

# Financial Statements and Independent Accountant's Review Report

**Watermark Health**

For the year ended June 30, 2024



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Accountants & Advisors

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WATERMARK HEALTH

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LANE GORMAN TRUBITT, LLC  
Accountants & Advisors

### Independent Accountant's Review Report

To the Board of Directors of  
Watermark Health, a nonprofit  
corporation

We have reviewed the accompanying financial statements of Watermark Health, a nonprofit organization ("Watermark Health"), which comprise the statement of financial position as of June 30, 2024, and the related statement of activities and changes in net assets, statement of cash flow and statement of functional expenses 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.

### Accountant's 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 Watermark Health and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### Accountant's 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.

*Lane Gorman Trubitt, LLC*

Dallas, Texas  
December 4, 2024

**Watermark Health**  
**Statement of Financial Position**

June 30, 2024

(Unaudited)

**Assets**

Cash and cash equivalents	\$ 881,899
Contributions receivable	12,538
Accounts receivable	79,245
Prepaid expenses	20,239
Other current assets	1,460
Right of use asset	107,473
Property and equipment, net	254,774
<b>Total assets</b>	<u>\$ 1,357,628</u>

**Liabilities and Net Assets**

Accounts payable	\$ 122,580
Other current liabilities	63,181
Right of use liability	118,898
<b>Total liabilities</b>	<u>\$ 304,659</u>
Net assets with donor restrictions	\$ 172,278
Net assets without donor restrictions	1,213,488
Change in Net Assets without restrictions	<u>(332,797)</u>
<b>Total net assets</b>	<u>1,052,969</u>
<b>Total liabilities and net assets</b>	<u>\$ 1,357,628</u>

**Watermark Health**  
**Statement of Activities**

For the year ended June 30, 2024  
(Unaudited)

Contributions		
Without donor restrictions	\$	1,328,374
With donor restrictions		34,697
Released from restriction		74,075
In-Kind contributions		
Without donor restrictions		463,541
Other revenue		
Patient donations		77,240
Program service revenue		471,188
Interest income		23,993
Other income (Loss)		6,358
<b>Total revenue and support</b>	<b>\$</b>	<b><u>2,479,466</u></b>
Expenses		
Program Service Expenses	\$	2,124,644
Fundraising Expenses		105,476
Management & General Expenses		547,446
<b>Total expenses</b>	<b>\$</b>	<b><u>2,777,566</u></b>
Change in Net Assets without restrictions	\$	(332,797)
Change in Net Assets with restrictions		(39,378)
Net assets, beginning of year		1,425,144
<b>Net assets, end of year</b>	<b>\$</b>	<b><u>1,052,969</u></b>

**Watermark Health**  
**Statement of Cash Flows**  
For the year ended June 30, 2024  
(Unaudited)

Cash flows from operating activities	
Change in net assets	\$ (372,175)
Adjustments to reconcile net revenue to net cash used in operations:	
Depreciation expense	47,991
Noncash lease expense	70,158
Donated property and equipment	100,573
Loss on disposition of assets	4,640
Changes in operating assets and liabilities, net:	
Contributions receivable	44,771
Accounts receivable	45,178
Prepaid expenses	5,727
Other assets	24,088
Accounts payable and accrued expenses	(63,404)
Lease liabilities - operating	(58,733)
<b>Net cash used in operating activities</b>	<u>\$ (151,186)</u>
Cash flows from investing activities	
Purchases of property and equipment	\$ (93,647)
<b>Net cash used in investing activities</b>	<u>\$ (93,647)</u>
Net cash change for period	\$ (244,833)
Cash at beginning of period	1,126,731
Cash at end of period	<u>\$ 881,898</u>
Supplemental disclosure of cash flow information	
Addition of lease liability	\$ 173,416
Addition of right of use assets	\$ 173,416

