

PROMISE LANDING FARM, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

DECEMBER 31, 2020

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Independent Accountant's Review Report

To the Board of Trustees
Promise Landing Farm, Inc.
Upper Marlboro, MD

We have reviewed the accompanying financial statements of Promise Landing Farm, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles general accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Jane Maresca & McQuade PA

Columbia, MD
August 31, 2021

PROMISE LANDING FARM, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash	\$ 132,081
Accounts receivable	380
Total Current Assets	<u>132,461</u>

PROPERTY AND EQUIPMENT, NET	<u>37,821</u>
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TOTAL ASSETS	<u><u>\$ 170,282</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 3,821
Accrued expenses	13,561
Deferred revenue	2,715
Total Current Liabilities	<u>20,097</u>

NON-CURRENT LIABILITIES

Loan payable	<u>11,180</u>
Total Liabilities	31,277

NET ASSETS

Without donor restrictions	<u>139,005</u>
Total Net Assets	<u>139,005</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 170,282</u></u>
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The accompanying notes are an integral part of these financial statements.

PROMISE LANDING FARM, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

REVENUE AND SUPPORT	
Grants and contributions	\$ 334,781
Program income	19,910
Rental income	7,200
Sales income	1,331
Total Revenue and Support	<u>363,222</u>
 EXPENSES	
Program Services	
Riding lessons	183,140
Boarding	34,026
Total Program Services	<u>217,166</u>
Support Services:	
Management and general	155,611
Fundraising	17,724
Total Support Services	<u>173,335</u>
Total Expenses	<u>390,501</u>
 CHANGE IN NET ASSETS	 (27,279)
 NET ASSETS, Beginning of year	 <u>166,284</u>
 NET ASSETS, End of year	 <u><u>\$ 139,005</u></u>

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

PROMISE LANDING FARM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services			Support Services			Total Expenses
	Riding Lessons	Boarding	Total Program Services	Management and General	Fundraising	Total Support Services	
Personnel Costs:							
Salaries	\$ 97,261	\$ 15,661	\$ 112,922	\$ 64,051	\$ -	\$ 64,051	\$ 176,973
Payroll tax	8,058	1,319	9,377	5,274	-	5,274	14,651
Benefits	15,031	1,374	16,405	11,701	-	11,701	28,106
Subtotal: Personnel Costs	120,350	18,354	138,704	81,026	-	81,026	219,730
Accounting	-	-	-	1,500	-	1,500	1,500
Advertising and marketing	-	-	-	4,627	-	4,627	4,627
Bank fees	315	-	315	-	-	-	315
Depreciation	-	-	-	10,525	-	10,525	10,525
Dues and subscriptions	2,525	-	2,525	1,476	-	1,476	4,001
Fundraising expenses	-	-	-	-	17,724	17,724	17,724
Horse expenses	31,159	6,488	37,647	-	-	-	37,647
Insurance	5,060	1,687	6,747	2,689	-	2,689	9,436
Legal	-	-	-	12,799	-	12,799	12,799
Office expenses	-	-	-	11,056	-	11,056	11,056
Professional services	3,636	1,637	5,273	11,793	-	11,793	17,066
Repairs and maintenance	13,193	4,398	17,591	5,863	-	5,863	23,454
Taxes	-	-	-	5,255	-	5,255	5,255
Telephone and internet	1,275	-	1,275	1,274	-	1,274	2,549
Travel	1,243	-	1,243	989	-	989	2,232
Utilities	4,384	1,462	5,846	4,739	-	4,739	10,585
Total Expenses	\$ 183,140	\$ 34,026	\$ 217,166	\$ 155,611	\$ 17,724	\$ 173,335	\$ 390,501

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

**PROMISE LANDING FARM, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (27,279)
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation expense	10,525
Decrease (increase) in assets:	
Accounts receivable	9,620
Increase (decrease) in liabilities:	
Accounts payable	3,511
Accrued expenses	13,283
Deferred revenue	1,789
Net Cash Provided by Operating Activities	<u>11,449</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Loan payable	<u>7,049</u>
Net Cash Provided by Financing Activities	<u>7,049</u>
NET CHANGE IN CASH	18,498
CASH , beginning of year	<u>113,583</u>
CASH , end of year	<u><u>\$ 132,081</u></u>

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

PROMISE LANDING FARM, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE A – NATURE OF THE ORGANIZATION

Organization and Activities

Promise Landing Farm, Inc. (“PLF”) is a non-profit corporation incorporated in the state of Maryland, on June 8, 2018. The purpose of PLF is to be a creative engine for inclusivity, engaging community members with and without disabilities in meaningful interactions with each other and their equine partners to foster a community where everyone is valued and included. The major sources of revenue for PLF are grants and contributions, registrations from classes, and rental income from boarding horses and classes.

