

**PROMISE LANDING FARM, INC.**

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

**DECEMBER 31, 2022 AND 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 statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits 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 audits. 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.

Promise Landing Farm, Inc.  
Independent Auditor's Report  
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**Emphasis of Matter**

As discussed in Note B to the financial statements, during the year ended December 31, 2022, Promise Landing Farm, Inc. adopted new accounting guidance, Accounting Standards Update ("ASU") 2016-02, Topic 842 *Leases*, as amended; and ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to these matters.

A handwritten signature in black ink, appearing to read "J. M. & M.", is positioned above the typed text.

Columbia, MD  
August 17, 2023

**PROMISE LANDING FARM, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2022 AND 2021**

	2022	2021
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 89,943	\$ 112,433
Grant receivable, current portion	52,500	75,000
Accounts receivable	6,335	5,932
Total Current Assets	148,778	193,365
<b>PROPERTY AND EQUIPMENT, NET</b>	16,771	27,296
<b>OTHER ASSETS</b>		
Grant receivable, net of current portion and discount	26,812	83,545
<b>TOTAL ASSETS</b>	\$ 192,361	\$ 304,206
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,892	\$ 5,157
Accrued expenses	24,270	14,366
Deferred revenue	22,355	3,300
Total Current Liabilities	50,517	22,823
<b>NET ASSETS</b>		
Without donor restrictions	139,168	117,302
With donor restrictions	2,676	164,081
Total Net Assets	141,844	281,383
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 192,361	\$ 304,206

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

**PROMISE LANDING FARM, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Grants and contributions	\$ 273,861	\$ -	\$ 273,861
Program income	222,095	-	222,095
In-kind donations - horse equipment and supplies	6,044	-	6,044
Lease income	13,075	-	13,075
Other income	3,394	-	3,394
Net assets released from restrictions	161,405	(161,405)	-
Total Revenue and Support	679,874	(161,405)	518,469
<b>EXPENSES</b>			
Program Services:			
Equine-assisted services	428,172	-	428,172
Boarding	50,599	-	50,599
Total Program Services	478,771	-	478,771
Support Services:			
Management and general	158,794	-	158,794
Fundraising	20,443	-	20,443
Total Support Services	179,237	-	179,237
Total Expenses	658,008	-	658,008
<b>CHANGE IN NET ASSETS</b>	21,866	(161,405)	(139,539)
<b>NET ASSETS</b> , beginning of year	117,302	164,081	281,383
<b>NET ASSETS</b> , end of year	\$ 139,168	\$ 2,676	\$ 141,844

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
<b>REVENUE AND SUPPORT</b>			
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
Lease income	3,200	-	3,200
Other income	6,682	-	6,682
Net assets released from restrictions	15,919	(15,919)	-
Total Revenue and Support	434,902	164,081	598,983
<b>EXPENSES</b>			
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
<b>CHANGE IN NET ASSETS</b>	(21,703)	164,081	142,378
<b>NET ASSETS</b> , beginning of year	139,005	-	139,005
<b>NET ASSETS</b> , 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, 2022**

