

Rosemary Farm Sanctuary, Inc.

Reviewed Financial Statements

December 31, 2022

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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, 2022, 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 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 American Institute of Certified Public Accountants. 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.

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.

Sax CPAs LLP

New York, NY
January 30, 2024

Rosemary Farm Sanctuary, Inc.

Statement of Financial Position

As of December 31, 2022

ASSETS

Cash and cash equivalents	\$ 215,267
Prepaid expenses and other assets	5,221
Fixed assets, net	<u>456,176</u>
TOTAL ASSETS	<u><u>\$ 676,664</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 5,075
Paycheck Protection Program loan	-
Loans payable	<u>26,687</u>
Total liabilities	<u><u>31,762</u></u>

NET ASSETS

Without donor restrictions	<u>644,902</u>
Total net assets	<u><u>644,902</u></u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 676,664</u></u>
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See accompanying notes and independent accountant's review report.

Rosemary Farm Sanctuary, Inc.

Statement of Activities

For the Year Ended December 31, 2022

WITHOUT DONOR RESTRICTIONS

PUBLIC SUPPORT AND REVENUE

Contributions	\$ 683,418
Forgiveness of Paycheck Protection Program Loan	30,540
Rental income	8,551
Other income	13,091
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Total public support and revenue	735,600
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EXPENSES

Program services	579,843
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Supporting services:	
Management and general	107,327
Fundraising	14,238
Total supporting services	121,565
	<hr/>
Total expenses	701,408
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Change in net assets **34,192**

NET ASSETS, *beginning of year* **610,710**

NET ASSETS, *end of year* **\$ 644,902**

See accompanying notes and independent accountant's review report.

Rosemary Farm Sanctuary, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2022

	Supporting Services			Total Supporting Services	Total Expenses 12/31/22
	Program Services	Management and General	Fundraising		
Salaries and wages	\$ 128,109	\$ 5,500	\$ 5,500	\$ 11,000	\$ 139,109
Payroll taxes and employee benefits	11,348	497	497	994	12,342
Equine veterinary care	92,794	-	-	-	92,794
Equine feed, supplies and other services	191,113	-	-	-	191,113
Equine training	23,736	-	-	-	23,736
Professional fees	26,186	43,245	-	43,245	69,431
Occupancy	34,952	-	-	-	34,952
Bank and merchant fees	-	6,447	532	6,979	6,979
Office expenses	405	8,881	6,759	15,640	16,045
Travel, meetings, and conferences	63	73	541	614	677
Equipment and other supplies	44,793	13,107	409	13,516	58,309
Dues and subscriptions	-	8,738	-	8,738	8,738
IT and communications	5,708	777	-	777	6,485
Insurance	4,592	11,033	-	11,033	15,625
Other expenses	44	9,029	-	9,029	9,073
Depreciation	16,000	-	-	-	16,000
Total expenses	<u>\$ 579,843</u>	<u>\$ 107,327</u>	<u>\$ 14,238</u>	<u>\$ 121,565</u>	<u>\$ 701,408</u>

See accompanying notes and independent accountant's review report.

Rosemary Farm Sanctuary, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 34,192
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:	
Depreciation	16,000
Forgiveness of Paycheck Protection Program loan	(30,540)
Changes in assets and liabilities:	
Prepaid expenses and other assets	3,841
Accounts payable and accrued expenses	1,554
Total adjustments	<u>(9,145)</u>
Net cash flows provided by operating activities	<u>25,047</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assests	(57,800)
Net cash flows used for investing activites	<u>(57,800)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Paycheck Protection Program loan proceeds	-
Loan proceeds	-
Loan repayments	(16,854)
Net cash flows used for financing activites	<u>(16,854)</u>

Net decrease in cash and cash equivalents (49,607)

CASH AND CASH EQUIVALENTS, *beginning of year* 264,874

CASH AND CASH EQUIVALENTS, *end of year* \$ 215,267

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest paid	\$ -
Taxes paid	<u>\$ -</u>

See accompanying notes and independent accountant's review report.

Rosemary Farm Sanctuary, Inc.

Notes to Financial Statements

December 31, 2022

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 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. Recently Adopted Accounting Standards

Effective January 1, 2022, the Organization adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization made an accounting policy election available under the ASU to not recognize the right-of-use ("ROU") assets and lease liabilities for leases with a term of 12 months or less. At December 31, 2022, the Organization did not hold any long-term leases that were material to the financial statements.

