

QUANTUM LEAP FARM, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018



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**QUANTUM LEAP FARM, INC.
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YEARS ENDED JUNE 30, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Quantum Leap Farm, Inc.
Odessa, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Quantum Leap Farm, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Quantum Leap Farm, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Quantum Leap Farm, Inc., as of June 30, 2019 and 2018, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Tampa, Florida
January 23, 2020

QUANTUM LEAP FARM, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 167,549	\$ 158,059
Accounts Receivable	17,493	45,824
Beneficial Interest in Assets Held by Others	26,491	25,702
Promises to Give, Current Portion	77,492	155,827
Prepaid Expenses	25,240	13,716
Total Current Assets	314,265	399,128
RESTRICTED CASH	-	2,750
PROMISES TO GIVE, NET OF CURRENT PORTION	189,907	193,235
PROPERTY AND EQUIPMENT, NET	375,878	437,556
Total Assets	\$ 880,050	\$ 1,032,669
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 24,400	\$ 25,771
Line of Credit	14,227	23,321
Current Portion of Note Payable	5,159	5,159
Accrued Expenses and Other Liabilities	27,054	27,534
Total Current Liabilities	70,840	81,785
NOTE PAYABLE, NET OF CURRENT PORTION	1,290	6,449
Total Liabilities	72,130	88,234
NET ASSETS		
Without Donor Restrictions	482,804	594,683
With Donor Restrictions	325,116	349,752
Total Net Assets	807,920	944,435
Total Liabilities and Net Assets	\$ 880,050	\$ 1,032,669

See accompanying Notes to Financial Statements.

**QUANTUM LEAP FARM, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES AND PUBLIC SUPPORT			
Contributions and Grants	\$ 422,175	\$ 74,094	\$ 496,269
Special Event Revenue	538,515	145,860	684,375
Riding Lessons and Fees	151,246	-	151,246
Interest and Other Income	1,384	-	1,384
Net Assets Released from Restriction	244,590	(244,590)	-
Total Operating Revenues and Public Support	1,357,910	(24,636)	1,333,274
OPERATING EXPENSES			
Program Services	905,730	-	905,730
Management and General	254,714	-	254,714
Fundraising	259,334	-	259,334
Total Operating Expenses	1,419,778	-	1,419,778
CHANGE IN OPERATING NET ASSETS	(61,868)	(24,636)	(86,504)
NONOPERATING ACTIVITIES			
Loss on Promises to Give	(50,011)	-	(50,011)
CHANGE IN NET ASSETS	(111,879)	(24,636)	(136,515)
Net Assets - Beginning of Year	594,683	349,752	944,435
NET ASSETS - END OF YEAR	\$ 482,804	\$ 325,116	\$ 807,920

See accompanying Notes to Financial Statements.

**QUANTUM LEAP FARM, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES AND PUBLIC SUPPORT			
Contributions and Grants	\$ 449,982	\$ 134,588	\$ 584,570
Special Event Revenue	505,813	108,200	614,013
Riding Lessons and Fees	176,212	-	176,212
Interest and Other Income	(4,372)	-	(4,372)
Net Assets Released from Restriction	421,609	(421,609)	-
Total Operating Revenues and Public Support	1,549,244	(178,821)	1,370,423
OPERATING EXPENSES			
Program Services	1,033,267	-	1,033,267
Management and General	141,386	-	141,386
Fundraising	257,350	-	257,350
Total Operating Expenses	1,432,003	-	1,432,003
CHANGE IN OPERATING NET ASSETS	117,241	(178,821)	(61,580)
NONOPERATING ACTIVITIES			
Loss on Promises to Give	(30,550)	-	(30,550)
CHANGE IN NET ASSETS	86,691	(178,821)	(92,130)
Net Assets - Beginning of Year	507,992	528,573	1,036,565
NET ASSETS - END OF YEAR	\$ 594,683	\$ 349,752	\$ 944,435

See accompanying Notes to Financial Statements.