	Program Services			Support Services			Total Expenses
	Equine- Assisted Services	Boarding	Total Program Services	Management and General	Fundraising	Total Support Services	
Personnel Costs:							
Salaries	\$ 235,999	\$ 21,739	\$ 257,738	\$ 100,694	\$ -	\$ 100,694	\$ 358,432
Payroll tax	18,815	1,636	20,451	7,822	-	7,822	28,273
Benefits	36,637	1,721	38,358	13,208	-	13,208	51,566
Subtotal Personnel Costs	291,451	25,096	316,547	121,724	-	121,724	438,271
Accounting	-	-	-	11,300	-	11,300	11,300
Bank fees	-	-	-	2,317	178	2,495	2,495
Depreciation	5,894	4,526	10,420	105	-	105	10,525
Dues and subscriptions	2,077	87	2,164	674	200	874	3,038
Horse expenses	78,249	12,934	91,183	-	-	-	91,183
In-kind donations - horse equipment and supplies	6,045	-	6,045	-	-	-	6,045
Insurance	8,512	2,391	10,903	9,544	-	9,544	20,447
Legal	-	-	-	220	-	220	220
Marketing and outreach	2,193	-	2,193	1,910	320	2,230	4,423
Office expenses	6,889	-	6,889	2,409	371	2,780	9,669
Postage	77	-	77	393	28	421	498
Professional services	1,806	512	2,318	61	19,059	19,120	21,438
Repairs and maintenance	15,626	2,716	18,342	-	-	-	18,342
Taxes	-	-	-	5,149	-	5,149	5,149
Telephone and internet	2,252	240	2,492	1,481	-	1,481	3,973
Travel	1,295	162	1,457	1,055	287	1,342	2,799
Utilities	5,806	1,935	7,741	452	-	452	8,193
Total Expenses	<u>\$ 428,172</u>	<u>\$ 50,599</u>	<u>\$ 478,771</u>	<u>\$ 158,794</u>	<u>\$ 20,443</u>	<u>\$ 179,237</u>	<u>\$ 658,008</u>

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 outreach	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	\$ 281,162	\$ 15,384	\$ 296,546	\$ 143,487	\$ 16,572	\$ 160,059	\$ 456,605

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

**PROMISE LANDING FARM, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (139,539)	\$ 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	10,525
Increase in assets:		
Accounts receivable	(403)	(5,552)
Grants receivable, net	79,233	(158,545)
Increase in liabilities:		
Accounts payable	(1,265)	1,336
Accrued expenses	9,904	805
Deferred revenue	19,055	585
Net Cash Used for Operating Activities	(22,490)	(58,573)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP loan	-	38,925
Net Cash Provided by Financing Activities	-	38,925
<b>NET CHANGE IN CASH</b>	(22,490)	(19,648)
<b>CASH, beginning of year</b>	112,433	132,081
<b>CASH, end of year</b>	\$ 89,943	\$ 112,433

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

**PROMISE LANDING FARM, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 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 the Upper Marlboro farm.

**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.

Adoption of New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), as amended. FASB Accounting Standards Codification (“ASC”) 842 supersedes the lease requirements in FASB ASC840. This guidance is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. PLF adopted FASB ASC Topic 842, with an initial application of January 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases* (Topic 842): *Targeted Improvements*.

**PROMISE LANDING FARM, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Adoption of New Accounting Pronouncements (continued)

As part of the transition, PLF implemented new controls and key system functionality to enable the preparation of financial information on adoption and elected to apply the following practical expedients:

- a) No reassessment of whether any expired or existing contracts contain a lease.
- b) No reassessment of initial direct costs for any existing leases as of the effective date.
- c) In calculating the right-of-use assets and lease liability, PLF has elected to combine lease and non-lease components.
- d) As an accounting policy, PLF has also elected to apply the short-term lease exception to all leases having initial terms of 12 months or less and recognizes occupancy expense on a straight-line basis over the lease term.

During 2022, PLF had a long-term lease for a horse farm in Maryland in which the total amount due on the remaining lease obligation was considered nominal, and therefore, monetarily insignificant. As a result, there was no operating lease, right-of-use asset or lease liability reported on the statement of financial position as of December 31, 2022.

In September 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard requires updated presentation and enhanced disclosure related to contributed nonfinancial assets received. This enhanced disclosure includes disaggregation of significant categories of contributed nonfinancial assets and additional qualitative information regarding the use of these contributed nonfinancial assets.

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:

**PROMISE LANDING FARM, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Financial Statement Presentation (continued)

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

*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, 2022 AND 2021**

**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 represents revenue derived 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 revenue from program income totaled \$2,715 as of January 1, 2021.

*Leases Income*

Leases income is revenue derived from the rental of several fields and an apartment (Note G), and is recognized based on the terms of the lease agreements. Amounts received in advance are recorded as deferred revenue.

