

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

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
JUNE 30, 2008 AND 2007**

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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, 2008 and 2007 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, 2008 and 2007 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 19, 2008, 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 19, 2008

  
Certified Public Accountant

**ONE WAY FARM OF FAIRFIELD, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2008 AND 2007**

ASSETS

|                                       | 2008                | 2007                |
|---------------------------------------|---------------------|---------------------|
| Cash                                  | \$ 114,410          | \$ 172,751          |
| Accounts receivable                   | 68,904              | 61,610              |
| Prepaid expenses                      | 13,551              | 18,545              |
| Temporarily restricted cash           | 315,790             | 216,528             |
| Investment in marketable securities   | 622                 | 622                 |
| Property, vehicles and equipment--net | 660,193             | 638,410             |
| Workers compensation deposit          | 94                  | 94                  |
| <u>TOTAL ASSETS</u>                   | <u>\$ 1,173,564</u> | <u>\$ 1,108,560</u> |

LIABILITIES AND NET ASSETS

LIABILITIES

|                      |           |           |
|----------------------|-----------|-----------|
| Accounts payable     | \$ 46,231 | \$ 51,248 |
| Payroll withholdings | 10,886    | 6,665     |
| Accrued expenses     | 52,044    | 37,817    |
| Sales tax payable    | 1,413     | ----      |
| Mortgages payable    | 400,351   | 357,941   |
| Total Liabilities    | 510,925   | 453,671   |

NET ASSETS

|   |                     |                     |
|---|---------------------|---------------------|
| Unrestricted                            | 342,431             | 438,361             |
| Temporarily Restricted                  | 320,208             | 216,528             |
| TOTAL NET ASSETS                        | 662,639             | 654,889             |
| <u>TOTAL LIABILITIES AND NET ASSETS</u> | <u>\$ 1,173,564</u> | <u>\$ 1,108,560</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, 2008 AND 2007**

UNRESTRICTED NET ASSETS

|   | <u>2008</u>       | <u>2007</u>       |
|---|-------------------|-------------------|
| <b>SUPPORT AND REVENUE</b>                    |                   |                   |
| Contributions--cash                           | \$ 514,770        | \$ 509,125        |
| --in-kind                                     | 66,489            | 76,307            |
| Fund raising events                           | 65,953            | 81,217            |
| Contracts--Butler County Children's Services  | 111,584           | 147,528           |
| --Other Counties                              | 458,306           | 370,622           |
| --USDA reimbursement                          | 19,140            | 17,190            |
| --Other                                       | ----              | 8,043             |
| Grants  | 94,630            | 160,438           |
| Thrift store sales                            | 38,265            | 88,618            |
| Other income                                  | 5,811             | 3,597             |
| Net assets released from restrictions         | <u>23,520</u>     | <u>43,726</u>     |
| Total Unrestricted Support and Revenue        | <u>1,398,468</u>  | <u>1,506,411</u>  |
| <b>EXPENSES</b>                               |                   |                   |
| Programs                                      | 1,181,099         | 1,185,131         |
| General and administrative                    | 184,463           | 193,021           |
| Fund raising                                  | <u>128,836</u>    | <u>213,867</u>    |
| Total Expenses                                | <u>1,494,398</u>  | <u>1,592,019</u>  |
| CHANGE IN UNRESTRICTED NET ASSETS             | <u>( 95,930)</u>  | <u>( 85,608)</u>  |
| <u>TEMPORARILY RESTRICTED NET ASSETS</u>      |                   |                   |
| Contributions                                 | 127,200           | 232,314           |
| Net assets released from restrictions         | <u>( 23,520)</u>  | <u>( 43,726)</u>  |
| INCREASE IN TEMPORARILY RESTRICTED NET ASSETS | <u>103,680</u>    | <u>188,588</u>    |
| INCREASE (DECREASE) IN NET ASSETS             | 7,750             | 102,980           |
| <u>NET ASSETS, BEGINNING OF YEAR</u>          | <u>654,889</u>    | <u>551,909</u>    |
| <u>NET ASSETS, END OF YEAR</u>                | <u>\$ 662,639</u> | <u>\$ 654,889</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, 2008 AND 2007**