QUANTUM LEAP FARM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Supporting Services				Total Expenses
	Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and Related Expenses	\$ 517,986	\$ 180,510	\$ 86,331	\$ 266,841	\$ 784,827
Contract Services Expenses	27,601	31,029	2,500	33,529	61,130
Occupancy Expenses	28,975	10,097	4,829	14,926	43,901
Insurance	3,094	9,827	-	9,827	12,921
Marketing Expenses	2,988	-	4,327	4,327	7,315
Business Expenses	14,687	-	-	-	14,687
Barn and Facility Management	38,519	13,423	6,420	19,843	58,362
Depreciation and Amortization	55,436	9,828	-	9,828	65,264
Farm Animals Expenses	174,483	-	-	-	174,483
Activity Expenses	38,389	-	-	-	38,389
Event Food and Beverage	-	-	45,836	45,836	45,836
Event Venue	-	-	18,756	18,756	18,756
Event Fees and Rentals	-	-	32,900	32,900	32,900
Other Event Expenses	-	-	53,887	53,887	53,887
Donor Stewardship and Cultivation	-	-	3,548	3,548	3,548
Bad Debt Expense	3,572	-	-	-	3,572
Operating Expenses Per Statement of Activities	905,730	254,714	259,334	514,048	1,419,778
Nonoperating Expense for Loss on Promises to Give	32,007	9,002	9,002	18,004	50,011
Total Expenses	<u>\$ 937,737</u>	<u>\$ 263,716</u>	<u>\$ 268,336</u>	<u>\$ 532,052</u>	<u>\$ 1,469,789</u>

See accompanying Notes to Financial Statements.

QUANTUM LEAP FARM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Supporting Services				Total Expenses
	Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and Related Expenses	\$ 491,989	\$ 107,986	\$ 108,496	\$ 216,482	\$ 708,471
Contract Services Expenses	-	22,948	-	22,948	22,948
Occupancy Expenses	64,972	-	-	-	64,972
Insurance	20,889	1,898	-	1,898	22,787
Marketing Expenses	11,490	-	-	-	11,490
Business Expenses	44,710	-	-	-	44,710
Barn and Facility Management	42,164	-	-	-	42,164
Depreciation and Amortization	69,841	-	-	-	69,841
Farm Animals Expenses	159,985	-	-	-	159,985
Activity Expenses	127,227	-	-	-	127,227
Event Food and Beverage	-	-	48,924	48,924	48,924
Event Venue	-	-	11,529	11,529	11,529
Event Fees and Rentals	-	-	33,238	33,238	33,238
Other Event Expenses	-	-	48,103	48,103	48,103
Donor Stewardship and Cultivation	-	-	7,060	7,060	7,060
Bad Debt Expense	-	8,554	-	8,554	8,554
Operating Expenses Per Statement of Activities	1,033,267	141,386	257,350	398,736	1,432,003
Nonoperating Expense for Loss on Promises to Give	-	30,550	-	30,550	30,550
Total Expenses	<u>\$ 1,033,267</u>	<u>\$ 171,936</u>	<u>\$ 257,350</u>	<u>\$ 429,286</u>	<u>\$ 1,462,553</u>

See accompanying Notes to Financial Statements.

QUANTUM LEAP FARM, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (136,515)	\$ (92,130)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	65,264	69,841
Bad Debt Expense	3,572	8,554
Loss on Promises to Give	50,011	30,550
Loss on Sale of Property and Equipment	-	10,742
Donated Property and Equipment	-	(7,641)
Proceeds from Contributions Restricted for Capital Expenditure	-	(6,750)
Changes in Operating Assets and Liabilities:		
Beneficial Interest in Assets Held by Others	(789)	(578)
Accounts Receivable	28,331	(30,854)
Promises to Give	28,080	45,157
Prepaid Expenses	(11,524)	3,547
Accounts Payable	(1,371)	(2,810)
Accrued Expenses and Other Liabilities	(480)	(7,058)
Net Cash Provided by Operating Activities	24,579	20,570
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(3,586)	(40,282)
Net Cash Used by Investing Activities	(3,586)	(40,282)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Capital Expenditure	-	6,750
Principal Payments on Note Payable	(5,159)	(5,159)
Net Proceeds (Payments) from Line of Credit	(9,094)	23,321
Net Cash Provided (Used) by Financing Activities	(14,253)	24,912
 NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	6,740	5,200
 Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	160,809	155,609
 CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 167,549	\$ 160,809
 SUPPLEMENTARY INFORMATION		
Cash Paid for Interest	\$ 1,643	\$ 322

See accompanying Notes to Financial Statements.

