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Reviewed Financial Statements

December 31, 2020

Independent Accountant's Review Report

To the Board of Directors of
Rosemary Farm Sanctuary, Inc.

We have reviewed the accompanying financial statements of Rosemary Farm Sanctuary, Inc. (the "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 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

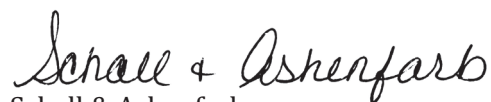
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 generally 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.


Schall & Ashenfarb
Certified Public Accountants, LLC

February 15, 2022

ROSEMARY FARM SANCTUARY, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2020

Assets

Cash and cash equivalents	\$124,320
Prepaid expenses	3,300
Fixed assets, net (Note 3)	<u>384,363</u>
 Total assets	 <u><u>\$511,983</u></u>

Liabilities and Net Assets

Liabilities:	
Accounts payable and accrued expenses	\$4,715
Paycheck Protection Program loan (Note 4)	28,800
Loan payable (Note 5)	<u>27,500</u>
Total liabilities	<u>61,015</u>
 Net assets:	
Without donor restrictions	<u>450,968</u>
Total net assets	<u>450,968</u>
 Total liabilities and net assets	 <u><u>\$511,983</u></u>

See accompanying notes and independent accountant's review report.

**ROSEMARY FARM SANCTUARY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

Without donor restrictions:

Public support and revenue:	
Contributions	\$632,013
Other income	15,526
Total public support and revenue	<u>647,539</u>
Expenses:	
Program services	<u>520,306</u>
Supporting services:	
Management and general	81,368
Fundraising	13,247
Total supporting services	<u>94,615</u>
Total expenses	<u>614,921</u>
Change in net assets	32,618
Net assets - beginning of year	<u>418,350</u>
Net assets - end of year	<u><u>\$450,968</u></u>

See accompanying notes and independent accountant's review report.

**ROSEMARY FARM SANCTUARY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services	Supporting Services		Total Supporting Services	Total Expenses
		Management and General	Fundraising		
Salaries and wages	\$128,518	\$10,899	\$8,237	\$19,136	\$147,654
Payroll taxes and employee benefits	20,460	1,670	743	2,413	22,873
Equine veterinary care	87,745			0	87,745
Equine feed, supplies and other services	172,187			0	172,187
Equine training	33,075			0	33,075
Professional fees	432	26,462		26,462	26,894
Occupancy	31,655			0	31,655
Bank and merchant fees		8,746		8,746	8,746
Office expenses	355	8,364	1,898	10,262	10,617
Travel, meetings, and conferences	338	242	2,215	2,457	2,795
Equipment and other supplies	30,882	4,649	154	4,803	35,685
Dues and subscriptions	110	7,847		7,847	7,957
IT and communications	207	2,509		2,509	2,716
Insurance		6,171		6,171	6,171
Other expenses	185	3,809		3,809	3,994
Depreciation	14,157			0	14,157
Total expenses	\$520,306	\$81,368	\$13,247	\$94,615	\$614,921

See accompanying notes and independent accountant's review report.

ROSEMARY FARM SANCTUARY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash flows from operating activities:	
Change in net assets	\$32,618
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:	
Depreciation	14,157
Changes in assets and liabilities:	
Prepaid expenses	(3,300)
Accounts payable and accrued expenses	4,122
Total adjustments	<u>14,979</u>
Net cash flows provided by operating activities	<u>47,597</u>
Cash flows from financing activities:	
Paycheck Protection Program loan proceeds	28,800
Loan repayments	<u>(10,000)</u>
Net cash flows provided by financing activities	<u>18,800</u>
Net increase in cash and cash equivalents	66,397
Cash and cash equivalents - beginning of year	<u>57,923</u>
Cash and cash equivalents - end of year	<u><u>\$124,320</u></u>
Supplemental disclosure of cash flow information:	
Total interest paid	<u>\$0</u>
Total taxes paid	<u>\$0</u>

See accompanying notes and independent accountant's review report.

ROSEMARY FARM SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1 - Organization

Rosemary Farm Sanctuary, Inc. (the "Organization") is a nonprofit horse rescue in the Catskill mountains of New York. The Organization's mission is to rescue horses in need and protect them for life. The Organization saves equines from slaughter, neglect, and abuse. The Organization's primary source of revenue is contributions.

The Organization has been notified by the Internal Revenue Service that they are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has not been designated as a private foundation.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting which is the process of recognizing income and expenses when earned or incurred rather than received or paid.

b. Basis of Presentation

The Organization reports information regarding its financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – represents all activities without donor restrictions as well as activity with donor-imposed restrictions, which expire within the same period that the donation is received.
- *Net Assets With Donor Restrictions* – relates to contributions of cash and other assets with donor stipulations that make clear the assets' restriction, either due to a program nature, the passage of time, or must remain in perpetuity. There were no net assets with donor restrictions at December 31, 2020.

c. Revenue Recognition

The Organization follows the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958-605 for recording contributions, which are recorded at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in one of the classes of net assets described above, depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they are received, they are classified as without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met.

