

NAOMI'S VILLAGE, INC.
Financial Statements
December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Naomi's Village, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2021, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

KHA Accountants, PLLC

Flower Mound, Texas
October 7, 2022

Naomi's Village, Inc.
Statement of Financial Position
December 31, 2021

ASSETS

Current assets

Cash and cash equivalents	\$ 880,035
Total current assets	<u>880,035</u>

Property and equipment

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

Total assets	<u><u>\$ 880,035</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 5,105
Accrued expenses	19,194
Total current liabilities	<u>24,299</u>

Total liabilities	24,299
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Net assets

With donor restrictions	248,523
Without donor restrictions	607,213
Total net assets	<u>855,736</u>

Total liabilities and net assets	<u><u>\$ 880,035</u></u>
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The notes to financial statements are an integral part of this statement.

Naomi's Village, Inc.
Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions	\$ 350,582	\$ 2,017,244	\$ 2,367,826
Mission and internship service revenue	37,293	-	37,293
Net assets released from restriction	1,958,290	(1,958,290)	-
Total support and revenues	2,346,165	58,954	2,405,119
Investment income			
Realized gain on sale of investments	1,727	-	1,727
Total investment income	1,727	-	1,727
Total support, revenues, and investment income	2,347,892	58,954	2,406,846
Expenses			
Program services	1,995,565	-	1,995,565
Management and general	288,312	-	288,312
Total expenses	2,283,877	-	2,283,877
Other income			
Forgiveness of Paycheck Protection Program loan	42,792	-	42,792
Total other income	42,792	-	42,792
Change in net assets	106,807	58,954	165,761
Net assets at beginning of year	500,406	189,569	689,975
Net assets at end of year	\$ 607,213	\$ 248,523	\$ 855,736

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

Naomi's Village, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Supporting Services			Total
	Program Services	Management and General	Fundraising	
Advertising	\$ -	\$ 38,246	\$ -	\$ 38,246
Bank fees	-	36,698	-	36,698
Ministry OTG (On the Ground)	1,789,711	-	-	1,789,711
Office expenses	-	16,731	-	16,731
Outside contract services	-	16,029	-	16,029
Payroll - officer	64,561	43,040	-	107,601
Payroll	109,619	72,767	-	182,386
Payroll taxes	13,765	8,883	-	22,648
Printing and postage	-	11,081	-	11,081
Professional fees	-	29,473	-	29,473
Rent	-	2,857	-	2,857
Travel	-	12,507	-	12,507
Volunteer program	17,909	-	-	17,909
	\$ 1,995,565	\$ 288,312	\$ -	\$ 2,283,877
	\$ 1,995,565	\$ 288,312	\$ -	\$ 2,283,877

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

Naomi's Village, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash flows from operating activities

Change in net assets	\$	165,761
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash contributions of securities		(149,504)
Proceeds from sales of contributed securities		151,231
Gain on forgiveness of Payroll Protection Program loan		(42,792)
Realized gain on sale of investments		(1,727)
(Increase) decrease in assets:		
Accounts receivable		2,359
Increase (decrease) in liabilities:		
Accounts payable		(97)
Accrued expenses		15,068
Net cash provided by operating activities		<u>140,299</u>
Net increase in cash		140,299
Cash at beginning of year		<u>739,736</u>
Cash at end of year	\$	<u><u>880,035</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.

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 Maa Mahiu, Kenya. The Organization is supported primarily by donor contributions.

Note 2. Summary of significant accounting policies

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

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.

Accounting 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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and revenues, investment income, and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Summary of significant accounting policies, continued

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. As of December 31, 2021, there were no outstanding accounts receivable.

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 been fully depreciated.

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.

Revenue recognition

On January 1, 2019, the Organization adopted Accounting Standards Update (ASU) 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. The Organization's services that fall within the scope of ASC 606 are recognized as revenue as the Organization satisfies its obligation to the customer.

The Organization recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract
- Identify performance obligations
- Determine the transaction price
- Allocate the transaction price
- Recognize revenue

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 restriction. 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.

Mission and internship service revenue

Mission and internship service revenue is recognized in the period in which the related programs are provided. The volunteer 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 \$38,246 for the year ended December 31, 2021.

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.

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

The Organization has evaluated subsequent events through October 7, 2022, the date which the financial statements were available to be issued.

Note 3. Fair value measurements

Authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact, and (iv) willing to transact.

Authoritative guidance requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement costs). Valuation techniques should be consistently applied.

Note 3. Fair value measurements, continued

Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, authoritative guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are described as follows:

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

Level 2 – Inputs to the valuation methodology include:

- 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 to the valuation methodology are unobservable and significant to the fair value measurement.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure the financial instruments are recorded at fair value.

While management believes the Organization's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

As of December 31, 2021, there were no investments on the accompanying statement of financial position.

Naomi's Village, Inc.
Notes to Financial Statements

Note 4. Paycheck Protection Program loan

On May 1, 2020, the Organization was granted a loan from a bank in the aggregate amount of \$42,792 pursuant to the Paycheck Protection Program (the PPP) under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (the CARES Act), which was enacted March 27, 2020. Under the terms of the PPP, loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the forgiveness period.

In April 2021, the Organization received full forgiveness of this loan and recognized the loan amount of \$42,792 as other income in the accompanying statement of activities for the year ended December 31, 2021.

Note 5. Related party

The Organization provides monthly support to Naomi's Village Hope Self Help Group, a related party which has the same founder as the Organization. Naomi's Village Hope Self Help Group is located in Kenya. In 2021, total support provided to Naomi's Village Hope Self Help Group was \$1,789,711 and is reported as Ministry OTG (On the Ground) expense in the statement of functional expenses.

Note 6. Liquidity

Financial assets available for general expenditure within one year are as follows as of December 31, 2021:

Cash and cash equivalents	\$ <u>880,035</u>
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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 7. Reclassification of prior year presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operation. An adjustment has been made to the Statement of Financial Position for the year ended December 31, 2020, to reclassify the money market fund of \$53,835 from investments to cash and cash equivalents.