u>				
	<u>Beginning Balance</u>	<u>With donor restrictions</u>	<u>With donor restrictions released</u>	<u>Ending Balance</u>
Computer hardware and software for residents	\$ 1,942	\$ -	\$ (-)	\$ 1,942
Caseworker program	20,000	-	(-)	20,000
Employee salary	-	25,000	(23,755)	1,245
Totals	<u>\$ 21,942</u>	<u>\$ 25,000</u>	<u>\$ (23,755)</u>	<u>\$ 23,187</u>
<u>2020</u>				
	<u>Beginning Balance</u>	<u>With donor restrictions</u>	<u>With donor restrictions released</u>	<u>Ending Balance</u>
Computer hardware and software for residents	\$ -	\$ 25,000	\$ (23,058)	\$ 1,942
Caseworker program	-	20,000	(-)	20,000
Totals	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ (23,058)</u>	<u>\$ 21,942</u>

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 April 29, 2022, the date that the financial statements were available to be issued.