Contributions and grants expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques. There were no receivables at December 31, 2020.

d. Cash and Cash Equivalents

The Organization considers all liquid investments that have an initial maturity of three months or less to be cash and cash equivalents.

e. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to a concentration of credit risk consist of cash and money market accounts that have been placed with financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits. There were no uninsured balances at year-end and the Organization has not suffered losses from the default of any financial institution.

f. Fixed Assets

Fixed assets that the Organization retains title to, and which benefit future periods are capitalized at cost, or if donated, at the estimated fair value at the time of donation. Depreciation has been computed using the straight-line method over the estimated useful life of the assets, with a half-year convention for the year an item is placed in service.

The estimated useful lives are as follows:

Buildings and building improvements – *39 years*

Vehicles – *5 - 7 years*

Furniture and equipment – *7 years*

g. Donated Services

Donated services are recognized in circumstances when they create or enhance non-financial assets or where those services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided in-kind.

Board members and other individuals volunteer their time and perform a variety of services that assist the Organization. These services have not been recorded in the financial statements because they do not meet the criteria for recognition as outlined above.

h. 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 certain reported amounts and disclosures. Actual results could differ from those estimates.

i. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Salaries were allocated using time and effort as the basis. Payroll taxes and benefits were allocated using salaries as the basis. All other expenses have been charged directly to the applicable program or supporting services.

j. Accounting for Uncertainty of Income Taxes

The Organization does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending December 31, 2017 and later are subject to examination by applicable taxing authorities.

k. New Accounting Pronouncements

FASB issued Accounting Standards Update (“ASU”) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the December 31, 2022 year with early adoption permitted. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the statement of activities and additional disclosures.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the December 31, 2022 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding “right to use asset” on the statement of financial position.

Management is in the process of evaluating the impact these standards will have on future financial statements.

Note 3 - Fixed Assets

Fixed assets at December 31, 2020 consist of the following:

Land	\$190,264
Buildings and building improvements	216,532
Vehicles	89,308
Furniture and equipment	<u>8,247</u>
	504,351
Less: accumulated depreciation	<u>(119,988)</u>
Total fixed assets, net	<u>\$384,363</u>

Note 4 - Paycheck Protection Program Loan

During the year ended December 31, 2020, the Organization obtained a loan from the Small Business Administration (“SBA”) in the amount of \$28,800 through the Paycheck Protection Program (“PPP”). Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during periods subsequent to receipt of the loan funds that are greater than predetermined historical periods, that the loan, or a portion thereof, will be forgiven. Portions that are not forgiven will be payable over a two-year period, with a ten-month deferral of payments and interest will accrue at 0.98%.

The Organization treats the PPP proceeds as a loan payable in accordance with FASB ASC 470. Under this treatment, the proceeds from the loan will remain as a liability until either the loan is forgiven by the SBA, or the Organization pays it off.

Note 5 - Loan Payable

In September 2019, the Organization received an interest free loan from an unrelated individual for \$40,000. Per the terms of the loan, the balance will be repaid in quarterly installments of \$2,500. At December 31, 2020, there was an outstanding balance of \$27,500, which will be repaid in the following periods:

Year ending:		
	December 31, 2021	\$10,000
	December 31, 2022	10,000
	December 31, 2023	<u>7,500</u>
Total		<u>\$27,500</u>

Note 6 - Related Party Transaction

The Organization has an agreement to rent farmland from its founders for \$1,100 a month. This agreement will continue until either party provides written notice to terminate it. Total rent expense was \$13,200 for the year ended December 31, 2020.

Note 7 - Availability and Liquidity

The Organization maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for ongoing operations. As part of its liquidity management, the Organization operates its programs within a board approved budget and relies on contributions to fund its operations and program activities.

At December 31, 2020, the Organization’s financial assets that were available to meet cash needs for general expenditures within one year consisted of cash and cash equivalents totaling \$124,320. There were no external or internal restrictions imposed on these assets.

Note 8 - Subsequent Events

Subsequent events have been evaluated through February 15, 2022, the date the financial statements were available to be issued. There were no material events that have occurred that require adjustment to or disclosure to the financial statements.

Note 9 - Other Matters

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an impact on the economies and financial markets of many countries, including the geographical area in which The Organization operates. As of the date of the financial statements, many of the travel restrictions and stay at home orders have been lifted, however, supply chains remain impacted. Management continues to monitor the outbreak, however, as of the date of these financial statements, the potential impact cannot be quantified.