

NAZARETH FARM, INC.
REVIEWED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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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, 2023 and 2022, 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
January 23, 2024

NAZARETH FARM, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2023 AND 2022

ASSETS	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash - checking	\$ 81,225	\$ 66,000
Cash - savings	388,391	408,682
Accounts receivable, net of allowance for doubtful accounts of \$11,001	159,697	160,855
Prepaid insurance	<u>5,522</u>	<u>4,339</u>
Total current assets	<u>634,835</u>	<u>639,876</u>
PROPERTY AND EQUIPMENT		
Land	26,281	26,281
Building	655,120	649,820
Furniture and fixtures	39,747	39,747
Leasehold improvements	71,552	51,118
Vehicles	95,722	75,557
Construction in progress	<u>54,660</u>	<u>9,559</u>
Total property and equipment	943,082	852,082
Less: Accumulated depreciation	<u>(263,033)</u>	<u>(232,233)</u>
Net property and equipment	<u>680,049</u>	<u>619,849</u>
TOTAL ASSETS	<u>\$ 1,314,884</u>	<u>\$ 1,259,725</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 4,021	\$ 8,105
Deferred income	<u>56,625</u>	<u>5,575</u>
Total current liabilities	<u>60,646</u>	<u>13,680</u>
TOTAL LIABILITIES	<u>60,646</u>	<u>13,680</u>
NET ASSETS		
Net assets without donor restrictions	980,471	964,887
Net assets with donor restrictions	<u>273,767</u>	<u>281,158</u>
Total net assets	<u>1,254,238</u>	<u>1,246,045</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,314,884</u>	<u>\$ 1,259,725</u>

See accompanying notes and independent accountants' review report.

NAZARETH FARM, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
CHANGE IN NET ASSETS		
REVENUE AND SUPPORT		
Participant fees	\$ 60,827	\$ 94,827
Donations	247,880	277,291
Client income	46,652	32,245
Store income	11,134	11,386
Other income	610	2,083
Interest income	4,071	139
TOTAL REVENUE AND SUPPORT	371,174	417,971
EXPENSES		
Program expenses	324,726	261,303
General and administrative	38,755	54,154
TOTAL EXPENSES	363,481	315,457
OTHER INCOME/EXPENSES		
Gain/(loss) on sale of assets	500	(114)
	500	(114)
CHANGE IN NET ASSETS	8,193	102,400
NET ASSETS, beginning of year	1,246,045	1,143,645
NET ASSETS, end of year	\$ 1,254,238	\$ 1,246,045

See accompanying notes and independent accountants' review report.

NAZARETH FARM, INC
 STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

SEPTEMBER 30, 2023

	<u>COMMUNITY PROJECTS AND SERVICE</u>	<u>YOUNG ADULT IMMERSION PROGRAM</u>	<u>ADMINISTRATIVE AND GENERAL</u>	<u>TOTAL</u>
Client assistance	\$ 68,166	\$ -	\$ -	\$ 68,166
Community support	-	3,212	-	3,212
Debt forgiven	26,544	-	-	26,544
Food	20,525	-	-	20,525
Fundraising	-	-	464	464
Insurance	14,775	-	375	15,150
Maintenance	34,767	-	206	34,973
Nazareth Farm store	5,870	-	-	5,870
Office expenses	9,055	-	676	9,731
Payroll taxes and employee benefits	16,802	-	2,964	19,766
Postage, printing and publications	1,770	-	-	1,770
Professional fees	-	-	23,094	23,094
Salaries and wages	62,194	-	10,976	73,170
Travel	-	1,412	-	1,412
Telephone and utilities	-	11,019	-	11,019
Training	4,540	-	-	4,540
	265,008	15,643	38,755	319,406
Total expenses before depreciation				
Depreciation expense	44,075	-	-	44,075
Total expenses	\$ 309,083	\$ 15,643	\$ 38,755	\$ 363,481

See accompanying notes and independent accountants' review report.

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

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
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	222,190	12,589	54,154	288,933
Depreciation expense	26,524	-	-	26,524
	<hr/>	<hr/>	<hr/>	<hr/>
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.

NAZARETH FARM, INC
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 8,193	\$ 102,400
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	44,075	26,524
(Gain) loss on sale of property and equipment	(500)	(300)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	1,158	(2,151)
(Increase) decrease in prepaid insurance	(1,183)	720
(Increase) decrease in construction in progress	(45,100)	56,688
Increase (decrease) in accounts payable and accrued expenses	(4,084)	856
Increase (decrease) in deferred income	<u>51,050</u>	<u>(11,037)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>53,609</u>	<u>173,700</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(59,175)	(421,313)
Proceeds from sale of property and equipment	<u>500</u>	<u>300</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(58,675)</u>	<u>(421,013)</u>
FINANCING ACTIVITIES		
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,066)	(247,313)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>474,682</u>	<u>721,995</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 469,616</u>	<u>\$ 474,682</u>

See accompanying notes and independent accountants' review report.

NAZARETH FARM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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, community, 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, 2023 AND 2022

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 339 and 216 participant volunteers who contributed a total of approximately 19,120 and 10,760 volunteer service hours for the years ended September 30, 2023 and 2022, 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, 2019, 2020, 2021 and 2022 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 \$464 and \$10,069 for the years ended September 30, 2023 and 2022, respectively, are included in general and administrative expenses.

NAZARETH FARM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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 \$20,237 and \$29,514 at September 30, 2023 and 2022, respectively.

NOTE D – FAIR VALUES OF FINANCIAL INSTRUMENTS

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

	<u>2023</u>		<u>2022</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets				
Cash	\$469,616	\$469,616	\$474,682	\$474,682
Accounts Receivable	\$159,697	\$159,697	\$160,855	\$160,855

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.

NAZARETH FARM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE E – RESTRICTIONS ON NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2023 and 2022 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>2023</u>	<u>2022</u>
Repair and improvements of farm property and buildings	<u>\$273,767</u>	<u>\$281,158</u>

NOTE F – LIQUIDITY AND AVAILABILITY OF RESOURCES

As of September 30, 2023, the Organization had working capital of approximately \$581,089. Financial assets available for general expenditures within one year of the statement of financial position consist of the following as of September 30, 2023:

Cash and cash equivalents	\$469,616
Accounts receivable, net	<u>159,697</u>
	<u>\$629,313</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 January 23, 2024, the date on which the financial statements were available to be issued.