

NAZARETH FARM, INC.
REVIEWED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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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, 2022 and 2021, 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.

We are required to be independent of Nazareth Farm, 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.

Cava & Banko, PLLC
Certified Public Accountants

Bridgeport, WV
February 16, 2023

NAZARETH FARM, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021

ASSETS	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash - checking	\$ 66,000	\$ 132,205
Cash - savings	408,682	589,790
Accounts receivable, net of allowance for doubtful accounts of \$8,184	160,855	158,704
Prepaid insurance	<u>4,339</u>	<u>5,059</u>
Total current assets	<u>639,876</u>	<u>885,758</u>
PROPERTY AND EQUIPMENT		
Land	26,281	26,281
Building	649,820	252,796
Furniture and fixtures	39,747	39,747
Leasehold improvements	51,118	51,118
Vehicles	75,557	60,762
Construction in progress	<u>9,559</u>	<u>66,247</u>
Total property and equipment	852,082	496,951
Less: Accumulated depreciation	<u>(232,233)</u>	<u>(215,203)</u>
Net property and equipment	<u>619,849</u>	<u>281,748</u>
TOTAL ASSETS	<u>\$1,259,725</u>	<u>\$1,167,506</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 8,105	\$ 7,249
Deferred income	<u>5,575</u>	<u>16,612</u>
Total current liabilities	<u>13,680</u>	<u>23,861</u>
TOTAL LIABILITIES	<u>13,680</u>	<u>23,861</u>
NET ASSETS		
Net assets without donor restrictions	281,158	613,735
Net assets with donor restrictions	<u>964,887</u>	<u>529,910</u>
Total net assets	<u>1,246,045</u>	<u>1,143,645</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,259,725</u>	<u>\$1,167,506</u>

See accompanying notes and independent accountants' review report.

NAZARETH FARM, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CHANGE IN NET ASSETS		
REVENUE AND SUPPORT		
Participant fees	\$ 94,827	\$ 58,275
Donations	277,291	568,974
Client income	32,245	59,445
Store income	11,386	2,091
Other income	2,083	5,095
Interest income	<u>139</u>	<u>2,577</u>
TOTAL REVENUE AND SUPPORT	<u>417,971</u>	<u>696,457</u>
EXPENSES		
Program expenses	261,303	226,230
General and administrative	<u>54,154</u>	<u>108,716</u>
TOTAL EXPENSES	<u>315,457</u>	<u>334,946</u>
OTHER INCOME/EXPENSES		
Other income	-	24,900
Gain/(loss) on sale of assets	<u>(114)</u>	<u>(7,228)</u>
	<u>(114)</u>	<u>17,672</u>
CHANGE IN NET ASSETS	102,400	379,183
NET ASSETS, beginning of year	<u>1,143,645</u>	<u>764,462</u>
NET ASSETS, end of year	<u>\$ 1,246,045</u>	<u>\$ 1,143,645</u>

See accompanying notes and independent accountants' review report.

NAZARETH FARM, INC
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

SEPTEMBER 30, 2022

	<u>COMMUNITY PROJECTS AND SERVICE</u>	<u>YOUNG ADULT IMMERSION PROGRAM</u>	<u>ADMINISTRATIVE AND GENERAL</u>	<u>TOTAL</u>
Client assistance	\$ 46,198	\$ -	\$ -	\$ 46,198
Community support	-	1,712	-	1,712
Debt forgiven	2,531	-	-	2,531
Food	20,582	-	-	20,582
Fundraising	-	-	10,069	10,069
Insurance	16,385	-	504	16,889
Maintenance	44,497	-	-	44,497
Nazareth Farm store	2,926	-	-	2,926
Office expenses	7,673	-	570	8,243
Payroll taxes and employee benefits	23,232	-	4,100	27,332
Postage, printing and publications	2,870	-	-	2,870
Professional fees	-	-	30,110	30,110
Salaries and wages	49,872	-	8,801	58,673
Travel	-	257	-	257
Telephone and utilities	-	10,620	-	10,620
Training	5,424	-	-	5,424
	<u>222,190</u>	<u>12,589</u>	<u>54,154</u>	<u>288,933</u>
Total expenses before depreciation				
Depreciation expense	<u>26,524</u>	<u>-</u>	<u>-</u>	<u>26,524</u>
Total expenses	<u>\$ 248,714</u>	<u>\$ 12,589</u>	<u>\$ 54,154</u>	<u>\$ 315,457</u>

See accompanying notes and independent accountants' review report.

