

NAOMI'S VILLAGE, INC.
Financial Statements
December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Naomi's Village, Inc. which comprise the statement of financial position as of December 31, 2020, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Naomi's Village, Inc. as of December 31, 2020, 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.

VHA Accountants, PLLC

Flower Mound, Texas
January 6, 2022

Naomi's Village, Inc.
Statement of Financial Position
December 31, 2020

ASSETS

Current assets		
Cash	\$	685,901
Accounts receivable		2,359
Investments		53,835
Total current assets		742,095
Property and equipment		
Property and equipment		4,769
Less: accumulated depreciation		(4,769)
Total property and equipment		-
Total assets	\$	742,095

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$	5,202
Accrued expenses		4,126
Total current liabilities		9,328
Long-term liabilities		
Paycheck protection program loan payable		42,792
Total long-term liabilities		42,792
Total liabilities		52,120
Net assets		
With donor restrictions		189,569
Without donor restrictions		500,406
Total net assets		689,975
Total liabilities and net assets	\$	742,095

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions	\$ 485,867	\$ 1,920,836	\$ 2,406,703
Mission and internship service revenue	21,466	-	21,466
Net assets released from restriction	2,143,568	(2,143,568)	-
Total support and revenues	2,650,901	(222,732)	2,428,169
Investment income			
Interest and dividend income	1,857	-	1,857
Unrealized loss on investments	(31,723)	-	(31,723)
Realized gain on sale of investments	62,212	-	62,212
Total investment income	32,346	-	32,346
Total support, revenues, and investment income	2,683,247	(222,732)	2,460,515
Expenses			
Program services	2,324,302	-	2,324,302
Management and general	303,317	-	303,317
Total expenses	2,627,619	-	2,627,619
Change in net assets	55,628	(222,732)	(167,104)
Net assets at beginning of year	444,778	412,301	857,079
Net assets at end of year	\$ 500,406	\$ 189,569	\$ 689,975

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, 2020

	Supporting Services			Total
	Program Services	Management and General	Fundraising	
Advertising	\$ -	\$ 46,232	\$ -	\$ 46,232
Bank fees	-	32,118	-	32,118
Depreciation	-	-	-	-
Ministry OTG (On the Ground)	1,896,907	-	-	1,896,907
Office expenses	-	10,606	-	10,606
Outside contract services	-	12,415	-	12,415
Payroll - officer	109,408	72,939	-	182,347
Payroll	127,986	78,762	-	206,748
Payroll taxes	16,563	10,528	-	27,091
Printing and postage	-	4,483	-	4,483
Professional fees	-	31,999	-	31,999
Rent	-	2,442	-	2,442
Training	-	220	-	220
Travel	-	573	-	573
Volunteer program	173,438	-	-	173,438
	\$ 2,324,302	\$ 303,317	\$ -	\$ 2,627,619

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, 2020

Cash flows from operating activities	
Change in net assets	\$ (167,104)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Realized gain on sale of investments	(62,212)
Unrealized loss on investments	31,723
Increase (decrease) in liabilities:	
Accounts receivable	4,953
Accounts payable	(10,119)
Accrued expenses	(8,737)
Net cash used in operating activities	<u>(211,496)</u>
Cash flows from investing activities	
Purchase of investment	(45,965)
Proceeds from sale of investments	288,836
Net cash provided by investing activities	<u>242,871</u>
Cash flows from financing activities	
Proceeds from Paycheck Protection Program	42,792
Net cash provided by financing activities	<u>42,792</u>
Net increase in cash	<u>74,167</u>
Cash at beginning of year	<u>611,734</u>
Cash at end of year	<u><u>\$ 685,901</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. 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, 2020 was \$2,359.

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.

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

Revenue recognition, continued

Analysis of various provisions of this standard resulted in no significant changes in the Organization's revenue recognition, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

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.

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.

Note 2. Summary of significant accounting policies, continued

Advertising costs

The Organization expenses advertising costs as incurred. Advertising expense was \$46,232 for the year ended December 31, 2020.

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.

Subsequent events

The Organization has evaluated subsequent events through January 6, 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.

Money market fund: The money market fund is carried at cost which approximates fair value. Accordingly, the fair value of the money market fund is established using Level 1 inputs.

Naomi's Village, Inc.
Notes to Financial Statements
December 31, 2020

Note 3. Fair value measurements, continued

Assets and liabilities measured at fair value on a recurring basis

The following are the major categories of assets and liabilities measured at fair value on a recurring basis as of December 31, 2020.

Description	Investments at Fair Value			Total
	Level 1	Level 2	Level 3	
Money market fund	\$ 53,835	\$ -	\$ -	\$ 53,835
	<u>\$ 53,835</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,835</u>

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.

As of December 31, 2020, the Organization has used the entire loan proceeds to fund its payroll expenses.

The Organization submitted the PPP loan forgiveness application in 2021, which has been approved by the lender. The lender then requested the payment from the U.S. Small Business Administration (SBA) at the time the lender issued its decision to the SBA. In April 2021, the lender received the payment of \$42,792 from the SBA. The outstanding balance of the loan as of December 31, 2020 is classified as long-term liabilities.

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 2020, total support provided to Naomi's Village Hope Self Help Group is \$1,896,907 and is reported as ministry OTG (On the Ground) expense in the statement of functional expenses.

Naomi's Village, Inc.
Notes to Financial Statements
December 31, 2020

Note 6. Liquidity

Financial assets available for general expenditure within one year are as follows as of December 31, 2020:

Cash	\$ 685,901
Accounts receivable	2,359
Investments	<u>53,835</u>
	<u>\$ 742,095</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 7. 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.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 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 its spread 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.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Organization.