**Watermark Health**  
**Statement of Functional Expenses**  
For the year ended June 30, 2024  
(Unaudited)

	Program Services	Management & General	Fundraising	Total
Cost of revenue - collaborative clinics	\$ 507,701	\$ -	\$ -	\$ 507,701
Cost of revenue - other	-	965	-	965
Wages and payroll taxes	897,584	367,616	63,611	1,328,810
Other employee benefits	161,632	58,479	9,533	229,644
Business Insurance	25,976	21,696	-	47,672
Advertising and promotion	4,858	1,327	13,959	20,145
Staff and volunteer care	28,388	25,726	1,353	55,467
Medical Supplies	111,930	-	-	111,930
Occupancy	176,821	44,664	-	221,485
Conferences and meetings	-	887	-	887
Office expenses	60,067	17,093	5,718	82,878
Professional fees	-	8,649	2,135	10,784
Charitable Contributions	100,573	-	-	100,573
Depreciation expense	47,991	-	-	47,991
Other expenses	1,123	344	9,168	10,635
<b>Total Expenses</b>	<b>\$ 2,124,644</b>	<b>\$ 547,446</b>	<b>\$ 105,476</b>	<b>\$ 2,777,566</b>
	<b>76%</b>	<b>20%</b>	<b>4%</b>	

## NATURE OF ORGANIZATION

### Description of organization & it's purpose:

Watermark Health (the "Organization") is a Texas nonprofit corporation founded in 2008 as Questcare Foundation and was re-established in 2012 as Watermark Health. The Organization's first independent urgent care clinic was launched in 2013. The Organization serves the Dallas Fort-Worth Metroplex by empowering volunteers from the local church to care for the physical and spiritual needs of the community, primarily as an urgent care clinic serving patients who are uninsured or underinsured.

The Organization owns and operates various clinics, receiving funding primarily from independent donors. The Organization additionally supports healthcare operations of other organizations by providing management services and administration in exchange for reimbursement of direct costs and management fees.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting polices consistently applied in the preparation of the accompanying financial statements is as follows:

### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

### Basis of Presentation

Not-for-profit organizations are required to report information regarding their financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* - Net assets not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors

*Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature, such as those that may or will be met either by actions of the Organization and/or the passage of time. Other donor-imposed stipulations may be permanent in nature, where the donor stipulates those resources be maintained in perpetuity by the Organization.

### Cash and Cash Equivalents

The Organization considers all monies in banks and highly liquid investments with maturities of three months or less from the date of purchase to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short-term maturities of those financial instruments.

Cash and securities maintained through a registered securities dealer are insured up to \$500,000 by the Securities Investor Protection Corporation ("SIPC"). SIPC covers losses from fraud and negligence of the registered securities dealer but not against market losses or investment return. Balances held in accounts may still at times exceed insured limits. The Organization has not incurred any losses in these accounts, outside normal trading activities, and does not believe that they are exposed to any significant credit risk.



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Accounts Receivable

Accounts receivable represent amounts billed but not collected as of the date of the accompanying financial statements. Accounts receivable are shown at net realizable value, which is the amount of consideration from customers of which the Organization has an unconditional right to receive. Accounts receivable are ordinarily due within 30 days of receipt of the invoice. The Organization writes off accounts receivable when they become uncollectible. Recoveries of accounts receivable previously written off are recorded when received. In the event of complete nonperformance, the maximum exposure to the Organization is the outstanding receivable balance at the date of nonperformance. Accounts receivable are expected to be collected within one year. As of June 30, 2024, management has evaluated all receivables for collectability and recorded all receivables deemed collectible.

### Property and Equipment

Property and equipment is recorded at cost or, if donated, at its fair market value on the date of the contribution.

The Organization's policy is to capitalize all expenditures for property and equipment in excess of \$3,000 per unit. Major renewals and improvements that extend the estimated useful life of the asset are capitalized when related costs are incurred. Maintenance and repairs that do not improve or extend the useful life of the respective assets are expensed as incurred.

Depreciation and amortization of property and equipment is computed using the straight-line method over the estimated useful life.

