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## Reviewed Financial Statements

December 31, 2021

## **Independent Accountants' 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, 2021, 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 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.

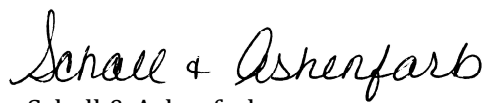
### **Accountants' Responsibility**

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.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### **Accountants' 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

December 12, 2022

**ROSEMARY FARM SANCTUARY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AT DECEMBER 31, 2021**

**Assets**

Cash and cash equivalents	\$264,874
Prepaid expenses and other assets	9,062
Fixed assets, net (Note 3)	<u>414,376</u>
 Total assets	 <u><u>\$688,312</u></u>

**Liabilities and Net Assets**

Liabilities:	
Accounts payable and accrued expenses	\$3,521
Paycheck Protection Program loan (Note 4)	30,540
Loans payable (Note 5)	<u>43,541</u>
Total liabilities	<u><u>77,602</u></u>
Net assets:	
Without donor restrictions	<u>610,710</u>
Total net assets	<u><u>610,710</u></u>
 Total liabilities and net assets	 <u><u>\$688,312</u></u>

*See accompanying notes and independent accountants' review report.*

**ROSEMARY FARM SANCTUARY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**Without donor restrictions:**

Public support and revenue:

Contributions	\$690,401
Forgiveness of Paycheck Protection Program Loan (Note 4)	28,800
Rental income	8,622
Other income	15,966
	<u>743,789</u>
Total public support and revenue	<u>743,789</u>

Expenses:

Program services	<u>505,146</u>
Supporting services:	
Management and general	71,818
Fundraising	<u>7,083</u>
Total supporting services	<u>78,901</u>
Total expenses	<u>584,047</u>

Change in net assets 159,742

Net assets - beginning of year 450,968

Net assets - end of year \$610,710

*See accompanying notes and independent accountants' review report.*

**ROSEMARY FARM SANCTUARY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program Services	Supporting Services		Total Supporting Services	Total Expenses
		Management and General	Fundraising		
Salaries and wages	\$113,821	\$5,000	\$5,000	\$10,000	\$123,821
Payroll taxes and employee benefits	25,610	1,125	1,125	2,250	27,860
Equine veterinary care	96,118			0	96,118
Equine feed, supplies and other services	171,617			0	171,617
Equine training	20,744			0	20,744
Professional fees	2,679	29,745		29,745	32,424
Occupancy	27,985			0	27,985
Bank and merchant fees		7,983		7,983	7,983
Office expenses	1,767	10,722	909	11,631	13,398
Travel, meetings, and conferences	514			0	514
Equipment and other supplies	27,509	341	49	390	27,899
Dues and subscriptions	350	7,378		7,378	7,728
IT and communications	1,869			0	1,869
Insurance		9,051		9,051	9,051
Other expenses	30	473		473	503
Depreciation	14,533			0	14,533
<b>Total expenses</b>	<b>\$505,146</b>	<b>\$71,818</b>	<b>\$7,083</b>	<b>\$78,901</b>	<b>\$584,047</b>

*See accompanying notes and independent accountants' review report.*

**ROSEMARY FARM SANCTUARY, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Cash flows from operating activities:	
Change in net assets	\$159,742
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:	
Depreciation	14,533
Forgiveness of Paycheck Protection Program loan	(28,800)
Changes in assets and liabilities:	
Prepaid expenses and other assets	(5,762)
Accounts payable and accrued expenses	(1,194)
Total adjustments	<u>(21,223)</u>
Net cash flows provided by operating activities	<u>138,519</u>
Cash flows from investing activities:	
Purchase of fixed assets	<u>(44,546)</u>
Net cash flows used for investing activities	<u>(44,546)</u>
Cash flows from financing activities:	
Paycheck Protection Program loan proceeds	30,540
Loan proceeds	23,541
Loan repayments	<u>(7,500)</u>
Net cash flows provided by financing activities	<u>46,581</u>
Net increase in cash and cash equivalents	140,554
Cash and cash equivalents - beginning of year	<u>124,320</u>
Cash and cash equivalents - end of year	<u><u>\$264,874</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 accountants' review report.*

**ROSEMARY FARM SANCTUARY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**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, 2021.

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, 2021.

The Organization follows the requirements of FASB ASC 840 for recognizing rental income. Billings to tenants that have not been collected at year-end would be recognized as rent receivable and recorded at net realizable value. There were no receivables at December 31, 2021.

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 which potentially subject the Organization to a concentration of credit risk consist of a cash account which has been placed with financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits. At year end and at various times throughout the year, balances were in excess of insured amounts. However, the Organization has not experienced any losses due to bank failure.

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, 2018 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. 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, 2021 consist of the following:

Land	\$190,264
Buildings and building improvements	216,532
Vehicles	123,354
Furniture and equipment	<u>8,247</u>
	538,397
Less: accumulated depreciation	<u>(124,021)</u>
Total fixed assets, net	<u>\$414,376</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”). During the year ended December 31, 2021, the Organization received an additional PPP loan of \$30,540.

Terms of both loans indicated that if certain conditions were met, which included maintaining average work forces during periods subsequent to receipt of the loan funds that were greater than pre-determined historical periods, that the loan, or a portion thereof, would be forgiven. Portions that were not forgiven would be payable over a five-year period, with a ten-month deferral of payments and interest would accrue at 1%.

The Organization is treating the Paycheck Protection Program proceeds as a loan payable in accordance with FASB ASC 470. Under this treatment, the proceeds from the loans will remain a liability until either the loan is forgiven by the SBA, or the Organization pays it off. During the year ended December 31, 2021, the Organization was granted full forgiveness of the first PPP loan of \$28,800 and this is recognized as revenue on the statement of activities.

Subsequent to year end, the Organization was granted full forgiveness for the second PPP loan of \$30,540. This will be recognized as revenue during the year ended December 31, 2022.

**Note 5 - Loans 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, 2021, there was an outstanding balance of \$20,000, which will be repaid in the following periods:

Year ending:		
	December 31, 2022	\$10,000
	December 31, 2023	<u>10,000</u>
Total		<u>\$20,000</u>

In April 2021, the Organization received a loan to finance a car purchase of \$26,303. Per the terms of the loan, annual interest is 5.75% and the balance will be repaid in 66 monthly installments of \$466. This loan is secured by the car it is financing. At December 31, 2021, there was an outstanding balance of \$23,541, which will be repaid in the following periods:

Year ending:		
	December 31, 2022	\$4,350
	December 31, 2023	4,606
	December 31, 2024	4,878
	December 31, 2025	5,166
	December 31, 2026	<u>4,541</u>
Total		<u>\$23,541</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, 2021.

**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, 2021, 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 \$264,874. There were no external or internal restrictions imposed on these assets.

**Note 8 - Subsequent Events**

Subsequent events have been evaluated through December 12, 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.