NAZARETH FARM, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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CAVA & BANKO, PLLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of
Nazareth Farm, Inc.
Salem, WV 26426

We have reviewed the accompanying financial statements of Nazareth Farm, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statement of activities and changes in net assets, statement of 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 statement 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.

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.

Cava & Banko, PLLC

Bridgeport, WV
January 18, 2018

NAZARETH FARM, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2017

ASSETS

CURRENT ASSETS	
Cash	$ 357,500
Savings	181,276
Accounts receivable, net of allowance for doubtful accounts of $31,495	70,061
Prepaid insurance	4,752
Total current assets	613,589
PROPERTY AND EQUIPMENT	
Building	211,577
Furniture and fixtures	32,747
Leasehold improvements	51,118
Vehicles	41,187
Total property and equipment	336,629
Less: Accumulated depreciation	149,470
Net property and equipment	187,159
TOTAL ASSETS	$ 800,748

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 8,000
Total current liabilities	8,000
NET ASSETS	
Unrestricted - Operations	751,001
Temporarily restricted	41,747
Net assets	792,748
TOTAL LIABILITIES AND NET ASSETS	$ 800,748

See accompanying notes and independent accountants' review report.

NAZARETH FARM, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2017

SUPPORT AND REVENUE	
Participant fees	$ 224,395
Donations	123,543
Client income	43,198
Store income	18,186
Other income	5,845
Interest income	6,199
TOTAL SUPPORT AND REVENUE	421,366
EXPENSES	
Program expenses	171,939
General and administrative	145,212
TOTAL EXPENSES	317,151
INCREASE IN UNRESTRICTED NET ASSETS	104,215
NET ASSETS, beginning of year	688,533
NET ASSETS, end of year	$ 792,748

See accompanying notes and independent accountants' review report.

NAZARETH FARM, INC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2017

	COMMUNITY PROJECTS AND SERVICE	YOUNG ADULT IMMERSION PROGRAM	MANAGEMENT AND GENERAL	TOTAL
Client assistance	$ 49,280	$ -	$ -	$ 49,280
Community support	-	1,359	-	1,359
Debt forgiven	23,671	-	-	23,671
Food	7,523	5,643	7,732	20,898
Fundraising	-	-	6,496	6,496
Insurance	4,352	-	11,037	15,389
Maintenance	14,907	14,907	25,398	55,212
Membership and promotion	-	-	805	805
Nazareth Farm store	-	-	12,277	12,277
Office expenses	-	-	7,473	7,473
Payroll taxes and employee benefits	2,458	4,148	8,756	15,362
Postage, printing and publications	-	1,261	3,783	5,044
Professional fees	-	-	29,521	29,521
Salaries and wages	4,216	7,182	22,926	34,324
Travel	649	-	-	649
Telephone and utilities	2,897	2,896	5,346	11,139
Training	-	2,245	3,662	5,907
Young adult support	2,218	-	-	2,218
Total expenses before depreciation	112,171	39,641	145,212	297,024
Depreciation expense	20,127	-	-	20,127
Total expenses	$ 132,298	$ 39,641	$ 145,212	$ 317,151

See accompanying notes and independent accountants' review report.

NAZARETH FARM, INC
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2017

OPERATING ACTIVITIES	
Change in net assets	$ 104,215
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	20,127
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(43,796)
(Increase) decrease in prepaid insurance	303
Increase (decrease) in accounts payable and accrued expenses	595
NET CASH PROVIDED BY OPERATING ACTIVITIES	81,444
INVESTING ACTIVITIES	
Purchase of property and equipment	(13,664)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(13,664)
FINANCING ACTIVITIES	-
INCREASE IN CASH AND CASH EQUIVALENTS	67,780
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	470,996
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 538,776

See accompanying notes and independent accountants' review report.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – Nazareth Farm, Inc., a nonprofit organization, founded in 1979 and incorporated in 1995, is a Catholic community established for the purpose of promoting, fostering and maintaining a Catholic Christian Community with the goal of transforming lives through a retreat experience of prayer, simplicity, love, and service rooted in the Gospel. The Organization provides home repair and other services to low-income residents of Doddridge, Harrison, Ritchie, and Tyler Counties, in West Virginia.

