

PROMISE LANDING FARM, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2021

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Promise Landing Farm, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Promise Landing Farm, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Promise Landing Farm, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Promise Landing Farm, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Promise Landing Farm, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Promise Landing Farm, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Columbia, MD
August 22, 2022

**PROMISE LANDING FARM, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021**

ASSETS

CURRENT ASSETS

| | | |
|------------------------------------|----|---------|
| Cash | \$ | 112,433 |
| Grants receivable, current portion | | 75,000 |
| Accounts receivable | | 5,932 |
| Total Current Assets | | 193,365 |

| | | |
|------------------------------------|--|--------|
| PROPERTY AND EQUIPMENT, NET | | 27,296 |
|------------------------------------|--|--------|

OTHER ASSETS

| | | |
|---|--|--------|
| Grants receivable, net of current portion and discount of \$1,455 | | 83,545 |
|---|--|--------|

| | | |
|---------------------|----|---------|
| TOTAL ASSETS | \$ | 304,206 |
|---------------------|----|---------|

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | | |
|---------------------------|----|--------|
| Accounts payable | \$ | 5,157 |
| Accrued expenses | | 14,366 |
| Deferred revenue | | 3,300 |
| Total Current Liabilities | | 22,823 |

NET ASSETS

| | | |
|----------------------------|--|---------|
| Without donor restrictions | | 117,302 |
| With donor restrictions | | 164,081 |
| Total Net Assets | | 281,383 |

| | | |
|---|----|---------|
| TOTAL LIABILITIES AND NET ASSETS | \$ | 304,206 |
|---|----|---------|

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

PROMISE LANDING FARM, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|------------|
| REVENUE AND SUPPORT | | | |
| Grants and contributions | \$ 283,197 | \$ 180,000 | \$ 463,197 |
| Forgiveness of PPP loan | 50,105 | - | 50,105 |
| Program income | 56,142 | - | 56,142 |
| In-kind donations - horse equipment and supplies | 19,657 | - | 19,657 |
| Rental income | 3,200 | - | 3,200 |
| Sales income | 1,902 | - | 1,902 |
| Other income | 4,780 | - | 4,780 |
| Net assets released from restrictions | 15,919 | (15,919) | - |
| Total Revenue and Support | 434,902 | 164,081 | 598,983 |
| EXPENSES | | | |
| Program Services: | | | |
| Equine-assisted services | 281,162 | - | 281,162 |
| Boarding | 15,384 | - | 15,384 |
| Total Program Services | 296,546 | - | 296,546 |
| Support Services: | | | |
| Management and general | 143,487 | - | 143,487 |
| Fundraising | 16,572 | - | 16,572 |
| Total Support Services | 160,059 | - | 160,059 |
| Total Expenses | 456,605 | - | 456,605 |
| CHANGE IN NET ASSETS | (21,703) | 164,081 | 142,378 |
| NET ASSETS , beginning of year | 139,005 | - | 139,005 |
| NET ASSETS , end of year | \$ 117,302 | \$ 164,081 | \$ 281,383 |

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

PROMISE LANDING FARM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

| | Program Services | | | Support Services | | | Total Expenses |
|--|---------------------------|------------------|------------------------|------------------------|------------------|------------------------|-------------------|
| | Equine- Assisted Services | Boarding | Total Program Services | Management and General | Fundraising | Total Support Services | |
| Personnel Costs: | | | | | | | |
| Salaries | \$ 134,771 | \$ 4,643 | \$ 139,414 | \$ 84,191 | \$ 9,000 | \$ 93,191 | \$ 232,605 |
| Payroll tax | 11,809 | 200 | 12,009 | 6,457 | 770 | 7,227 | 19,236 |
| Benefits | 23,626 | 1,609 | 25,235 | 12,930 | 1,590 | 14,520 | 39,755 |
| Subtotal: Personnel Costs | 170,206 | 6,452 | 176,658 | 103,578 | 11,360 | 114,938 | 291,596 |
| Accounting | - | - | - | 7,950 | - | 7,950 | 7,950 |
| Bank fees | - | - | - | 1,219 | - | 1,219 | 1,219 |
| Depreciation | 6,105 | 211 | 6,316 | 3,788 | 421 | 4,209 | 10,525 |
| Dues and subscriptions | 3,209 | 108 | 3,317 | 2,797 | 216 | 3,013 | 6,330 |
| Horse expenses | 39,901 | 3,856 | 43,757 | - | - | - | 43,757 |
| In-kind donations - horse equipment and supplies | 19,657 | - | 19,657 | - | - | - | 19,657 |
| Insurance | 3,756 | 266 | 4,022 | 11,503 | 528 | 12,031 | 16,053 |
| Legal | - | - | - | 1,348 | - | 1,348 | 1,348 |
| Marketing and advertising | 753 | - | 753 | 2,844 | 4,030 | 6,874 | 7,627 |
| Office expenses | 5,444 | - | 5,444 | 644 | - | 644 | 6,088 |
| Postage | - | - | - | 641 | - | 641 | 641 |
| Professional services | 2,093 | - | 2,093 | - | - | - | 2,093 |
| Repairs and maintenance | 19,302 | 3,400 | 22,702 | 1,712 | - | 1,712 | 24,414 |
| Taxes | 2,842 | 98 | 2,940 | 1,960 | - | 1,960 | 4,900 |
| Telephone and internet | 1,226 | - | 1,226 | 1,470 | - | 1,470 | 2,696 |
| Travel | 1,040 | - | 1,040 | 409 | 17 | 426 | 1,466 |
| Utilities | 5,628 | 993 | 6,621 | 1,624 | - | 1,624 | 8,245 |
| Total Expenses | <u>\$ 281,162</u> | <u>\$ 15,384</u> | <u>\$ 296,546</u> | <u>\$ 143,487</u> | <u>\$ 16,572</u> | <u>\$ 160,059</u> | <u>\$ 456,605</u> |