QUANTUM LEAP FARM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Quantum Leap Farm, Inc. (the Organization) is a nonprofit comprehensive equine-assisted therapies program incorporated in the state of Florida on January 19, 2000. This state-of-the-art ADA accessible farm operates on 20 acres in beautiful Odessa, Florida, and serves children and adults with disabilities living in and around the Tampa Bay area and current and former military service members who come from all over the US. The Organization also works with their family members understanding the impacts of having a disabled family member affect an entire family. The Organization's mission is to inspire and empower people of all ages and abilities to recognize and fulfill their potential, through equine-assisted therapies.

With the help of over 1,100 volunteers, the Organization serves approximately 1,600 unique participants each year including wounded warriors, kids, and adults with special needs, military families, and pediatric cancer patients. Their lives are enriched and enhanced through participation in a variety of equestrian activities designed to promote and improve physical, mental, and social well-being. Services include Therapeutic (Adaptive) Horseback Riding, Hippotherapy (Occupational and Speech Therapy on horseback), and equine-experiential learning activities including Kinesthetic Therapy, At EASE (equine-assisted self-exploration – a mental/behavioral health program), Family Fun Days for specific populations, and Military Programs including therapeutic retreats for service members and/or family members. All services are professionally staffed by licensed therapists and certified instructors who all maintain special certifications to use horses as a therapeutic tool in various equine-assisted activities. For more detailed explanations and additional services see the Description of Program and Supporting Services section.

The Organization has seen significant growth since its inception. Physical facilities include a spacious covered riding arena with large fans, lights, restrooms, an outdoor kitchen and a comfortable observation deck from which family members and caregivers may watch ongoing sessions or just relax and socialize with peers. Other structures include three horse barns, three storage barns, a smaller arena for conducting sessions in privacy when needed, an office building and 20 beautiful acres for therapy horse grazing, trail rides and wildlife watching. The Organization has an extensive waiting list of clients for all programs. Sources of revenue for the Organization's services include contributions and grants, special events, and program revenue generated through fees and collaborative projects with other nonprofit organizations.

Basis of Accounting

The Organization's financial statements have been prepared using the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when incurred.

QUANTUM LEAP FARM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Basis of Presentation

The Organization has presented its financial statements in accordance with generally accepted accounting principles in the United States of America for nonprofit organizations. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed (or certain grantor-imposed) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Description of Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Hippotherapy Activities

Hippotherapy is a form of physical, occupational or speech therapy in which a licensed therapist uses the characteristic movements of a horse to provide carefully graded sensory input. For clients recovering from injury or who have physical disability, Hippotherapy is an excellent exercise for improving functional mobility. Facilitated by licensed Occupational Therapist, sessions are conducted mounted or on the ground. Patient and therapist develop goals and treatment plans for functional improvements using the horse as a therapeutic tool and exploiting the horse's movement to benefit the rider. Goals do not involve horsemanship and are strictly focused on physical improvements in balance, proprioception, range of motion, postural control, muscular strength and endurance, and cardiovascular fitness. Participants are referred through their physicians and therapists.

QUANTUM LEAP FARM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Description of Program and Supporting Services (Continued)

Therapeutic Riding Activities

Therapeutic riding (also called adaptive riding) is an excellent form of exercise therapy that is fun, safe, challenging, and socially rewarding for participants with physical, emotional, or cognitive disabilities. The goals of therapeutic riding revolve around learning horsemanship, improving basic riding skills and many times, learning a specific riding discipline such as dressage or western pleasure. In therapeutic riding, special attention is paid to facilitating improvements in muscle strength, coordination, balance, stamina, self-confidence, and social interaction. Lesson plans are tailored individually to address clients' special needs. The therapeutic riding instructors are specially trained and certified to instruct clients with a wide variety of physical and mental disabilities, as well as siblings or other family members who are not disabled. Sessions are conducted in a covered riding arena, pastures and round pen. Therapeutic sessions are conducted according to each rider's interests, needs, abilities, and rate of progress. Participants in the therapeutic equine programs are self-referred or may be referred by a medical professional.

Equine Experiential Learning

Kinesthetic Therapy – Kinesthetic Therapy sessions are designed for participants who may be too fragile to sit astride a horse safely, or who may not be mobile enough for other equine activities. Sessions may involve sensory integration work, socialization activities, occupational therapy, or just friendly visits with the gentle therapy animals and staff. Sessions are facilitated by licensed therapists or certified instructors.