Basis of Accounting – The financial statements have been prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents – The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

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 is capitalized at original 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. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

The useful lives employed in the computation of depreciation expense are as follows:

Building	40 years
Equipment	3 – 7 years

Classes of Net Assets

Unrestricted Net Assets – Unrestricted net assets are those currently available under the direction of the Board, those designated by the Board for specific use and those invested in fixed assets.

Temporarily Restricted Net Assets – Temporarily restricted net assets are those temporarily restricted depending on the nature of the restriction. When the restriction expires net assets are reclassified to unrestricted net assets.

Permanently Restricted Net Assets – Permanently restricted net assets are those designated for certain use as specified by the donor, and there is no expiration of the restriction. The Organization had no permanently restricted net assets at September 30, 2017.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Contributions – Contributions are recognized when received and are classified as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. When the donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported on the statement of activities as net assets released from restrictions. The Organization's policy is to report all temporarily restricted contributions whose restrictions have been met during the reporting period in which the contribution is recognized, as unrestricted net assets.

Donated Services – The Organization has a substantial amount of unpaid volunteers who donated their time in helping carry out the Organization's mission. The value of these services is not reflected in the financial statements since it does not meet the criteria for contributions of services required to be recorded under SFAS No. 116. The Organization had approximately 600 participant volunteers for the year ending September 30, 2017 who contributed a total of approximately 14,400 volunteer service hours.

Other Income – Other income is recorded when earned and expenses are recorded when incurred, in accordance with the accrual basis of accounting.

Prepaid Insurance – Prepaid insurance is determined based on the effective dates of the polices.

Income Taxes – The Organization is not-for-profit and has received a favorable determination letter from the Internal Revenue Service stating that it is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code and is further classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualified for deductible contributions as provided in Section 170(b)(1)(A)(vi).

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition.

The Organization's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending September 30, 2014, 2015, 2016 and 2017 are subject to examination by the IRS, generally for three years after being filed.

Functional Allocation of Expenses – The costs of providing the various programs and supporting services have been detailed on a functional basis in the statement of functional expenses and summarized in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Fundraising expenses of $6,496 are included in general and administrative expenses.

NOTE B – ACCOUNTS RECEIVABLE

Accounts receivable arise from the Organization's community services in home repairs and participant fees paid by volunteers, including groups from schools, churches and families. Nazareth Farm, Inc. purchases building supplies for individual jobs, then bills the homeowners anticipating reimbursement. Historically, only approximately 30% is collectible on home repairs.

Management determines the allowance account balance at the end of each fiscal year, based on their determination of collectability considering historical and individual account assessment factors. Accounts receivable outstanding after all collection efforts have failed are written off against the allowance account.

NOTE C – CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in several banks located in West Virginia. The balances in the bank are insured by the FDIC up to $250,000. At September 30, 2017 the uninsured balances were $107,386.

NOTE D – RESTRICTED-USE REAL ESTATE

The land on which the Farm is located is owned by the Diocese of Wheeling-Charleston, West Virginia and is subject to certain restrictions, including but not limited to maintenance of the property and use as a Catholic Community. Should the Organization cease to exist, the property will revert to the Diocese of Wheeling-Charleston.

NOTE E – FAIR VALUES OF FINANCIAL INSTRUMENTS

The estimated fair values of the Organization's financial instruments.

	2017	
	Carrying Amount	Fair Value
Financial Assets		
Cash	$357,500	$357,500
Accounts Receivable	70,061	70,061

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments.

Cash: The carrying value amounts reported in the statement of financial position approximate fair value.

Accounts receivable: The fair values of accounts receivable are based on management's experience rates, and include a reserve for doubtful accounts.

NOTE F – RESTRICTIONS ON NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2017 is cash resulting from a drive to raise funds to repair and improve farm property and buildings.

Temporarily restricted net assets are available for the following purposes:

Repair and improvements of farm property and buildings	$41,747

NOTE G – SUBSEQUENT EVENTS

Date of Management Evaluation – Management has evaluated subsequent events through January 18, 2018, the date on which the financial statements were available to be issued.