### Impairment of Long-Lived Assets

The Organization assesses the recoverability of its long-lived assets when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. This assessment is based on the assets' current and anticipated future undiscounted cash flow. Impairment occurs when the cash flows (excluding interest) do not exceed the carrying value of the asset. The amount of the impairment loss is the difference between the carrying value of the asset and its estimated fair value. No impairment losses were recorded for the year ended June 30, 2024.

### Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions.

Revenues from contracts with customers are recognized as the Organization satisfies performance obligations, in an amount that reflects the consideration that it expects to be entitled to in exchange for those services.

Revenue for services are generally recognized when services are provided at a single point in time and the Organization does not believe it is required to provide additional goods or services related to that contract. The Organization determines the transaction price based on standard charges for services provided. The Organization's revenue streams do not have significant financing components or contract costs.

Because the Organization's performance obligation relate to contracts with a duration of less than one year, the Organization has elected to apply the option exemption provided in GAAP, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Contributions

Contributions received are recorded at their estimated fair value at the date of donation as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor-imposed restriction. The Organization reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. If a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the contribution as net assets without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

### In-kind Contributions

The Organization's policy is to recognize in-kind goods and services when donated as revenue in the period such contributions are made. Donated services are based on the estimated fair value of the services provided; donated goods are based on the estimated fair value of the goods received. Donated professional services are recognized if the services create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

These contributions did not have donor-imposed restrictions. The Organization used the nonfinancial asset contributions of goods and services towards program initiatives.

Contributed nonfinancial assets recognized in the accompanying consolidated statements of activities and changes in net assets are as follows for the years ended June 30, 2024:

Physician Payroll Discount	\$ 200,000
Professional Volunteer Time	157,396
Donated Office Space and Utilities	42,000
Lab Services	55,655
Facility Compliance Services	140
Pastoral Care Supplies (Books, Bibles, Printed Resources)	<u>8,350</u>
Total In-kind contributions	<u>\$ 463,541</u>

In addition, numerous nonprofessional volunteers contributed significant time and effort to the Organization's program during the year ended June 30, 2024. However, no amounts have been reflected in the financial statements since the fair market value of these services is not readily determinable, and these services do not meet the criteria for revenue recognition under GAAP.

### Functional Allocation of Expenses

The costs of providing program and support services are presented on a functional basis in the accompanying statements of activities and changes in net assets. Whenever possible, expenses are directly allocated to the program and support services they benefit. For expenses that cannot be directly attributed, allocations are based primarily upon estimates of employees' time and effort.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Federal Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business income. The Organization reported \$1,006 in taxable unrelated business income for the year ended June 30, 2024. The Organization's estimate of the potential outcome of any uncertain tax issues is subject to management's assessment of relevant risks, facts and circumstances existing at the time. The Organization uses a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. To the extent that the Organization's assessment of such tax position changes, the change in estimate is recorded in the period in which the determination is made. The Organization reports tax-related interest and penalties, if applicable, as a component of income tax expense as incurred.

### Use of Estimates

In preparing the Organization's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

### Leases

The Organization recognizes ROU assets and lease liabilities for leases with terms greater than 12 months or leases that contain a purchase option that is reasonably certain to be exercised. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

The Organization's ROU assets and lease liabilities primarily relate to facility lease from a third party from which business operations are conducted and equipment leases. None of the Organization's lease agreements contain material residual value guarantees or material restrictions or covenants.

Long-term leases (leases with terms greater than 12 months) are recorded as liabilities at the present value of the minimum lease payments not yet paid. The Organization uses its incremental borrowing rate to determine the present value of the lease when the rate implicit in the lease is not readily determinable.

The Organization's ROU assets and lease liabilities consisted of the following for the years ended June 30 2024:

#### *Operating Leases*

ROU assets – operating leases	\$ 172,246
Accumulated amortization	<u>(64,773)</u>
Net ROU assets – operating leases	<u>\$ 107,473</u>
Lease liability – operating leases - current	\$ 33,293
Lease liability – operating leases – net of current portion	<u>85,605</u>
Total lease liability – operating leases	<u>\$ 118,898</u>

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

The remaining lease payments under the Organization's operating leases consist of the following for the years ending June 30:

2025	\$	46,857
2026		40,333
2027		44,205
2028		3,711
2029		-
Thereafter		-
Total future undiscounted lease payments		<u>135,106</u>
Less: interest		<u>(16,208)</u>
Present value of lease liabilities	\$	<u>118,898</u>

Total lease expense was \$63,804 for the year ended June 30, 2024, and is included in occupancy expenses in the accompanying statement of functional expenses.

