

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

AUDITED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2006 AND 2005**

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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, 2006 and 2005 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, 2006 and 2005 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 November 29, 2006, 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.

November 29, 2006


Certified Public Accountant

**ONE WAY FARM OF FAIRFIELD, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006 AND 2005**

<u>ASSETS</u>		
	<u>2006</u>	<u>2005</u>
Cash	\$ 263,616	\$ 265,398
Accounts receivable	60,707	63,691
Prepaid expenses	22,957	----
Temporarily restricted cash	27,940	----
Investment in marketable securities	622	622
Property, vehicles and equipment--net	617,124	462,002
Workers compensation deposit	<u>94</u>	<u>94</u>
<u>TOTAL ASSETS</u>	<u>\$ 993,060</u>	<u>\$ 791,807</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 30,211	\$ 26,980
Payroll withholdings	7,634	9,860
Accrued expenses	35,329	----
Mortgages payable	<u>367,977</u>	<u>220,960</u>
Total Liabilities	441,151	257,800

NET ASSETS

Unrestricted	523,969	534,007
Temporarily Restricted	<u>27,940</u>	<u>----</u>
TOTAL NET ASSETS	<u>551,909</u>	<u>534,007</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 993,060</u>	<u>\$ 791,807</u>

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

ONE WAY FARM OF FAIRFIELD, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006 AND 2005

UNRESTRICTED NET ASSETS

	<u>2006</u>	<u>2005</u>
SUPPORT AND REVENUE		
Contributions--cash	\$ 479,331	\$ 467,193
--in-kind	112,139	158,294
Fund raising events	126,229	127,287
Contracts--Butler County Children's Services	132,830	164,738
--Other Counties	398,987	367,552
--USDA reimbursement	17,895	19,338
--Other	10,359	8,307
Grants	122,700	73,550
Thrift store sales	181,323	144,633
Other income	1,931	7,308
Net assets released from restrictions	<u>6,770</u>	<u>-----</u>
Total Unrestricted Support and Revenue	1,590,494	1,538,200
EXPENSES		
Programs	1,084,821	1,132,095
General and administrative	195,091	183,090
Fund raising	<u>327,000</u>	<u>231,937</u>
Total Expenses	<u>1,606,912</u>	<u>1,547,122</u>
NET REVENUE OVER (UNDER) EXPENSES	(16,418)	(8,922)
OTHER INCOME (EXPENSE)		
Contributions to Foundations (Note 13)	----	(10,000)
Gain on disposal of property	----	500
Investment income	<u>6,380</u>	<u>1,988</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>(10,038)</u>	<u>(16,434)</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
Contributions	34,710	----
Net assets released from restrictions	<u>(6,770)</u>	<u>-----</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>27,940</u>	<u>-----</u>
INCREASE (DECREASE) IN NET ASSETS	17,902	(16,434)
Net assets, beginning of year	<u>534,007</u>	<u>550,441</u>
Net assets, end of year	<u>\$ 551,909</u>	<u>\$ 534,007</u>

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

ONE WAY FARM OF FAIRFIELD, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

<u>OPERATING ACTIVITIES</u>	<u>2006</u>	<u>2005</u>
Change in Net Assets	\$ 17,902	\$(16,434)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	45,702	43,154
Gain on sale of property	-----	(500)
Decrease (increase) in assets		
Accounts receivable	2,984	(14,654)
Prepaid expenses	(22,957)	-----
Increase (decrease) in liabilities		
Accounts payable	3,231	2,017
Payroll taxes accrued and withheld	(2,226)	(8,323)
Accrued expenses	<u>35,329</u>	<u>-----</u>
Net cash provided by operating activities	<u>79,965</u>	<u>5,260</u>
 <u>INVESTING ACTIVITIES</u>		
Building construction	(176,217)	-----
Acquisition of fixed assets	(24,607)	-----
Sale of property	-----	500
Purchase of property	<u>-----</u>	<u>(5,116)</u>
Net cash used by investing activities	<u>(200,824)</u>	<u>(4,616)</u>
 <u>FINANCING ACTIVITIES</u>		
Proceeds from construction loan	155,000	-----
Payments of loan principal	<u>(7,983)</u>	<u>(7,982)</u>
Net cash provided (used) by financing activities	<u>147,017</u>	<u>(7,982)</u>
 <u>NET INCREASE (DECREASE) IN CASH</u>	26,158	(7,338)
 <u>CASH--BEGINNING OF YEAR</u>	<u>265,398</u>	<u>272,736</u>
 <u>CASH--END OF YEAR</u>	<u>\$ 291,556</u>	<u>\$ 265,398</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 & 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	8,482
Fund raising expenses	----	----	35,885	35,885
Thrift store expenses	----	----	81,443	81,443
Joe Nuxhall Gym Expenses	----	----	6,770	6,770
Other expenses	4,639	4,639	----	9,278
Total Expenses	<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.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005**