PLF achieves its mission by providing the following programs:

Riding lessons: PLF offers inclusive and adaptive horseback riding and ground-based horsemanship lessons for individuals with and without disabilities, and builds on an educational and recreational framework with a focus on inclusion.

Boarding: PLF provides the daily care of horses owned by others and boarded at the farm run by PLF.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

PLF prepares its financial statements on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligation is incurred.

Financial Statement Presentation

Financial statement presentation follows the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic 958 *Not-for-Profit Entities*. In accordance with the topic, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of PLF and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

PROMISE LANDING FARM, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial Statement Presentation - continued

Net Assets with Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met by either actions of PLF and/or the passage of time, or that must be maintained in perpetuity by PLF. When a restriction expires, with donor restrictions net assets are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. There were no net assets with donor restrictions.

Cash

PLF maintains its cash balances in bank deposit accounts which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the accounts may exceed this limit; however, PLF believes it is not exposed to any significant credit risk on cash.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon an ongoing review of outstanding receivables, historical collection information, and existing economic conditions. Accounts deemed uncollectible are charged off based on specific circumstances of the parties involved. Management believes that all remaining receivables are fully collectible and no provision for allowance for doubtful accounts is deemed necessary.

Property and Equipment

Property and equipment are recorded at cost. Major additions, replacements, and betterments with costs of at least \$1,000 and lives greater than one year are capitalized, while repairs and maintenance are expensed. Depreciation of all assets is calculated on a straight-line basis over the estimated useful lives of the related assets.

Furniture and Equipment	7 years
Vehicles	5 years
Computer and software	3 years

PROMISE LANDING FARM, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue Recognition

Grants and Contributions - PLF recognizes grants and contributions when cash, securities or other assets, an unconditional promise to give, or notification of beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barriers, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions received with donor stipulations are recorded as contributions with donor restrictions based on the donor's intent. Unless otherwise stated by the donor, individual donations are recorded as contributions without donor restrictions. Contributions with donor restrictions that are met in the same reporting period as the contribution is received are reported as contributions without donor restrictions support.

Program Income - Program income is income from horse riding lessons that is recognized at a point of time when the riding lessons are completed. Amounts received in advance are recorded as deferred revenue.

Rental Income - Rental income is income from the rental of fields and an apartment (Note G) and is recognized at the end of the month when the contract between PLF and the lessee has been fulfilled. Amounts received in advance are recorded as deferred revenue.

Sales Income - Sales income is income from the sales of t-shirts and riding equipment and is recognized at a point of time when the sales are completed. Amounts received in advance are recorded as deferred revenue.

Methods Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, office expenses, and occupancy, which are allocated on the basis of salaries and related costs determined by the estimated time worked.

PROMISE LANDING FARM, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. However, management does not believe that the actual results will be materially different from those estimates.

NOTE C - INCOME TAXES

PLF is a 501(c)(3) organization exempt from federal and state income taxes under Section 501(a) of the Internal Revenue Code. PLF is, however, subject to tax on business income unrelated to its exempt purpose.

PLF believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

PLF's information returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. PLF's information returns for the year 2019 is open for a tax examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

NOTE D - AVAILABLE RESOURCES AND LIQUIDITY

Promise Landing Farm, Inc.'s management regularly monitors liquidity requirements to ensure that on-going operating needs and other contractual commitments are met. Timing of revenue receipts also ensures the availability of necessary operational funds. Sources of liquidity available to PLF include financial assets consisting of cash and accounts receivable.

In determining the adequacy of liquidity sources to cover general operating expenditures over a 12-month period, Promise Landing Farm, Inc. considers all expenditures related to its programs, general and management, and fundraising activities, to be general operating expenditures.

