

**ONE WAY FARM OF  
FAIRFIELD, INC.**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
JUNE 30, 2007 AND 2006**

---

## INDEX

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF ACTIVITIES	3
STATEMENT OF CASH FLOWS	4
STATEMENT OF FUNCTIONAL EXPENSES--2007	5
STATEMENT OF FUNCTIONAL EXPENSES--2006	6
NOTES TO THE FINANCIAL STATEMENTS	7
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL	12

# Steven Potter & Company, CPA's, Inc.

1083 Hicks Blvd., Suite 305  
Fairfield, Ohio 45014  
Ph. (513) 939-0864 Fax: (513) 939-0865

8595 Beechmont Ave., Suite LL7  
Cincinnati, Ohio 45255  
Ph. (513) 528-0864 Fax: (513) 528-0902

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
One Way Farm of Fairfield, Inc.

We have audited the accompanying statements of financial position of One Way Farm of Fairfield, Inc. as of June 30, 2007 and 2006 and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the organization's management. The auditor's responsibility is to express an opinion on these financial statements based upon our audits.

Our audits were conducted in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of One Way Farm of Fairfield, Inc. as of June 30, 2007 and 2006 and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report, dated December 19, 2007, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

December 19, 2007

  
Certified Public Accountant

**ONE WAY FARM OF FAIRFIELD, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2007 AND 2006**

ASSETS

	2007	2006
Cash	\$ 172,751	\$ 263,616
Accounts receivable	61,610	60,707
Prepaid expenses	18,545	22,957
Temporarily restricted cash	216,528	27,940
Investment in marketable securities	622	622
Property, vehicles and equipment--net	638,410	617,124
Workers compensation deposit	94	94
<u>TOTAL ASSETS</u>	<u>\$ 1,108,560</u>	<u>\$ 993,060</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 51,248	\$ 30,211
Payroll withholdings	6,665	7,634
Accrued expenses	37,817	35,329
Mortgages payable	357,941	367,977
Total Liabilities	453,671	441,151

NET ASSETS

Unrestricted	438,361	523,969
Temporarily Restricted	216,528	27,940
TOTAL NET ASSETS	654,889	551,909
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 1,108,560</u>	<u>\$ 993,060</u>

The accompanying notes are an integral part of these financial statements.

**ONE WAY FARM OF FAIRFIELD, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

UNRESTRICTED NET ASSETS

	<u>2007</u>	<u>2006</u>
<b>SUPPORT AND REVENUE</b>		
Contributions--cash	\$ 509,125	\$ 479,331
--in-kind	76,307	112,139
Fund raising events	81,217	126,229
Contracts--Butler County Children's Services	147,528	132,830
--Other Counties	370,622	398,987
--USDA reimbursement	17,190	17,895
--Other	8,043	10,359
Grants	160,438	122,700
Thrift store sales	88,618	181,323
Other income	----	1,931
Net assets released from restrictions	<u>43,726</u>	<u>6,770</u>
Total Unrestricted Support and Revenue	<u>1,502,814</u>	<u>1,590,494</u>
<b>EXPENSES</b>		
Programs	1,185,131	1,084,821
General and administrative	193,021	195,091
Fund raising	<u>213,867</u>	<u>327,000</u>
Total Expenses	<u>1,592,019</u>	<u>1,606,912</u>
NET REVENUE OVER (UNDER) EXPENSES	( 89,205)	( 16,418)
<b>OTHER INCOME (EXPENSE)</b>		
Investment income	<u>3,597</u>	<u>6,380</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>( 85,608)</u>	<u>( 10,038)</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
Contributions	232,314	34,710
Net assets released from restrictions	<u>( 43,726)</u>	<u>( 6,770)</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>188,588</u>	<u>27,940</u>
INCREASE (DECREASE) IN NET ASSETS	102,980	17,902
NET ASSETS, BEGINNING OF YEAR	<u>551,909</u>	<u>534,007</u>
NET ASSETS, END OF YEAR	<u>\$ 654,889</u>	<u>\$ 551,909</u>

The accompanying notes are an integral part of these financial statements.