| <u>OPERATING ACTIVITIES</u>  | <u>2008</u>       | <u>2007</u>       |
|--|-------------------|-------------------|
| Change in Net Assets   | \$ 7,750          | \$ 102,980        |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities: |                   |                   |
| Depreciation   | 43,437            | 44,450            |
| Decrease (increase) in assets  |                   |                   |
| Accounts receivable  | ( 7,294)          | ( 903)            |
| Prepaid expenses   | 4,994             | 4,412             |
| Increase (decrease) in liabilities   |                   |                   |
| Accounts payable   | ( 5,017)          | 21,037            |
| Payroll taxes accrued and withheld   | 4,221             | ( 969)            |
| Sales tax payable  | 1,413             | ----              |
| Accrued expenses   | <u>14,227</u>     | <u>2,488</u>      |
| Net cash provided by operating activities  | <u>63,731</u>     | <u>173,495</u>    |
| <u>INVESTING ACTIVITIES</u>  |                   |                   |
| Building construction  | ( 57,720)         | ( 31,800)         |
| Purchase of equipment  | <u>( 7,500)</u>   | <u>( 33,936)</u>  |
| Net cash used by investing activities  | <u>( 65,220)</u>  | <u>( 65,736)</u>  |
| <u>FINANCING ACTIVITIES</u>  |                   |                   |
| Draws on line of credit  | 56,499            | ----              |
| Payments of loan principal   | <u>( 14,089)</u>  | <u>( 10,036)</u>  |
| Net cash provided (used) by financing activities   | <u>42,410</u>     | <u>( 10,036)</u>  |
| <u>NET INCREASE (DECREASE) IN CASH</u>   | 40,921            | 97,723            |
| <u>CASH--BEGINNING OF YEAR</u>   | <u>389,279</u>    | <u>291,556</u>    |
| <u>CASH--END OF YEAR</u>   | <u>\$ 430,200</u> | <u>\$ 389,279</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, 2008**

|                               | <u>PROGRAM<br/>SERVICES</u> | <u>GENERAL &amp;<br/>ADMINISTRATIVE</u> | <u>FUND<br/>RAISING</u> | <u>Total<br/>Expenses</u> |
|-------------------------------|-----------------------------|---|-------------------------|---------------------------|
| Salaries                      | \$ 671,750                  | \$ 105,165                              | \$ 45,898               | \$ 822,813                |
| Payroll taxes                 | 70,028                      | 10,963                                  | 4,785                   | 85,776                    |
| Health insurance and benefits | 58,203                      | 9,112                                   | 3,977                   | 71,292                    |
| Contract labor                | 5,185                       | ----                                    | ----                    | 5,185                     |
| Vehicle maintenance           | 8,960                       | ----                                    | ----                    | 8,960                     |
| Vehicle and equipment rental  | 13,809                      | 4,603                                   | ----                    | 18,412                    |
| Housekeeping                  | 7,942                       | ----                                    | ----                    | 7,942                     |
| Food                          | 52,277                      | ----                                    | ----                    | 52,277                    |
| Grooming and clothing         | 15,071                      | ----                                    | ----                    | 15,071                    |
| Program supplies              | 26,244                      | ----                                    | ----                    | 26,244                    |
| Children's medical            | 1,277                       | ----                                    | ----                    | 1,277                     |
| Office supplies               | 4,935                       | 1,645                                   | ----                    | 6,580                     |
| Printing and publications     | 2,525                       | 842                                     | 30,826                  | 34,193                    |
| Telephone                     | 10,296                      | 3,432                                   | ----                    | 13,728                    |
| Postage                       | 4,919                       | 1,640                                   | 22,238                  | 28,797                    |
| Rent                          | 5,355                       | 945                                     | ----                    | 6,300                     |
| Utilities                     | 45,683                      | 8,062                                   | ----                    | 53,745                    |
| Repairs and maintenance       | 16,711                      | 2,949                                   | ----                    | 19,660                    |
| Transportation                | 14,259                      | ----                                    | ----                    | 14,259                    |
| Program expenses              | 5,517                       | ----                                    | ----                    | 5,517                     |
| Professional fees             | 25,977                      | 8,366                                   | ----                    | 34,343                    |
| Insurance                     | 38,366                      | 6,771                                   | ----                    | 45,137                    |
| Depreciation                  | 36,921                      | 6,516                                   | ----                    | 43,437                    |
| Hiring expense                | 5,114                       | ----                                    | ----                    | 5,114                     |
| Interest                      | 22,111                      | 7,370                                   | ----                    | 29,481                    |
| Public relations              | ----                        | ----                                    | 3,690                   | 3,690                     |
| Fund raising expenses         | ----                        | ----                                    | 13,349                  | 13,349                    |
| Thrift store expenses         | ----                        | ----                                    | 4,073                   | 4,073                     |
| Other expenses                | 11,664                      | 6,082                                   | ----                    | 17,746                    |
| Total Expenses                | <u>\$ 1,181,099</u>         | <u>\$ 184,463</u>                       | <u>\$ 128,836</u>       | <u>\$ 1,494,398</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, 2007**

|                               | PROGRAM<br>SERVICES | GENERAL &<br>ADMINISTRATIVE | FUND<br>RAISING   | Total<br>Expenses   |
|-------------------------------|---------------------|-----------------------------|-------------------|---------------------|
| 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                | 4,417               | 4,417                       | -----             | 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.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

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, 2008 AND 2007**

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, 2008 and 2007.

