

NAZARETH FARM, INC.
REVIEWED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

CONTENTS

	Page
Independent Accountants' Review Report	1
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Functional Expenses	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 11



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 statements of financial position as of September 30, 2020 and 2019, and the related statements of activities and changes in net assets, statements of functional expenses, and cash flows for the years 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 entity 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
Certified Public Accountants

Bridgeport, WV
January 6, 2021

NAZARETH FARM, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019

ASSETS	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash - checking	\$ 13,129	\$ 65,209
Cash - savings	496,927	404,521
Accounts receivable, net of allowance for doubtful accounts of \$3,620	89,328	151,558
Prepaid insurance	<u>5,246</u>	<u>6,810</u>
Total current assets	<u>604,630</u>	<u>628,098</u>
PROPERTY AND EQUIPMENT		
Land	26,281	26,281
Building	252,796	252,796
Furniture and fixtures	39,747	39,747
Leasehold improvements	51,118	51,118
Vehicles	<u>44,795</u>	<u>44,795</u>
Total property and equipment	414,737	414,737
Less: Accumulated depreciation	<u>200,652</u>	<u>178,747</u>
Net property and equipment	<u>214,085</u>	<u>235,990</u>
TOTAL ASSETS	<u>\$818,715</u>	<u>\$ 864,088</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,652	\$ 2,110
Payroll protection program loan	17,900	-
Economic injury disaster loans (EIDL)	7,000	-
Deferred income	<u>27,701</u>	<u>-</u>
Total current liabilities	<u>54,253</u>	<u>2,110</u>
NET ASSETS		
Net assets without donor restrictions	<u>764,462</u>	<u>861,978</u>
Total net assets	<u>764,462</u>	<u>861,978</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$818,715</u>	<u>\$ 864,088</u>

See accompanying notes and independent accountants' review report.

NAZARETH FARM, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CHANGE IN NET ASSETS		
REVENUE AND SUPPORT		
Participant fees	\$ 15,357	\$ 171,815
Donations	163,240	128,964
Client income	37,499	49,367
Store income	8,632	20,615
Other income	3,276	394
Interest income	<u>10,555</u>	<u>13,804</u>
TOTAL REVENUE AND SUPPORT	<u>238,559</u>	<u>384,959</u>
EXPENSES		
Program expenses	187,659	212,551
General and administrative	<u>148,416</u>	<u>159,563</u>
TOTAL EXPENSES	<u>336,075</u>	<u>372,114</u>
CHANGE IN NET ASSETS	(97,516)	12,845
NET ASSETS, beginning of year	<u>861,978</u>	<u>849,133</u>
NET ASSETS, end of year	<u>\$ 764,462</u>	<u>\$ 861,978</u>

See accompanying notes and independent accountants' review report.

NAZARETH FARM, INC
 STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

SEPTEMBER 30, 2020

	COMMUNITY PROJECTS AND SERVICE	YOUNG ADULT IMMERSION PROGRAM	ADMINISTRATIVE AND GENERAL	<u>TOTAL</u>
Client assistance	\$ 48,838	\$ -	\$ -	\$ 48,838
Community support	-	4,586	-	4,586
Debt forgiven	38,384	-	-	38,384
Food	5,607	4,205	5,762	15,574
Fundraising	-	-	3,045	3,045
Insurance	3,255	-	12,767	16,022
Maintenance	7,201	7,201	12,270	26,672
Nazareth Farm store	-	-	11,636	11,636
Office expenses	-	-	11,482	11,482
Payroll taxes and employee benefits	3,548	5,987	12,636	22,171
Postage, printing and publications	-	226	714	940
Professional fees	-	-	45,310	45,310
Salaries and wages	10,778	18,351	25,169	54,298
Travel	837	-	-	837
Telephone and utilities	2,390	2,390	4,411	9,191
Training	-	1,970	3,214	5,184
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	120,838	44,916	148,416	314,170
Depreciation expense	<hr/> 21,905	<hr/> -	<hr/> -	<hr/> 21,905
Total expenses	<u>\$ 142,743</u>	<u>\$ 44,916</u>	<u>\$ 148,416</u>	<u>\$ 336,075</u>

See accompanying notes and independent accountants' review report.

NAZARETH FARM, INC
 STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

SEPTEMBER 30, 2019

	<u>COMMUNITY PROJECTS AND SERVICE</u>	<u>YOUNG ADULT IMMERSION PROGRAM</u>	<u>ADMINISTRATIVE AND GENERAL</u>	<u>TOTAL</u>
Client assistance	\$ 65,444	\$ -	\$ -	\$ 65,444
Community support	-	5,535	-	5,535
Debt forgiven	9,917	-	-	9,917
Food	7,607	5,706	7,819	21,132
Fundraising	-	-	6,318	6,318
Insurance	7,886	-	13,374	21,260
Maintenance	8,817	8,817	15,022	32,656
Nazareth Farm store	-	-	9,386	9,386
Office expenses	-	-	14,386	14,386
Payroll taxes and employee benefits	3,430	5,787	12,217	21,434
Postage, printing and publications	-	633	1,900	2,533
Professional fees	-	-	48,950	48,950
Salaries and wages	18,649	31,756	22,986	73,391
Travel	935	-	-	935
Telephone and utilities	2,156	2,156	3,980	8,292
Training	-	1,976	3,225	5,201
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	124,841	62,366	159,563	346,770
Depreciation expense	<hr/> 25,344	<hr/> -	<hr/> -	<hr/> 25,344
Total expenses	<u>\$ 150,185</u>	<u>\$ 62,366</u>	<u>\$ 159,563</u>	<u>\$ 372,114</u>

See accompanying notes and independent accountants' review report.