**ONE WAY FARM OF FAIRFIELD, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

<u>OPERATING ACTIVITIES</u>	<u>2007</u>	<u>2006</u>
Change in Net Assets	\$ 102,980	\$ 17,902
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	44,450	45,702
Decrease (increase) in assets		
Accounts receivable	( 903)	2,984
Prepaid expenses	4,412	( 22,957)
Increase (decrease) in liabilities		
Accounts payable	21,037	3,231
Payroll taxes accrued and withheld	( 969)	( 2,226)
Accrued expenses	<u>2,488</u>	<u>35,329</u>
Net cash provided by operating activities	<u>173,495</u>	<u>79,965</u>
<u>INVESTING ACTIVITIES</u>		
Building construction	( 31,800)	( 176,217)
Acquisition of fixed assets	<u>( 33,936)</u>	<u>( 24,607)</u>
Net cash used by investing activities	<u>( 65,736)</u>	<u>( 200,824)</u>
<u>FINANCING ACTIVITIES</u>		
Proceeds from construction loan	----	155,000
Payments of loan principal	<u>( 10,036)</u>	<u>( 7,983)</u>
Net cash provided (used) by financing activities	<u>( 10,036)</u>	<u>147,017</u>
<u>NET INCREASE (DECREASE) IN CASH</u>	97,723	26,158
<u>CASH--BEGINNING OF YEAR</u>	<u>291,556</u>	<u>265,398</u>
<u>CASH--END OF YEAR</u>	<u>\$ 389,279</u>	<u>\$ 291,556</u>

The accompanying notes are an integral part of these financial statements.

**ONE WAY FARM OF FAIRFIELD, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>PROGRAM SERVICES</u>	<u>GENERAL &amp; ADMINISTRATIVE</u>	<u>FUND RAISING</u>	<u>Total Expenses</u>
Salaries	\$ 656,374	\$ 103,969	\$ 74,294	\$ 834,637
Payroll taxes	61,229	10,771	6,983	78,983
Health insurance and benefits	53,090	9,339	6,054	68,483
Contract labor	4,979	-----	-----	4,979
Vehicle maintenance	6,729	-----	-----	6,729
Vehicle and equipment rental	15,772	-----	-----	15,772
Housekeeping	4,652	-----	-----	4,652
Food	31,597	-----	-----	31,597
Grooming and clothing	32,122	-----	-----	32,122
Program supplies	38,149	-----	-----	38,149
Children's medical	1,930	-----	-----	1,930
Office supplies	8,188	2,729	-----	10,917
Printing and publications	1,951	651	16,922	19,524
Telephone	10,192	3,397	-----	13,589
Postage	8,136	1,436	19,935	29,507
Rent	6,247	1,103	-----	7,350
Utilities	43,282	7,638	-----	50,920
Repairs and maintenance	48,220	8,509	-----	56,729
Transportation	18,777	-----	-----	18,777
Program expenses	20,976	-----	-----	20,976
Professional fees	22,044	19,163	-----	41,207
Insurance	26,645	4,702	-----	31,347
Depreciation	37,782	6,668	-----	44,450
Hiring expense	6,809	-----	-----	6,809
Interest	14,842	4,947	-----	19,789
Public relations	-----	3,582	3,581	7,163
Fund raising expenses	-----	-----	35,497	35,497
Thrift store expenses	-----	-----	50,601	50,601
Other expenses	-----	-----	-----	8,834
Total Expenses	<u>\$ 1,185,131</u>	<u>\$ 193,021</u>	<u>\$ 213,867</u>	<u>\$ 1,592,019</u>

The accompanying notes are an integral part of these financial statements.