*Other Income*

Other income is revenue received from the sales of t-shirts and riding equipment and is recognized at a point of time when the sales are completed.

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**  
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**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 2019 through 2021, 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**  
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**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:

	2022	2021
Cash	\$ 89,943	\$ 112,433
Grants receivable	79,312	158,545
Accounts receivable	6,335	5,932
Total Financial Assets	175,590	276,910
Less: grants receivable, net of current portion	(26,812)	(83,545)
Less: net assets encumbered by donor restrictions	(2,676)	(164,081)
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ 146,102	\$ 29,284

**NOTE E – GRANT RECEIVABLE**

PLF has a multi-year grant due in two years which has been reduced by the discounted present value of the grant in accordance with accounting principals generally accepted in the United States of America. The present value discount rate of 2.5% was applied against the long term portion of the grant receivable for the years ended December 31, 2022 and 2021. Expected receipts from grant due are as follows:

	2022	2021
Due in less than one year	\$ 52,500	\$ 75,000
Due in more than one year	27,500	85,000
Total	80,000	160,000
Less: unamortized discount	(688)	(1,425)
Grant Receivable, Net	\$ 79,312	\$ 158,575

**PROMISE LANDING FARM, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE F – PROPERTY AND EQUIPMENT**

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

	2022	2021
Furniture and equipment	\$ 14,233	\$ 14,233
Vehicles	43,819	43,819
	58,052	58,052
Less: accumulated depreciation	(41,281)	(30,756)
Property and Equipment, Net	<u>\$ 16,771</u>	<u>\$ 27,296</u>

For the years ended December 31, 2022 and 2021, depreciation expense totaled \$10,525.

**NOTE G – NET ASSETS WITH DONOR RESTRICTIONS**

As of December 31, 2022 and 2021, net assets with donor restrictions totaling \$2,676 and \$164,081, were restricted for the program conducted at Melwood Recreation Center.

**NOTE H – PAYCHECK PROTECTION PROGRAM LOAN**

On April 30, 2020, PLF secured a loan in the amount of \$11,180 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.

**PROMISE LANDING FARM, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE I – LEASE COMMITMENTS AND RELATED PARTY TRANSACTIONS**

Related Party Transactions

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.

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

2023	\$	1,200
2024		1,200
2025		1,200
2026		1,200
2027		1,200
Thereafter		14,400
		<u>\$ 20,400</u>

The Chair contributed \$75 and \$810 for the years ended December 31, 2022 and 2021, respectively. He also reimbursed PLF for riding lessons and horse boarding for family members for a total of \$9,581 and \$8,230, for the years ended December 31, 2022 and 2021, respectively.

Non-Related Party Transactions

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 1, 2020 through December 31, 2021. The base rent was \$1,200 annually. Rental income received from this sublease was \$1,200 for the years ended December 31, 2022 and 2021. Due to the uncertainty surrounding some of PLF’s projects, PLF entered into a verbal agreement to extend the sublease for an additional two years under the same terms as the previous written agreement. As such, the sublease agreement is expected to terminate on December 31, 2023, unless extended by both parties.

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 agreement ended on April 30, 2021. PLF entered into a third 12-month residential lease at a rate of \$1,250 per month on March 15, 2022, The total lease income received was \$11,875 and \$2,000, for the years ended December 31, 2022 and 2021, respectively.

**PROMISE LANDING FARM, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE I – LEASE COMMITMENTS AND RELATED PARTY TRANSACTIONS -**  
continued

Non-Related Party Transactions (continued)

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 initial term of the lease was from November 2021 to November 2022, with the option to renew the lease for an additional three terms of five years. The annual rent payment was for one dollar, which is due on or before November 15<sup>th</sup> for the succeeding lease year.

**NOTE J – CONCENTRATION OF FUNDING AND RELATED PARTIES**

For the years ended December 31, 2022 and 2021, PLF received approximately 44% and 41%, respectively 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 to be 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 17, 2023, 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.