Supplemental information related to the Organization's leases for the year ended June 30, 2024 is as follows:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$	82,275
Weighted-average remaining lease term – operating leases		37 months
Weighted-average discount rate – operating leases		2.98%

## 2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the accompanying statements of financial position are as follows at June 30 2024:

Financial assets:

Cash and cash equivalents	\$	881,899
Contributions receivable		12,538
Accounts receivable		<u>79,245</u>
		973,682

Less those unavailable for general expenditures within one year:

Net assets with donor restrictions		<u>(172,278)</u>
	\$	<u>801,404</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to financial assets available to meet general expenditures over the next twelve months, the Organization anticipates collecting sufficient revenue and support to cover general expenditures not covered by restricted resources.

### 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30 2024:

	<u>Estimated Useful Lives</u>	<u>2024</u>
Leasehold improvements		
- Skillman Sonogram room renovations	7 years	\$ 47,523
- WMUC Sign at Skillman	7 years	17,926
Furniture, fixtures, and equipment		
- Skillman Xray machine	7 years	88,571
- Skillman Sonogram Machine	7 years	63,846
- Mobile HealthBot BP Kiosk	7 years	9,385
- Mobile Unit Trailer	7 years	119,766
Vehicles		
- Mobile Unit Truck	5 years	55,111
Accumulated depreciation and amortization		<u>(151,284)</u>
		250,844
Construction in progress		<u>3,930</u>
Total property and equipment, net		<u>\$ 254,774</u>

Depreciation expense totaled \$47,991 for the year ended June 30, 2024.

### 4. NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or time at June 30 2024:

Early Prenatal Care	\$ 130,258
Dental Program	7,323
Health Services Improvement	<u>34,697</u>
	<u>\$ 172,278</u>

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Early Prenatal Care	\$ 57,129
Dental Program	<u>16,946</u>
	<u>\$ 74,075</u>

### 5. EMPLOYEE BENEFIT PLAN

The Organization established a 403b Retirement Plan ("the Plan") effective March 31, 2017. Employees become eligible to participate in the Plan if they meet certain earnings requirements over a 3-year period. Employees are immediately vested in 33% of employer match contributions. The Organization will match dollar for dollar contributions up to 5% of employees' total compensation. The Organization made contributions of \$18,002 during the year ended June 30, 2024.

## 6. ACCOUNTS RECEIVABLE, CONTRACT ASSETS, AND CONTRACT LIABILITIES

When the timing of the Organization's revenue recognition is different from the timing of payments made by their customers, the Organization recognizes either a contract asset (performance precedes contractual due date) or a contract liability (customer payment precedes performance or there is an unconditional right to receive payment). Contract assets primarily relate to the Organization's right to consideration for revenues earned but not yet billed at the reporting date. The contract assets are reclassified to receivables when the right to consideration becomes unconditional. Contract liabilities primarily relate to open performance obligations. Accounts receivable, contract assets and contract liabilities are as follows:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Contract assets	\$ -	\$ -
Accounts receivable	79,245	124,423
Contract liabilities	-	-

## 7. RELATED PARTY TRANSACTIONS

Related party contributions for the year ended June 30, 2024, amounts to \$340,748. Of the amount, \$245,491 was contributed from related party organizations, \$81,832 was contributed from the Organization's Board of Directors, and \$13,425 was contributed from the Organization's employees.

## 8. CONCENTRATIONS

For the year ended June 30, 2024, six donors comprised 30% of total contribution revenue.

## 9. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 4, 2024, the date the financial statements were available to be issued.