**ONE WAY FARM OF FAIRFIELD, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>PROGRAM SERVICES</u>	<u>GENERAL &amp; ADMINISTRATIVE</u>	<u>FUND RAISING</u>	<u>Total Expenses</u>
Salaries	\$ 595,848	\$ 120,344	\$ 144,821	\$ 861,013
Payroll taxes	53,741	10,854	13,062	77,657
Health insurance and benefits	48,389	9,773	11,761	69,923
Contract labor	12,683	---	---	12,683
Vehicle maintenance	13,167	---	---	13,167
Vehicle and equipment rental	12,505	---	---	12,505
Housekeeping	6,130	---	---	6,130
Food	34,150	---	---	34,150
Grooming and clothing	45,762	---	---	45,762
Program supplies	36,919	---	---	36,919
Children's medical	10,005	---	---	10,005
Office supplies	8,607	2,869	---	11,476
Printing and publications	2,344	781	14,565	17,690
Telephone	9,203	3,068	---	12,271
Postage	5,912	1,971	14,452	22,335
Rent	7,150	---	---	7,150
Utilities	40,757	7,192	---	47,949
Repairs and maintenance	23,260	4,105	---	27,365
Security	2,622	---	---	2,622
Transportation	14,608	---	---	14,608
Seminars and training	2,425	---	---	2,425
Professional fees	14,976	12,019	---	26,995
Insurance	15,893	2,805	---	18,698
Depreciation	38,847	6,855	---	45,702
Hiring expense	13,553	---	---	13,553
Interest	10,726	3,575	---	14,301
Public relations	---	4,241	---	4,241
Fund raising expenses	---	---	42,655	42,655
Thrift store expenses	---	---	81,443	81,443
Other expenses	---	---	---	---
Total Expenses	<u>4,639</u>	<u>4,639</u>	<u>---</u>	<u>9,278</u>
	<u>\$ 1,084,821</u>	<u>\$ 195,091</u>	<u>\$ 327,000</u>	<u>\$ 1,606,912</u>

The accompanying notes are an integral part of these financial statements.

**ONE WAY FARM OF FAIRFIELD, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

NOTE 1--THE ORGANIZATION

One Way Farm of Fairfield, Inc. (the Organization) is incorporated in the State of Ohio as a not-for-profit corporation and is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. It is not a Private Foundation.

The mission of the Organization is to care for abused, abandoned, neglected, disabled and troubled youth in southwestern Ohio. The Organization is dependent upon contributions from the general public, foundations, grants, per-diem from government agencies, and fund raising events for its support. One Way Farm is certified through the Ohio Department of Job and Family Services.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and Depreciation

Property and equipment with an economic life of more than one year are shown at cost, if purchased, or fair market value, if contributed. Depreciation is provided by the straight-line method over the estimated useful lives of the assets.

Investments

Marketable securities are reported at fair market value in the statement of financial position.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Estimates

The preparation of financial statements in conformity with U.S. 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

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**ONE WAY FARM OF FAIRFIELD, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**  
**JUNE 30, 2007 AND 2006**

Accounts receivable

Accounts receivable are stated at their contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account has not been paid in full within the contractual terms of the account. The Organization begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on the Organization's collection history, the financial stability and recent payment history of the customer and other pertinent factors. Based upon these criteria, the Organization has estimated that there should be no allowance for doubtful accounts at June 30, 2007 and 2006.

Advertising costs

Advertising costs are expensed as incurred.

NOTE 3--TEMPORARILY RESTRICTED NET ASSETS

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The organization reports restricted contributions whose restrictions are met in the same reporting period as when given as unrestricted support. Pledges of contributions are recorded when the pledge is received.

Certain portions of program services and administrative expenses are funded by various grants and contracts with government agencies. While these grants and contracts are restrictive in nature, they become funds available for carrying out general program activities and administration. For this reason, all resources available for use from these government grants and contracts are shown on the financial statements as unrestricted funds.

As of June 30, 2007, net assets are restricted for the following purpose:

Joe Nuxhall Gym	\$216,528
-----------------	-----------

NOTE 4--STATEMENT OF CASH FLOWS--SUPPLEMENTAL INFORMATION

No income or excise taxes were paid in the years ended June 30, 2007 and 2006. The amount of interest expense paid during the years ended June 30, 2007 and 2006 was \$19,789 and \$14,301, respectively.