Effective January 1, 2022, the Organization also adopted FASB ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. 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. Adoption of this standard did not have a material impact on the Organization's financial statements.

c. 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 activity without donor-imposed restrictions.
- *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 or by the passage of time. There were no net assets with donor restrictions at December 31, 2022.

Rosemary Farm Sanctuary, Inc.

Notes to Financial Statements

December 31, 2022

Note 2 - Summary of Significant Accounting Policies - Continued

d. Revenue Recognition

The Organization follows the requirements of the FASB's Accounting Standards Codification ("ASC") 958-605 for recording contributions, which are recognized at the time a contribution becomes unconditional in nature. Contributions that do not contain donor restrictions are recorded in the class of net assets without donor restrictions. Contributions that contain donor restrictions are recorded in the class of net assets with donor restrictions. 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 were received, they are classified in the class of net assets 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.

Unconditional promises to give are recorded at net realizable value if expected to be received in less than one year, or at fair value using a risk-adjusted discount rate if expected to be received in greater than one year.

The Organization follows the requirements of FASB ASC 842 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, 2022.

e. 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.

f. Significant Concentrations

Financial instruments which potentially subject the Organization to a concentration of credit risk consist of a cash account which has been placed with a financial institution that management deems to be creditworthy. At times, balances may exceed federally insured limits. The Organization did not have any uninsured amounts at year-end and has not experienced any losses due to bank failure.

g. Fixed Assets

Fixed assets that the Organization retains title to, and capital items purchased that exceed \$5,000 and benefit future periods are capitalized at cost, or if donated, at the estimated fair value at the time of donation. Depreciation expense is recorded using the straight-line method over the estimated useful life of the asset.

The estimated useful lives are as follows:

- Buildings and building improvements - 39 years
- Vehicles - 5 - 7 years
- Furniture and equipment - 7 years

Rosemary Farm Sanctuary, Inc.

Notes to Financial Statements

December 31, 2022

Note 2 - Summary of Significant Accounting Policies - Continued

h. 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.

i. 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.

j. 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 employee benefits were allocated using salaries as the basis. All other expenses have been charged directly to the applicable program or supporting services.

k. 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, 2019, and later are subject to examination by applicable taxing authorities.

Note 3 - Fixed Assets

Fixed assets consist of the following:

	December 31, 2022
Land	\$ 190,264
Buildings and building improvements	274,332
Vehicles	119,881
Furniture and equipment	11,720
	<u>596,197</u>
Less: accumulated depreciation	(140,021)
Total fixed assets, net	<u><u>\$ 456,176</u></u>

Rosemary Farm Sanctuary, Inc.

Notes to Financial Statements

December 31, 2022

Note 4 - Paycheck Protection Program Loans

During the year ended December 31, 2021, the Organization obtained a loan from the Small Business Administration (“SBA”) in the amount of \$30,540 through the Paycheck Protection Program (“PPP”).

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 treated the PPP proceeds as a loan payable in accordance with FASB ASC 470. Under this treatment, the proceeds from the loans remained a liability until either the loan was forgiven by the SBA, or the Organization paid it off.

During the year ended December 31, 2022, the Organization was granted full forgiveness of the PPP loan of \$30,540 and this was recognized as revenue on the statement of activities.

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, 2022, there was an outstanding balance of \$7,500. The remaining balance of \$7,500 at year-end was paid in full during the year ending December 31, 2023.

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 through October 26, 2026. This loan is secured by the car it is financing. At December 31, 2022, there was an outstanding balance of \$19,187. The outstanding balance will be repaid in the following periods:

Year ending:		
	December 31, 2023	\$ 4,606
	December 31, 2024	4,878
	December 31, 2025	5,166
	December 31, 2026	4,537
Total		<u>\$ 19,187</u>

Note 6 - Related Party Transactions

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, 2022.

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.

Rosemary Farm Sanctuary, Inc.

Notes to Financial Statements

December 31, 2022

Note 7 - Availability and Liquidity - Continued

At December 31, 2022, 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 \$215,267. There were no external or internal restrictions imposed on these assets.

Note 8 - Subsequent Events

Subsequent events have been evaluated through January 30, 2024, 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.