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

PROMISE LANDING FARM, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

| | |
|---|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Change in net assets | \$ 142,378 |
| Adjustments to reconcile changes in net assets to net cash used by operating activities | |
| Forgiveness of PPP loan | (50,105) |
| Depreciation expense | 10,525 |
| Increase in assets: | |
| Accounts receivable | (5,552) |
| Grants receivable | (158,545) |
| Increase in liabilities: | |
| Accounts payable | 1,336 |
| Accrued expenses | 805 |
| Deferred revenue | 585 |
| Net Cash Used by Operating Activities | <u>(58,573)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Proceeds from PPP loan | <u>38,925</u> |
| Net Cash Provided by Financing Activities | <u>38,925</u> |
| NET CHANGE IN CASH | (19,648) |
| CASH, beginning of year | <u>132,081</u> |
| CASH, end of year | <u><u>\$ 112,433</u></u> |

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

PROMISE LANDING FARM, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 and program income.

PLF achieves its mission by providing the following programs:

Equine-Assisted Services: PLF offers inclusive and adaptive horseback riding, ground-based horsemanship lessons, and other equine-assisted services for individuals with and without disabilities, building on an educational and recreational framework with a focus on inclusion.

Boarding: PLF provides the daily care of horses owned by individuals engaging in PLF’s inclusive community. The horses are boarded at PLF’s headquarters.

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

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

PROMISE LANDING FARM, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(continued)

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Cash

PLF maintains its cash balances in bank deposit accounts, which are insured by the Federal Deposit Insurance Corporation of up to \$250,000. At times, the accounts may exceed this limit. However, PLF has not experienced any losses in such accounts and management believes PLF is not exposed to any significant credit risk on cash.

Grants and Accounts Receivable

Grants and 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 of information, and existing economic conditions. Grants and accounts deemed uncollectible are charged off based on specific circumstances of the parties involved. Management believes that all remaining receivables are fully collectible, and therefore, no provision for allowance for doubtful accounts was deemed necessary. Accounts receivable totaled \$380 as of January 1, 2021.

Property and Equipment

Property and equipment are recorded at cost. Major additions, replacements, and betterments with costs of at least \$5,000 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 |

PROMISE LANDING FARM, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(continued)

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. The deferred program income totaled \$2,715 as of January 1, 2021.

Rental Income

Rental income is income from the rental of fields and an apartment (Note G), and is recognized as revenue based on the terms of the lease agreement. 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

The financial statements report certain categories of expenses that are attributable to more than one program or support function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, insurance, dues and subscriptions, and any other applicable expenditures, which are allocated on the basis of salaries and related cost determined by estimates of time and effort expended.

PROMISE LANDING FARM, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(continued)

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) entity exempt from federal income tax under Section 501(a) of the Internal Revenue Code. PLF is, however, subject to tax on business income unrelated to their 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 were no unrecognized tax benefits or liabilities that needed 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 years 2018 through 2020 are 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

PLF's management regularly monitors liquidity requirements to ensure that ongoing 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, grants receivable 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 program services, management and general, and fundraising activities, to be general operating expenditures.