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

SEPTEMBER 30, 2021

	<u>COMMUNITY PROJECTS AND SERVICE</u>	<u>YOUNG ADULT IMMERSION PROGRAM</u>	<u>ADMINISTRATIVE AND GENERAL</u>	<u>TOTAL</u>
Client assistance	\$ 60,297	\$ -	\$ -	\$ 60,297
Community support	-	2,275	-	2,275
Debt forgiven	7,687	-	-	7,687
Food	10,721	-	-	10,721
Fundraising	-	-	43,121	43,121
Insurance	14,434	-	455	14,889
Maintenance	26,404	-	-	26,404
Nazareth Farm store	3,688	-	-	3,688
Office expenses	6,972	-	485	7,457
Payroll taxes and employee benefits	5,922	-	1,045	6,967
Postage, printing and publications	2,173	-	-	2,173
Professional fees	-	-	54,820	54,820
Salaries and wages	49,807	-	8,790	58,597
Travel	-	748	-	748
Telephone and utilities	-	9,833	-	9,833
Training	4,535	-	-	4,535
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	192,640	12,856	108,716	314,212
Depreciation expense	20,734	-	-	20,734
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 213,374</u>	<u>\$ 12,856</u>	<u>\$ 108,716</u>	<u>\$ 334,946</u>

See accompanying notes and independent accountants' review report.

NAZARETH FARM, INC
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
OPERATING ACTIVITIES		
Change in net assets	\$ 102,400	\$ 379,183
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of paycheck protection program loan	-	(24,900)
Depreciation	26,524	20,734
(Gain) loss on sale of property and equipment	(300)	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(2,151)	(69,376)
(Increase) decrease in prepaid insurance	720	187
(Increase) decrease in construction in progress	56,688	(66,247)
Increase (decrease) in accounts payable and accrued expenses	856	5,597
Increase (decrease) in deferred income	(11,037)	(11,089)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	173,700	234,089
 INVESTING ACTIVITIES		
Purchase of property and equipment	(421,313)	(22,150)
Proceeds from sale of property and equipment	300	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(421,013)	(22,150)
 FINANCING ACTIVITIES		
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	-	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(247,313)	211,939
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	721,995	510,056
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 474,682	\$ 721,995

See accompanying notes and independent accountants' review report.

NAZARETH FARM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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	39 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.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to confirm with the presentation in the current-year financial statement.

NAZARETH FARM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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 216 and 21 participant volunteers who contributed a total of approximately 10,760 and 3,960 volunteer service hours for the years ended September 30, 2022 and 2021, 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, 2018, 2019, 2020 and 2021 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 \$10,069 and \$43,121 for the years ended September 30, 2022 and 2021, respectively, are included in general and administrative expenses.

NAZARETH FARM, INC.
 NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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 – 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 \$29,514 and \$279,514 at September 30, 2022 and 2021, respectively.

NOTE D – FAIR VALUES OF FINANCIAL INSTRUMENTS

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

	<u>2022</u>		<u>2021</u>	
	<u>Carrying</u> <u>Amount</u>	<u>Fair</u> <u>Value</u>	<u>Carrying</u> <u>Amount</u>	<u>Fair</u> <u>Value</u>
Financial Assets				
Cash	\$ 18,735	\$ 18,735	\$ 10,358	\$ 10,358
Accounts Receivable	\$160,855	\$160,855	\$158,704	\$158,704

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.

NAZARETH FARM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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

NOTE E – RESTRICTIONS ON NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2022 and 2021 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:

	<u>2022</u>	<u>2021</u>
Repair and improvements of farm property and buildings	<u>\$408,682</u>	<u>\$589,790</u>

NOTE F – LIQUIDITY AND AVAILABILITY OF RESOURCES

As of September 30, 2022, the Organization had working capital of approximately \$626,196. Financial assets available for general expenditures within one year of the statement of financial position consist of the following as of September 30, 2022:

Cash and cash equivalents	\$474,682
Accounts receivable, net	<u>160,855</u>
	<u>\$635,537</u>

The Organization has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet 180 days of normal operating expenses, which are, on average, approximately \$170,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE G – SUBSEQUENT EVENTS

Date of Management Evaluation – Management has evaluated subsequent events through February 16, 2023, the date on which the financial statements were available to be issued.