PROMISE LANDING FARM, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE D - AVAILABLE RESOURCES AND LIQUIDITY – continued

The total financial assets held by PLF and the amounts of those financial assets that could readily be made available within one year of the statement of financial position date to meet general expenditures were as follows as of December 31, 2020:

Cash	\$	132,081
Accounts receivable		380
Total Financial Assets		<u>132,461</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year		<u><u>\$ 132,461</u></u>

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2020:

Furniture and equipment	\$	14,233
Vehicles		43,819
		<u>58,052</u>
Less: accumulated depreciation		<u>(20,231)</u>
Property and Equipment, Net	\$	<u><u>37,821</u></u>

Depreciation expense totaled \$10,525 for the year ended December 31, 2020.

NOTE F – PAYCHECK PROTECTION PROGRAM (“PPP”) LOAN

On April 30, 2020, PLF secured a \$11,180 loan with Iberia Bank (the “Lender”) under the Small Business Administration (“SBA”)’s PPP that authorized forgivable loans to small businesses. This loan can be used to cover certain expenses during the COVID-19 crisis. The loan amount may be forgiven as long as the loan proceeds are used to cover payroll costs, rent, certain mortgage interest, and utility costs over a period specified in the loan document after the loan is made. If not used for the purpose specified above and if the SBA does not confirm forgiveness of the loan, PLF will be obligated to repay the loan on April 30, 2022, along with interest calculated at the rate of 1% per annum. The PPP loan balance as of December 31, 2020, totaled \$11,180.

PLF’s received full forgiveness of this loan on June 21, 2021.

PROMISE LANDING FARM, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE F – PAYCHECK PROTECTION PROGRAM (“PPP”) LOAN – continued

On March 18, 2021, PLF secured an additional \$38,925 loan with the Lender under the SBA’s PPP that authorized forgivable loans to small businesses under the same conditions as the initial loan. PLF’s management believes it will meet the requirements to achieve full loan forgiveness.

NOTE G – LEASE COMMITMENTS AND RELATED PARTY TRANSACTIONS

PLF entered into a 20-year lease agreement with the Taishoff Family Foundation (the “Lessor”) for the rental of the farm at 16900 Claggett Landing Road in Maryland. The Chair of PLF’s Board of Trustees is the President of the Taishoff Family Foundation. The term of the lease is from February 2020 to February 2040, with an option to renew every five years. The base rent is \$100 per month and does not include taxes, insurance and common area maintenance charges, that are the responsibility of PLF.

The future minimum payments are as follows for the year ending December 31:

2021	1,200
2022	1,200
2023	1,200
2024	1,200
Thereafter	18,000
	<u>\$ 22,800</u>

PLF entered into a two year sub-lease agreement with Paul Duley (the “Lessee”) for 69 acres of tillable land on the farm at 16900 Claggett Landing Road in Maryland. The term of the lease is from January 2020 to December 2021. The base rent is \$1,200 annually. Rental income received from this sub lease was \$1,200 for the year ending December 31, 2020 and the future minimum sublease payment to be received by PLF under this is \$1,200 for the year ending December 30, 2021.

PLF entered into a second residential lease with an employee to sub-lease an apartment on the farm at 16900 Claggett Landing Road in Maryland for \$500 per month, beginning Mach 1, 2020, on a month-to-month basis. The total rental income received was \$6,000 for the year ending December 31, 2020.

PROMISE LANDING FARM, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE H – CONCENTRATION OF FUNDING AND RELATED PARTIES

For the year ended December 31, 2020, PLF received approximately 97%, of its revenue from the Taishoff Family Foundation. The Chair of PLF's Board of Trustees is the President the Taishoff Family Foundation. A significant reduction in the level of funding from this source in the future could impact PLF's ability to carry out its current program activities. However, management is in the process of diversifying its revenue streams and does not consider this a significant risk in the near term.

NOTE I – SUBSEQUENT EVENTS

In preparing these financial statements, Promise Landing Farm, Inc. has evaluated events and transactions for potential recognition or disclosure through August 31, 2021, the date the financial statements were available to be issued. There were no additional events or transactions, except as noted in Note F, for the PPP loan, that were discovered during the evaluation that required further recognition or disclosure.