PROMISE LANDING FARM, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(continued)

NOTE D - AVAILABLE RESOURCES AND LIQUIDITY – continued

The total financial assets held by Promise Landing Farm, Inc. 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, 2021:

| | | |
|---|----|------------|
| Cash | \$ | 112,433 |
| Grants receivable, net of discount | | 158,545 |
| Accounts receivable | | 5,932 |
| Total Financial Assets | | 276,910 |
| Less: net assets encumbered by donor restrictions | | (164,081) |
| Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year | | \$ 112,829 |

NOTE E – GRANTS RECEIVABLE

PLF has a multi-year grant due in three years which has been reduced by the discounted present value of the grants in accordance with accounting principals generally accepted in the United States of America. Present value discount rate of 2.5% was applied against the long term portion of the grants receivable for the year ended December 31, 2021. Expected receipts from grants due are as follows for the year ended December 31, 2021:

| | | |
|----------------------------|----|------------|
| Due in less than one year | \$ | 75,000 |
| Due in more than one year | | 85,000 |
| Total | | 160,000 |
| Less: unamortized discount | | (1,455) |
| Grants Receivable, Net | | \$ 158,545 |

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2021:

| | | |
|--------------------------------|----|-----------|
| Furniture and equipment | \$ | 14,233 |
| Vehicles | | 43,819 |
| | | 58,052 |
| Less: accumulated depreciation | | (30,756) |
| Property and Equipment, Net | | \$ 27,296 |

PROMISE LANDING FARM, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(continued)

NOTE F – PROPERTY AND EQUIPMENT – continued

Depreciation expense totaled \$10,525, for the year ended December 31, 2021.

NOTE G – PAYCHECK PROTECTION PROGRAM LOAN

On April 30, 2020, PLF secured a \$11,180 loan with Iberia Bank (the “Lender”) under the Small Business Administration (“SBA”)’s Paycheck Protection Program (“PPP”) that authorized forgivable loans to small businesses. This loan was used to cover certain expenses during the COVID-19 crisis. The loan amount could be forgiven as long as the loan proceeds were used to cover payroll costs, rent, certain mortgage interest, and utility costs over a period specified in the loan document after the loan was made. On June 21, 2021, PLF received full forgiveness of this loan.

On March 18, 2021, PLF secured another PPP loan in the amount of \$38,925 with the same Lender. The loan had the same conditions and interest rate as the first PPP loan. On December 16, 2021, PLF received full forgiveness of the second loan.

For the year ended December 31, 2021, both PPP loans totaling \$50,105 were recognized as revenue in the statement of activities.

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

For the year ended December 31, 2021, net assets with donor restrictions totaling \$164,081 was restricted for the program conducted at Melwood Recreation Center.

NOTE I – LEASE COMMITMENTS AND RELATED PARTY TRANSACTIONS

Related Party

PLF entered into a 20-year lease agreement with the Taishoff Family Foundation (the “Lessor”) for the rental of the farm located 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, or common area maintenance charges, which will be paid separately by PLF.

PROMISE LANDING FARM, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(continued)

NOTE I – LEASE COMMITMENTS AND RELATED PARTY TRANSACTIONS -
continued

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

| | | |
|------------|-----------|---------------|
| 2022 | \$ | 1,200 |
| 2023 | | 1,200 |
| 2024 | | 1,200 |
| 2025 | | 1,200 |
| 2026 | | 1,200 |
| Thereafter | | 15,600 |
| | <u>\$</u> | <u>21,600</u> |

Non-Related Party

PLF entered into a two year sublease agreement with Paul Duley (the “Lessee”) for 69 acres of tillable land on the farm. The term of the lease was from January 2020 to December 2021. The base rent was \$1,200 annually. Rental income received from this sublease was \$1,200 for the year ended December 31, 2021. Due to the uncertainty surrounding some of PLF’s projects, PLF has a verbal agreement for 2022, which is to proceed under the same terms as the previous agreement.

PLF entered into a second residential lease with an employee to sublease an apartment on the farm for \$500 per month, beginning on March 1, 2020, on a month-to-month basis. This lease ended on April 30, 2021. The total rental income received was \$2,000 for the year ended December 31, 2021.

On November 15, 2021, PLF entered into an agreement with Melwood Horticultural Training Center, Inc. (“Melwood”) to take over the operation of the equestrian program at the Melwood Recreation Center. In accordance with the covenants and terms as specified in the agreement, PLF leased the facilities at the recreation center to perform the activities of the equestrian program. The term of the lease is from November 2021 to November 2022, with the option to renew this lease for three terms of five years. The initial rent payment was an annual minimum rent of one dollar, which is due in full each year on or before November 15th for the succeeding lease year.

PROMISE LANDING FARM, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(continued)

NOTE J – CONCENTRATION OF FUNDING AND RELATED PARTIES

For the year ended December 31, 2021, PLF received approximately 58%, of its revenue from the Taishoff Family Foundation. The Chair of PLF’s Board of Trustees is the President of 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 K – SUBSEQUENT EVENTS

In preparing these financial statements, Promise Landing Farm, Inc. has evaluated events and transactions for potential recognition or disclosure through August 22, 2022 the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.