

NAOMI'S VILLAGE, INC.
Financial Statements
December 31, 2018

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
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, 2018, 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.

Opinion

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
February 18, 2020

Naomi's Village, Inc.
Statement of Financial Position
December 31, 2018

ASSETS

Current assets

Cash	\$ 379,095
Investments, at fair value	66,570
Total current assets	<u>445,665</u>

Property and equipment

Property and equipment	4,769
Less: accumulated depreciation	(4,241)
Total property and equipment	<u>528</u>

Total assets	<u><u>\$ 446,193</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities

Accrued liabilities	\$ 13,610
Total current liabilities	<u>13,610</u>

Total liabilities	<u>13,610</u>
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Net assets

Without donor restrictions	432,583
Total net assets	<u>432,583</u>

Total liabilities and net assets	<u><u>\$ 446,193</u></u>
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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, 2018

	Without donor restriction
Support and revenues	
Contributions	\$ 1,799,283
Mission and internship service revenue	64,499
Total support and revenues	<u>1,863,782</u>
Investment income	
Interest and dividend income	316
Unrealized gain on investments	2,300
Realized gain on sale of investments	27,071
Total investment income	<u>29,687</u>
Total support and investment income from operations	1,893,469
Expenses	
Program services	1,876,451
Management and general	247,455
Total expenses	<u>2,123,906</u>
Change in net assets without donor restrictions	(230,437)
Net assets without donor restrictions at beginning of year	<u>663,020</u>
Net assets without donor restrictions at end of year	<u><u>\$ 432,583</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, 2018

	Supporting Services			
	Program Services	Management and General	Fundraising	Total
Advertising	\$ -	\$ 38,834	\$ -	\$ 38,834
Bank fees	-	27,570	-	27,570
Depreciation	-	954	-	954
Foreign taxes	-	2	-	2
Ministry OTG	1,387,233	-	-	1,387,233
Office expenses	-	18,010	-	18,010
Outside contract services	-	13,710	-	13,710
Payroll - officer	45,495	30,330	-	75,825
Payroll	67,380	48,568	-	115,948
Payroll taxes	8,634	6,027	-	14,661
Printing and postage	-	9,060	-	9,060
Professional fees	-	13,332	-	13,332
Rent	-	2,295	-	2,295
Travel	-	38,763	-	38,763
Volunteer program	367,709	-	-	367,709
	\$ 1,876,451	\$ 247,455	\$ -	\$ 2,123,906
	\$ 1,876,451	\$ 247,455	\$ -	\$ 2,123,906

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, 2018

Cash flows from operating activities	
Change in net assets	\$ (230,437)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	954
Realized gain on sale of investments	(27,071)
Unrealized gain on investments	(2,300)
Increase (decrease) in liabilities:	
Accrued liabilities	10,859
Net cash used in operating activities	<u>(247,995)</u>
Cash flows from investing activities	
Purchase of marketable securities	(49,897)
Proceeds from sale of marketable securities	119,057
Net cash provided by investing activities	<u>69,160</u>
Net decrease in cash	<u>(178,835)</u>
Cash at beginning of year	<u>557,930</u>
Cash at end of year	<u><u>\$ 379,095</u></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, 2018

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 donors 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). The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the Guide). ASC 958 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses 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.

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 revenue, and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Summary of significant accounting policies, continued

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.

Mission and internship service revenue

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

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.

Note 2. Summary of significant accounting policies, continued

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, 2018 was \$0.

Property and equipment

Property and equipment are carried at cost. 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, 2018 was \$954.

Investment valuation and income recognition

The Organization classifies investments as trading securities which are held principally for selling them in the near term. Unrealized gain (loss) on investments is included in net assets without donor restrictions. Gain or loss on sale of investments are recognized on a specific identification basis. Management believes that its investments should be classified as trading securities.

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

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 \$38,834 for the year ended December 31, 2018.

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.

Naomi's Village, Inc.
Notes to Financial Statements
December 31, 2018

Note 2. Summary of significant accounting policies, continued

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.

Subsequent events

Management has evaluated subsequent events through February 18, 2020, the date which the financial statements were available to be issued.

Note 3. Investments

Cost and fair value of investments, with gross unrealized gains and losses at December 31, 2018 are as follows:

	Cost	Net Cumulative Unrealized Gains	Fair Market Value
Money market funds	\$ 17,589	\$ -	\$ 17,589
Common stocks	46,699	2,282	48,981
	<u>\$ 64,288</u>	<u>\$ 2,282</u>	<u>\$ 66,570</u>

For the year ended December 31, 2018, the Organization had realized gain on sale of investments in the amount of \$27,071.

Note 4. 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:

Naomi's Village, Inc.
Notes to Financial Statements
December 31, 2018

Note 4. Fair value measurements, continued

- 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, 2018.

Money market funds: Valued at the daily closing price as reported by the fund. The money market funds are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The money market funds held by the Organization are deemed to be actively traded. Accordingly, the fair value of these assets is established using Level 1 inputs.

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 at fair value as of December 31, 2018.

Description	Investments at Fair Value				Total
	Level 1	Level 2	Level 3		
Money market funds	\$ 17,589	\$ -	\$ -	\$ -	\$ 17,589
Common stocks	48,981	-	-	-	48,981
	<u>\$ 66,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,570</u>

Naomi's Village, Inc.
Notes to Financial Statements
December 31, 2018

Note 5. Liquidity

Financial assets available for general expenditure within one year are as follows as of December 31, 2018:

Cash	\$ 379,095
Investments	<u>66,570</u>
	<u>\$ 445,665</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 6. 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.