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, 2008 and 2007, net assets are restricted for the following purpose:

|                     | <u>2008</u>      | <u>2007</u>      |
|---------------------|------------------|------------------|
| Joe Nuxhall Gym     | \$313,790        | \$216,528        |
| Summer Program      | 2,000            | ----             |
| Public service fund | 4,418            | ----             |
|                     | <u>\$320,208</u> | <u>\$216,528</u> |

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

No income or excise taxes were paid in the years ended June 30, 2008 and 2007. The amount of interest expense paid during the years ended June 30, 2008 and 2007 was \$29,481 and \$19,789, respectively.

**ONE WAY FARM OF FAIRFIELD, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**  
**JUNE 30, 2008 AND 2007**

NOTE 5--OPERATING LEASES

The Organization leases a postage meter under a six year lease agreement. Monthly payments are \$159.00. The lease expires in 2013 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:

|      |                 |
|------|-----------------|
| 2009 | \$ 1,908        |
| 2010 | 1,908           |
| 2011 | 1,908           |
| 2012 | 1,908           |
| 2013 | 954             |
|      | <u>\$ 8,586</u> |

The Organization also leases property located at 6111 River Road from the Executive Director on a month-to-month basis for \$700 per month.

NOTE 6--LONG-TERM DEBT

Long-term debt as of June 30, 2008 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 was originally due in October 2008, however, a 90-day extension was granted. The Organization plans to renew the mortgage in January, 2009.

A 20-year mortgage note with a principal balance of \$149,113 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%.

A loan with a principal balance of \$54,073 secured by the thrift store barn. The loan bears an interest rate of 5.75% and matures in April, 2013. Payments of principal and interest are payable monthly

The annual principal payments due for the next five years on all debt are as follows:

|                    |                  |
|--------------------|------------------|
| 2009               | \$214,762        |
| 2010               | 15,771           |
| 2011               | 16,715           |
| 2012               | 17,715           |
| 2013               | 15,302           |
| Over 5 years total | <u>120,086</u>   |
| Total              | <u>\$400,351</u> |

**ONE WAY FARM OF FAIRFIELD, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**  
**JUNE 30, 2008 AND 2007**

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, 2008. 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, 2008 and 2007 consisted of the following:

|                                       | <u>2008</u>       | <u>2007</u>       |
|---------------------------------------|-------------------|-------------------|
| Land                                  | \$ 67,806         | \$ 67,806         |
| Buildings                             | 727,223           | 727,223           |
| Building improvements                 | 98,725            | 98,725            |
| Barns                                 | 159,312           | 101,592           |
| Construction in progress              | 31,800            | 31,800            |
| Picnic shelter                        | 20,982            | 20,982            |
| Furniture and fixtures                | 178,371           | 170,871           |
| Vehicles                              | <u>157,138</u>    | <u>157,138</u>    |
| Total cost                            | 1,441,357         | 1,376,137         |
| Accumulated depreciation              | <u>( 781,164)</u> | <u>( 737,727)</u> |
| Property, vehicles and equipment--net | <u>\$ 660,193</u> | <u>\$ 638,410</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

At June 30, 2008, the Federal Deposit Insurance Corporation insured cash balances at participating banks at amounts up to \$100,000. The Organization had uninsured balances of \$242,860 and \$185,379 as of June 30, 2008 and 2007, respectively. However, subsequent to year-end the FDIC increased the basic deposit coverage limits to \$250,000. The Organization did not incur any losses on cash deposits from June 30, 2008 to the date of the audit report. 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, 2008 AND 2007**

**NOTE 11--IN-KIND CONTRIBUTIONS**

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

|                       | <u>2008</u>      | <u>2007</u>      |
|-----------------------|------------------|------------------|
| Transportation        | \$ 1,533         | \$ 1,160         |
| Housekeeping          | 2,322            | 569              |
| Food                  | 42,000           | 14,767           |
| Office supplies       | ----             | 200              |
| Grooming and clothing | 11,788           | 25,019           |
| Program supplies      | 4,510            | 6,729            |
| Program expenses      | 3,116            | 6,238            |
| Capital improvements  | <u>1,220</u>     | <u>21,625</u>    |
| Total                 | <u>\$ 66,489</u> | <u>\$ 76,307</u> |

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS 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. as of and for the year ended June 30, 2008, and have issued our report thereon dated November 19, 2008. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered One Way Farm of Fairfield, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of One Way Farm of Fairfield, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether One Way Farm of Fairfield, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

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

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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, 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.

Steven Potter & Company, CPA's, Inc.  
Fairfield, Ohio

November 19, 2008