

BELLA HOUSE, INC.

Plano, Texas

FINANCIAL STATEMENTS

As of

DECEMBER 31, 2022

TOGETHER WITH

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

BELLA HOUSE, INC.
FINANCIAL STATEMENTS
Year Ended December 31, 2022

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Bella House, Inc.

We have reviewed the accompanying financial statements of **Bella House, Inc.** (a Texas nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of **Bella House, Inc.** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Schnauffer & Walker, P.C.

Dallas, Texas

July 6, 2023

BELLA HOUSE, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2022

ASSETS

Current assets:

Cash and cash equivalents	\$ 188,791
Total current assets	<u>188,791</u>

Long-term assets:

Property and equipment - net of accumulated depreciation	597,286
Total long-term assets	<u>597,286</u>

TOTAL ASSETS \$ 786,077

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	\$ 1,175
Note payable, current portion	6,879
Total current liabilities	<u>8,054</u>

Long-term liabilities:

Note payable, net current portion	325,561
TOTAL LIABILITIES	<u>333,615</u>

Commitments and contingencies

-

NET ASSETS

Without donor restrictions	426,962
With donor restrictions	25,500
TOTAL NET ASSETS	<u>452,462</u>

TOTAL LIABILITES AND NET ASSETS \$ 786,077

See accompanying notes and independent accountants' review report.

BELLA HOUSE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:

Operating:

Revenue and other support:

Donations	\$ 260,343
Texas Pregnancy Care	48,497
Special events	17,381
Other income	1,263
Net assets released from restrictions	<u>23,363</u>
Total operating revenue and other support	<u>350,847</u>

Expenses:

Program services:

Programs	341,155
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Supporting services:

Management and general	<u>30,967</u>
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Total operating expenses	<u>372,122</u>
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Excess (deficit) of operating revenue over expenses	<u>(21,275)</u>
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Nonoperating:

Revenue and other support:

Interest	<u>291</u>
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Total nonoperating revenue and other support	<u>291</u>
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CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:

Grants	25,000
Donations	676
Net assets released from restrictions	<u>(23,363)</u>
Increase in net assets with donor restrictions	<u>2,313</u>

(DECREASE) IN NET ASSETS	(18,671)
NET ASSETS AT BEGINNING OF YEAR	471,133
NET ASSETS AT END OF YEAR	<u>\$ 452,462</u>

See accompanying notes and independent accountants' review report.

BELLA HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Programs</u>	<u>Management and General</u>	<u>Totals</u>
Salaries and related expenses:			
Salaries	\$ 207,426	\$ 23,046	\$ 230,472
Payroll taxes	17,478	1,938	19,416
Total salaries and related expenses	<u>224,904</u>	<u>24,984</u>	<u>249,888</u>
Advertising	1,130	-	1,130
Bank fees	-	1,853	1,853
Business	1,940	-	1,940
Dues and memberships	-	378	378
Depreciation	20,050	1,053	21,103
Groceries	4,635	-	4,635
House operations	10,938	-	10,938
Insurance	9,547	-	9,547
Interest	13,442	-	13,442
Medical	-	100	100
Meetings and events	3,410	-	3,410
Payroll processing fees	733	81	814
Postage and mailing	-	528	528
Printing and copying	-	172	172
Professional fees	10,277	-	10,277
Repairs and maintenance	7,561	-	7,561
Security	1,191	-	1,191
Supplies	6,487	-	6,487
Telephone	6,217	692	6,909
Transportation	5,174	-	5,174
Travel	3,394	-	3,394
Utilities	10,125	1,126	11,251
	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 341,155</u>	<u>\$ 30,967</u>	<u>\$ 372,122</u>

See accompanying notes and independent accountants' review report.

BELLA HOUSE, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from donations	\$ 261,019
Cash received from Texas Pregnancy Care	48,497
Cash received from private foundation grants	25,000
Cash received from special events	17,381
Cash received from other income	1,263
Cash expended for compensation and benefits	(230,472)
Cash expended for programs	(72,612)
Cash expended for employer payroll taxes	(19,416)
Cash expended for interest	(13,442)
Cash expended for insurance	(9,547)
Cash expended for management and general	(3,077)
Cash expended for bank fees	(1,853)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,741</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of property and equipment	-
NET CASH (USED IN) INVESTING ACTIVITIES	<u>-</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Principal repayments on note payable	(6,609)
NET CASH (USED IN) FINANCING ACTIVITIES	<u>(6,609)</u>

(DECREASE) IN CASH AND CASH EQUIVALENTS	(3,868)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	192,659
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 188,791</u>

**RECONCILIATION OF (DECREASE) IN NET ASSETS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES:**

(Decrease) in net assets	\$ (18,671)
Adjustments to reconcile (decrease) in net assets to net cash provided by operating activities:	
Depreciation	21,103
Changes in operating assets and liabilities:	
(Decrease) in accounts payable	309
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,741</u>

See accompanying notes and independent accountants' review report.