NAZARETH FARM, INC
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
OPERATING ACTIVITIES		
Change in net assets	\$ (97,516)	\$ 12,845
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	21,905	25,344
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	62,230	(34,398)
(Increase) decrease in prepaid insurance	1,564	(668)
Increase (decrease) in accounts payable and accrued expenses	(458)	(1,894)
Increase (decrease) in deferred income	27,701	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	15,426	1,229
 INVESTING ACTIVITIES		
Purchase of property and equipment	-	(78,291)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	(78,291)
 FINANCING ACTIVITIES		
Proceeds from forgivable loans (COVID-19)	24,900	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	24,900	-
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	40,326	(77,062)
 CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	469,730	546,792
 CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 510,056	\$ 469,730

See accompanying notes and independent accountants' review report.

NAZARETH FARM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE A – NATURE OF ACTIVITIES AND 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 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 restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line and modified accelerated cost recovery system methods.

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

Building	40 years
Equipment	3 – 7 years

Classes of Net Assets

Net assets without donor restrictions – Net assets that are currently available under the direction of the Board, those designated by the Board for specific use and those invested in fixed assets.

Net assets with donor restrictions – Net donated assets that the donor has restricted the use of to a specific purpose, and perhaps timeline.

NAZARETH FARM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Contributions – Contributions are recognized when received and are classified as restricted or unrestricted depending on the existence and/or nature of any donor restrictions. When the donor restriction expires, 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 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 donate 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 192 and 589 participant volunteers who contributed a total of approximately 7,854 and 20,090 volunteer service hours for the years ended September 30, 2020 and 2019, respectively.

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 policies.

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, 2017, 2018, 2019 and 2020 are subject to examination by the IRS, generally for three years after being filed.

Functional and Natural Allocation of Expenses – The costs of providing the various programs and supporting services have been detailed on a functional and natural classification basis in the statement of functional expenses and summarized in the statement of activities. Accordingly, certain natural classification costs have been allocated among the programs and supporting services benefited. Fundraising expenses of \$3,045 and \$6,318 for the years ended September 30, 2020 and 2019, respectively, are included in general and administrative expenses.

NAZARETH FARM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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. Collections of costs previously written off are reported as debt recovery and shown as support and revenue on the statements of activities and changes in net assets.

Performance obligations are typically satisfied for home repairs when the work is complete; and are typically satisfied for participant fees when seminars or projects are over or completed.

Payment terms call for billed amounts to be paid when the invoice is received. Invoices are mailed before the start of seminars and after home repair projects are completed. . Payments are generally refunded if an event is cancelled, but in some cases rescheduling of events results in a hold-over of prior payments, received for workshops and retreats. If the performance obligations for these seminar events are not fulfilled when a reporting period ends, such revenue is showed as a liability called deferred revenue.

NOTE C – FORGIVABLE LOANS RECEIVED UNDER THE SMALL BUSINESS ADMINISTRATION PAYCHECK PROTECTION PROGRAM

In response to the coronavirus (COVID-19) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In April 2020, the Organization obtained a PPP loan for \$17,900 which is included in the Organization's loan payable balance at September 30, 2020. The note matures in April 2022 and bears interest at a fixed annual rate of 1%, with the first six months of interest deferred. The Organization believes it used all of the proceeds from the note for qualifying expenses and thus expects to receive approval of its application for the loan to be forgiven in the future, at which time the Organization will recognize a gain on forgiveness of the loan.

NOTE D – 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. The uninsured balances were \$0 and \$154,521 at September 30, 2020 and 2019, respectively.

NAZARETH FARM, INC.
 NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE E – RESTRICTED-USE REAL ESTATE

On September 30, 2018, the land on which the Farm is located was owned by the Diocese of Wheeling-Charleston, West Virginia and was subject to certain restrictions, including, but not limited to, maintenance. On July 15, 2019, Nazareth Farm, Inc. purchased the farm from the Diocese of Wheeling-Charleston for \$57,000.

NOTE F – FAIR VALUES OF FINANCIAL INSTRUMENTS

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

	2020		2019	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets				
Cash	\$13,129	\$13,129	\$ 65,209	\$ 65,209
Accounts Receivable	\$89,328	\$89,328	\$151,558	\$151,558

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 G – RESTRICTIONS ON NET ASSETS

At September 30, 2020 and 2019, the governing board had placed no restrictions or designations for specific use on available financial assets.

NAZARETH FARM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE H – LIQUIDITY AND AVAILABILITY

As of September 30, 2020, the Organization had working capital of approximately \$550,377. Financial assets available for general expenditures within one year of the statement of financial position consist of the following as of September 30, 2020:

Cash and cash equivalents	\$510,056
Accounts receivable, net	<u>89,328</u>
	<u>\$599,384</u>

The Organization has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$60,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE I – SUBSEQUENT EVENTS

Date of Management Evaluation – Management has evaluated subsequent events through January 6, 2021, the date on which the financial statements were available to be issued.

Ongoing Effect of Pandemic – This financial statement, for the fiscal year ended September 30, 2020, shows decreased participant fees and program expenses that are attributable to the March 2020 coronavirus outbreak. At January 6, 2021, the virus continues to spread and is negatively impacting businesses, organizations, and the lives of individual. Social distancing and wearing of masks continues. Even as vaccination of the populace begins, there is no way to predict the ongoing financial effect of the coronavirus pandemic.