PROGRAM SERVICES	GENERAL & ADMINISTRATIVE	FUND RAISING	Total Expenses
Salaries	\$ 101,278	\$ 109,505	\$ 799,378
Payroll taxes	9,868	10,670	77,891
Health insurance and benefits	7,896	8,538	62,324
Contract labor	-----	-----	11,499
Vehicle maintenance	-----	-----	6,734
Vehicle and equipment rental	-----	-----	12,084
Housekeeping	-----	-----	24,101
Food	-----	-----	66,525
Grooming and clothing	-----	-----	41,946
Program supplies	-----	-----	45,837
Children's medical	-----	-----	26,669
Office supplies	3,316	-----	13,263
Printing and publications	1,333	17,929	23,259
Telephone	3,497	-----	13,991
Postage	1,835	14,092	21,433
Rent	-----	-----	7,800
Utilities	4,785	-----	31,903
Repairs and maintenance	7,459	-----	29,835
Transportation	-----	-----	16,664
Seminars and training	-----	-----	552
Professional fees	11,990	-----	21,130
Insurance	5,067	-----	32,778
Depreciation	6,473	-----	43,154
Hiring expense	-----	-----	7,566
Interest	2,408	-----	9,630
Public relations	3,796	3,796	7,592
Fund raising expenses	-----	20,140	20,140
Thrift store expenses	-----	47,267	47,267
Other expenses	-----	-----	24,177
Total Expenses	\$ 183,090	\$ 231,937	\$ 1,547,122

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

ONE WAY FARM OF FAIRFIELD, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

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, state and local income taxes 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.

The Organization also operates a Thrift store at which it sells donated items to contribute to the Organization's support.

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. Thus, money market accounts are considered to be cash equivalents.

ONE WAY FARM OF FAIRFIELD, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2006 AND 2005

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, 2006 and 2005.

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, 2006, net assets are restricted for the following purposes:

Joe Nuxhall Gym	\$ 13.624
Bathroom remodeling	<u>14,316</u>
Total	<u>\$ 27,940</u>

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

No income or excise taxes were paid in the years ended June 30, 2006 and 2005. The amount of interest expense paid during the years ended June 30, 2006 and 2005 was \$14,301 and \$9,630, respectively.

ONE WAY FARM OF FAIRFIELD, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2006 AND 2005

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:

2007	\$ 1,908
2008	<u>954</u>
Total	<u>\$ 2,862</u>

The Organization leased retail space for the thrift store. The lease agreement is through June 30, 2009. However, the lease may be terminated by providing 120 days written notice to the landlord. The Organization exercised that right on September 1, 2006. The future minimum lease payments, given that the lease has been terminated subsequent to year end, are:

2007	\$ 15,000
------	-----------

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, 2006 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 \$155,000 secured by the property at 6131 River Road. Payments of interest-only, at a rate of 6.0%, are due monthly. Monthly payments of principal and interest were to begin in July 2006.

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

2007	\$ 12,261
2008	12,912
2009	200,999
2010	4,952
2011	5,258
Over 5 years total	<u>131,595</u>
Total	<u>\$367,977</u>

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, 2006. The interest rate on the line of credit is 9.75%. The line of credit is secured by the property at 6131 East River Road, Fairfield, Ohio.

ONE WAY FARM OF FAIRFIELD, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2006 AND 2005

NOTE 8--PROPERTY, VEHICLES AND EQUIPMENT

Property, vehicles and equipment as of June 30, 2006 and 2005 consisted of the following:

	2006	2005
Land	\$ 67,806	\$ 67,806
Buildings	727,223	551,007
Building improvements	98,725	98,725
Barns	96,392	96,392
Picnic shelter	20,982	20,982
Furniture and fixtures	149,560	134,952
Vehicles	149,713	139,713
Total cost	1,310,401	1,109,577
Accumulated depreciation	(693,277)	(647,575)
Property, vehicles and equipment--net	\$ 617,124	\$ 462,002

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 \$174,233 and \$175,635 as of June 30, 2006 and 2005, 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.

NOTE 11--IN-KIND CONTRIBUTIONS

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

	2006	2005
Transportation	\$ 393	\$ 5,200
Housekeeping	3,664	21,003
Food	20,759	51,714
Vehicle maintenance	318	----
Office supplies	----	1,500
Grooming and clothing	42,591	39,133
Program supplies	8,974	26,172
Other expenses	----	13,572
Capital improvements	35,400	----
Total	\$ 112,139	\$ 158,294

ONE WAY FARM OF FAIRFIELD, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2006 AND 2005

NOTE 12--SUBSEQUENT EVENTS

On September 1, 2006, the Organization elected to terminate its thrift store lease by providing 120 days written notice to the landlord. Thrift store operations will cease on December 31, 2006.

NOTE 13--ADVISORY ACCOUNTS WITH COMMUNITY FOUNDATIONS

The Organization has established advisory accounts with three Community Foundations. Each account was established with a contribution of \$5,000. By contract agreement, the Organization no longer has ownership or control of these funds, although the Foundations may honor the Organization's "advise" as to how the funds are disbursed. One account was established in the year ended June 30, 2004 and two accounts were established in the year ended June 30, 2005.

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, 2006, and have issued our report thereon dated November 29, 2006. 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 we 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.


Cincinnati, Ohio
November 29, 2006