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 required to file annual reports to the Internal Revenue Service, Form 990, Return of Organizations Exempt from Federal Income Tax. The Organization is in compliance with all federal tax filings for the fiscal year ended December 31, 2022.

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

BELLA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 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, 2022 there were \$25,500 net assets with donor restrictions. At December 31, 2022, net assets without donor restrictions were \$426,962, 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, accounts payable and accrued 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

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 fiscal year ended December 31, 2022.

Note Payable

The Organization has a note payable with a limited liability corporation. 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.

Advertising and Marketing

The Organization charges advertising and marketing costs to operations in the year the expense is incurred. The Organization had \$1,130 advertising and marketing expenses for the fiscal year ended December 31, 2022.

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. The Organization had no in-kind income or expense to be recorded for the fiscal year ended December 31, 2022.

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.

Fundraising

The Organization had no fundraising income or expense for the fiscal year ended December 31, 2022.

Leases

The Organization had no leases for the fiscal year ended December 31, 2022.

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 revenue accounted for as contracts with customers for the fiscal year ended December 31, 2022.

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 – 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.

BELLA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2022, financial assets and liquidity resources available within one year for general expenditures, such as ongoing operations and expansion efforts were as follows:

	2022
Cash and cash equivalents	<u>\$ 188,791</u>
Total financial assets, at year end	188,791
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor with purpose restriction	<u>(-)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 188,791</u>

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 2022, were \$29,430. Average monthly expenses for ongoing operations in 2022 were \$31,010. Thus, average monthly revenue from operating revenue covered 95% of average monthly expenses in 2022.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2022:

	2022
Property and equipment:	
Building	<u>\$ 521,939</u>
Furniture and equipment	16,439
Land	120,000
Land improvements	<u>33,038</u>
	691,416
Accumulated depreciation	<u>(94,130)</u>
Property and equipment, net	<u>\$ 597,286</u>

The Organization expensed \$21,103 to depreciation expense for the fiscal year ended December 31, 2022.

BELLA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE G – NOTE PAYABLE AND RELATED PARTY TRANSACTION

The Organization’s long-term debt consists of the following at December 31, 2022:

	<u>2022</u>
Note payable to a limited liability corporation, secured by real property, interest at 4.00%, fixed, payable in monthly principal and interest payments, with a maturity date of April 2050.	\$ 332,440
Total notes payable	332,440
Less current portion	<u>(6,879)</u>
Total notes payable, less current	<u><u>\$ 325,561</u></u>

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:

2023	\$ 6,879
2024	7,159
2025	7,451
2026	7,755
2027	8,075
Thereafter	<u>295,121</u>
Total	<u><u>\$ 332,440</u></u>

The Organization expensed \$13,442 to interest expense for the fiscal year ended December 31, 2022.

NOTE H – CONCENTRATION OF REVENUE

The Organization received donations from each of the following donors in excess of 10% of revenue in fiscal year 2022. They were as follows:

<u>Donor</u>	<u>2022</u>	<u>%</u>
Officer	\$ 56,040	16%
Texas Pregnancy Care Network	<u>48,497</u>	<u>14%</u>
Total	<u><u>\$ 104,537</u></u>	<u><u>30%</u></u>

BELLA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE I – NET ASSETS

The Organization’s net assets for the year ended December 31, 2022 were as follows:

<u>2022</u>		<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
Without donor restrictions		\$ 447,946	\$ (20,984)	\$ 426,962
With donor restrictions		23,187	2,313	25,500
	Totals	<u>\$ 471,133</u>	<u>\$ (18,671)</u>	<u>\$ 452,462</u>

NOTE J – 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 fiscal year ended December 31, 2022, there were \$25,676 of contributions with donor restrictions given to the Organization. Net assets with donor restrictions of \$23,363 were released from donor restrictions by incurring expenses satisfying the restricted purposes for the fiscal year ended December 31, 2022.

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS

The Organization’s net assets with donor restrictions for the fiscal year ended December 31, 2022 were as follows:

<u>Restricted Purpose</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	1,245	-	(1,245)	-	
Fence replacement	-	500	-	500	
Mental health counseling	-	25,000	-	25,000	
Bibles	-	176	(176)	-	
	Totals	<u>\$ 23,187</u>	<u>\$ 25,676</u>	<u>\$ (23,363)</u>	<u>\$25,500</u>

BELLA HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE L – 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 July 6, 2023, the date that the financial statements were available to be issued.