

NAOMI'S VILLAGE, INC.
Financial Statements
December 31, 2019

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Naomi's Village, Inc.
Argyle, Texas

We have reviewed the accompanying financial statements of Naomi's Village, Inc., which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, 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 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.

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.

KHA Accountants, PLLC

Flower Mound, Texas
August 18, 2020

Naomi's Village, Inc.
Statement of Financial Position
December 31, 2019

ASSETS

Current assets		
Cash	\$	611,734
Accounts receivable		7,312
Investments		266,217
Total current assets		885,263
Property and equipment		
Property and equipment		4,769
Less: accumulated depreciation		(4,769)
Total property and equipment		-
Total assets	\$	885,263

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$	15,321
Accrued expenses		12,863
Total current liabilities		28,184
Total liabilities		28,184
Net assets		
Without donor restrictions		857,079
Total net assets		857,079
Total liabilities and net assets	\$	885,263

The notes to financial statements are an integral part of this statement.

See Independent Accountant's Review Report

Naomi's Village, Inc.
Statement of Activities
For the Year Ended December 31, 2019

	Without donor restrictions
Support and revenues	
Contributions	\$ 2,168,463
Mission and internship service revenue	93,466
Total support and revenues	<u>2,261,929</u>
Investment income	
Interest and dividend income	703
Unrealized gain on investments	3,760
Realized gain on sale of investments	88,803
Total investment income	<u>93,266</u>
Total support, revenues, and investment income	2,355,195
Expenses	
Program services	1,665,203
Management and general	265,496
Total expenses	<u>1,930,699</u>
Change in net assets without donor restrictions	424,496
Net assets without donor restrictions at beginning of year	<u>432,583</u>
Net assets without donor restrictions at end of year	<u><u>\$ 857,079</u></u>

The notes to financial statements are an integral part of this statement.

See Independent Accountant's Review Report

Naomi's Village, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Supporting Services			
	Program Services	Management and General	Fundraising	Total
Advertising	\$ -	\$ 31,003	\$ -	\$ 31,003
Bank fees	-	39,985	-	39,985
Depreciation	-	528	-	528
Ministry OTG	1,211,813	-	-	1,211,813
Office expenses	-	12,050	-	12,050
Outside contract services	-	2,440	-	2,440
Payroll - officer	56,788	37,859	-	94,647
Payroll	97,766	71,897	-	169,663
Payroll taxes	9,604	6,916	-	16,520
Printing and postage	-	2,606	-	2,606
Professional fees	-	18,452	-	18,452
Rent	-	2,401	-	2,401
Travel	-	39,359	-	39,359
Volunteer program	289,232	-	-	289,232
	\$ 1,665,203	\$ 265,496	\$ -	\$ 1,930,699
	\$ 1,665,203	\$ 265,496	\$ -	\$ 1,930,699

The notes to financial statements are an integral part of this statement.

See Independent Accountant's Review Report

Naomi's Village, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2019

Cash flows from operating activities	
Change in net assets	\$ 424,496
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	528
Realized gain on sale of investments	(88,803)
Unrealized gain on investments	(3,760)
Increase (decrease) in liabilities:	
Accounts receivable	(7,312)
Accounts payable	15,321
Accrued expenses	(747)
Net cash provided by operating activities	<u>339,723</u>
Cash flows from investing activities	
Purchase of marketable securities	(332,653)
Proceeds from sale of marketable securities	225,569
Net cash used in investing activities	<u>(107,084)</u>
Net increase in cash	<u>232,639</u>
Cash at beginning of year	<u>379,095</u>
Cash at end of year	<u>\$ 611,734</u>
Supplemental disclosure of cash flow information	
Interest paid	\$ -
Income taxes paid	\$ -

The notes to financial statements are an integral part of this statement.

See Independent Accountant's Review Report

Naomi's Village, Inc.
Notes to Financial Statements
December 31, 2019

Note 1. Nature of operations

Naomi's Village, Inc. (the Organization) was incorporated in March 2012. The Organization's mission is to provide complete care for total orphans, located near the town of Maai Mahiu, Kenya. The Organization is supported primarily by donor contributions.

Note 2. Summary of significant accounting policies

Basis of presentation

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits and may from time to time exceed the federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable

Accounts receivable are carried at the original invoice amount less an estimate made for uncollectible receivables based on a review of all outstanding amounts on a periodic basis. An allowance for uncollectible receivables is maintained based on a percentage of past due receivables and management's estimate of collectability. Based on the Organization's collection history, management believes that no allowance for uncollectible receivables is necessary. Accounts receivable for the year ended December 31, 2019 was \$7,312.

Property and equipment

Property and equipment are carried at cost, or if donated, at fair value on the date of donation. Depreciation of property and equipment is calculated using the straight-line method for financial reporting purposes. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Currently, all assets owned by the Organization have an estimated useful life of 5 years. Depreciation expense for the year ended December 31, 2019 was \$528.

Investments

Investments are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. See Note 3 for discussion of fair value measurements. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Note 2. Summary of significant accounting policies, continued

Net assets

Net assets, along with the Organizations' support and revenues, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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

Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, building, and equipment are reported as net assets without donor restrictions upon acquisition and placement in service of the assets.

Donated services

Donated services are recognized as revenue at their estimated fair value during the period received, if both of the following criteria are met:

- The services require special skills and are the services provided by individuals possessing those skills.
- The services would typically need to be purchased, if not donated.

Although the Organization may utilize the services of outside volunteers, the fair value of these services has not been recognized in the accompanying financial statements since they do not meet the criteria for recognition under U.S. GAAP.

Note 2. Summary of significant accounting policies, continued

Mission and internship service revenue

Mission and internship service revenue is recognized in the period in which the related programs are provided. The volunteers program lasts for one to two weeks and the internship program lasts six to eight weeks.

Functional allocation of expenses

Expenses are charged directly to program services, fundraising, or management and general expense based on specific identification when applicable. Indirect expenses have been allocated based on the nature of the expense.

Advertising costs

The Organization expenses advertising costs as incurred. Advertising expense was \$31,003 for the year ended December 31, 2019.

Income taxes

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Accordingly, no federal or state income taxes are recorded in the accompanying financial statements.

Accounting for uncertainty in income taxes

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740-10, *Accounting for Income Taxes*, would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statement of activities or accrued in the statement of financial position. Federal tax returns of the Organization are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenues, and expenses during the reporting period. Actual results could differ from those estimates.

Note 3. Fair value measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under Accounting Standards Codification 820 (ASC 820) are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs that are unobservable inputs for the asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded. Accordingly, the fair value of these assets is established using Level 1 inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments measured at fair value on a recurring basis, except for those measured at cost per share as a practical expedient, at December 31, 2019.

Naomi's Village, Inc.
Notes to Financial Statements
December 31, 2019

Note 3. Fair value measurements, continued

Description	Investments at Fair Value			Total
	Level 1	Level 2	Level 3	
Money market fund (at cost)	\$ -	\$ -	\$ -	\$ 170,840
Common stocks	95,377	-	-	95,377
	<u>\$ 95,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 266,217</u>

Note 4. Liquidity

Financial assets available for general expenditure within one year are as follows as of December 31, 2019:

Cash	\$ 611,734
Accounts receivable	7,312
Investments	<u>266,217</u>
	<u>\$ 885,263</u>

As part of its liquidity management, the Organization has a goal to maintain its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 5. Risk and uncertainties

The Organization may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Note 6. Subsequent events

The Organization has evaluated subsequent events through August 18, 2020, the date which the financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates.

While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, to date, the Organization is not expecting to experience any significant disruption.