**ONE WAY FARM OF FAIRFIELD, INC.  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
JUNE 30, 2007 AND 2006**

**NOTE 5--OPERATING LEASES**

The Organization leases a postage meter under a six year lease agreement. Monthly payments are \$159.00. The original lease expires in 2008 with an option to renew the lease, return the equipment, or purchase at its fair market value. Future minimum lease payments under this lease are as follows:

2008	<u>\$ 954</u>
------	---------------

The Organization also leases property located at 6111 River Road from the Executive Director on a month-to-month basis for \$650 per month.

**NOTE 6--LONG-TERM DEBT**

Long-term debt as of June 30, 2007 consisted of the following:

A mortgage secured by the property at 6131 East River Road, Fairfield, Ohio. The interest rate on the loan is 4.7%. Payments of interest and principal of \$1,512 are payable monthly. A balloon payment of \$195,655 is due in October 2008.

A 20-year mortgage note with a principal balance of \$153,293 secured by the property at 6131 River Road. Payments of principal and interest of \$1,118 are payable monthly. The interest rate on the loan is 6.0%.

The annual principal payments due for the next five years on both notes are as follows:

2008	\$ 12,912
2009	200,999
2010	4,952
2011	5,258
2012	5,500
Over 5 years total	<u>128,320</u>
Total	<u>\$357,941</u>

**ONE WAY FARM OF FAIRFIELD, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**  
**JUNE 30, 2007 AND 2006**

NOTE 7--UNUSED LINE OF CREDIT

The Organization had an unused line of credit of \$60,000 available for short-term financing as of June 30, 2007. The interest rate on the line of credit is 9.50%. The line of credit is secured by the property at 6131 East River Road, Fairfield, Ohio.

NOTE 8--PROPERTY, VEHICLES AND EQUIPMENT

Property, vehicles and equipment as of June 30, 2007 and 2006 consisted of the following:

	<u>2007</u>	<u>2006</u>
Land	\$ 67,806	\$ 67,806
Buildings	727,223	727,223
Building improvements	98,725	98,725
Barns	101,592	96,392
Construction in progress	31,800	----
Picnic shelter	20,982	20,982
Furniture and fixtures	170,871	149,560
Vehicles	<u>157,138</u>	<u>149,713</u>
Total cost	1,376,137	1,310,401
Accumulated depreciation	<u>( 737,727)</u>	<u>( 693,277)</u>
Property, vehicles and equipment--net	<u>\$ 638,410</u>	<u>\$ 617,124</u>

NOTE 9--DONATED MATERIALS AND SERVICES

Donated materials are recorded as contributions at their estimated fair market value at the date of receipt. Donated services are recorded as contributions in the financial statements only if they create or enhance nonfinancial assets or require specialized services. The fair market value amounts of in-kind contributions for clothing and housekeeping items are reduced to allow for perishable and unusable items.

NOTE 10--CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Federal Deposit Insurance Corporation insures cash balances at participating banks at amounts up to \$100,000. The Organization had uninsured balances of \$185,379 and \$174,233 as of June 30, 2007 and 2006, respectively. The uninsured balances are computed on the balances on deposit with the bank as of June 30 and do not take into consideration outstanding checks or deposits.

**ONE WAY FARM OF FAIRFIELD, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**  
**JUNE 30, 2007 AND 2006**

NOTE 11--IN-KIND CONTRIBUTIONS

The following in-kind contributions have been included in the financial statements:

	<u>2007</u>	<u>2006</u>
Transportation	\$ 1,160	\$ 393
Housekeeping	569	3,664
Food	14,767	20,759
Vehicle maintenance	----	358
Office supplies	200	----
Grooming and clothing	25,019	42,591
Program supplies	6,729	8,974
Program expenses	6,238	----
Capital improvements	<u>21,625</u>	<u>35,400</u>
Total	<u>\$ 76,307</u>	<u>\$ 112,139</u>

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
One Way Farm of Fairfield, Inc.

We have audited the financial statements of One Way Farm of Fairfield, Inc. for the year ended June 30, 2007, and have issued our report thereon dated December 19, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.


Compliance

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that ~~are~~ are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management, others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountant  
Cincinnati, Ohio

December 19, 2007