At E.A.S.E (Equine-Assisted Self Exploration) – This mental and behavioral health program facilitates learning through experiences with horses in specifically designed activities for emotional and relational growth. The horse's innate ability to sense imbalance between the outward self and the inner self creates a powerful tool for self-exploration. The scope of this program includes actual psychotherapy for issues relating to substance abuse, trauma recovery and grief work, to personal and professional growth and development. This program is highly effective for individuals, couples, families, groups and even corporate workshops, and is facilitated by a team of specially certified and licensed mental health counselors.

Family Fun Days (FFD) – Family Fun Days are designed to facilitate social interaction and peer-to-peer support for families of disabled participants. The Organization hosts FFDs 8-10 times each year exclusively for four different populations of clients including: military service members, kids, and adults with special needs, wounded warriors, pediatric cancer patients, and their families. Activities include a picnic lunch, pony rides, equestrian themed arts and crafts, and all sorts of outdoor games and activities to promote engagement with friends and family members.

QUANTUM LEAP FARM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Description of Program and Supporting Services (Continued)

Equine Experiential Learning (Continued)

Little Leapers Program – The Little Leapers Program is furthering that mission by providing client centered, out-patient Occupational Therapy in a functional setting to children with disabilities, ages 3 to 18. The primary purpose is to focus on physical, emotional and cognitive skills in order to transfer to independence in activities of daily living. This will include focusing on social skills, sensory stimulation and appropriate interactions with animals. This will help with emotional and cognitive creativity, also riding and walking with horses to help with movement and balance coordination, and working on eye contact and transitions to help with social skills and safety awareness.

Military Programs

Injured service members and their families may participate in any of the therapeutic activities including Therapeutic Riding, Hippotherapy, Kinesthetic Therapy, At E.A.S.E. sessions and Family Fun Days.

In addition, four times each year the Organization hosts five-day Therapeutic Retreats for 8-10 current or former military service members with post-traumatic stress, traumatic brain injury, chronic pain and military sexual trauma and/or their spouses and caregivers. Retreats are professionally facilitated and feature equine-assisted therapies along with Accelerated Resolution Therapy (ART), cranio-sacral massage, adaptive yoga, neuro-feedback training, and story-telling workshops to help them better communicate their experiences to their families and communities.

Internship Opportunities

The Organization offers internship opportunities to undergraduate and graduate students alike. Many of the Organization's interns are pursuing careers in fields such as Physical, Occupational and Speech Therapy, Exercise Science, Behavioral Health, Medicine, Social Work and Mental Health Counseling. The Organization hosts students from the University of South Florida, University of Tampa, South University, Polk State College, Rasmussen University, and others.

Volunteer Opportunities

The Organization provides a variety of volunteer opportunities for approximately 1,100 people annually, who are 16 years and older. The volunteers are Bright Futures Scholars, Boy Scouts, Girl Scouts, church groups, corporate groups, and individuals from all walks of life. Volunteers provide clients with physical support, social support, and intergenerational interaction during therapy sessions. They also serve on the Organization's board, board committees, and fundraising and event committees and help execute events and perform day-to-day operations.

**QUANTUM LEAP FARM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Description of Program and Supporting Services (Continued)

Collaboration

The Organization has long-standing collaborative relationships with local VA hospitals, MacDill Air Force Base and numerous other agencies and nonprofit organizations. Participants are referred from multiple departments at James A. Haley Veterans Administration Hospital, Bay Pines Veterans Administration Medical Center, various family services centers located on MacDill Air Force Base, and other nonprofit organizations.

Management and General

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy; secure proper administrative functioning of the board of directors; and manage the financial and budgetary responsibilities of the Organization.

Fundraising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations. The Organization has developed a variety of funding programs to ensure the long-term viability of the Organization's current and expanding therapeutic services for clients and their families.

Estimates

The preparation of financial statements in conformity 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. Accordingly, actual results could differ from those estimates.

Cash, Cash Equivalents, and Restricted Cash

For purposes of reporting cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

The Organization receives contributions that have been restricted by donors for long-term purposes, such as the acquisition of property and equipment. The unspent proceeds from these contributions are classified as restricted cash.

The cash, cash equivalents, and restricted cash consists of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 167,549	\$ 158,059
Restricted Cash	-	2,750
Total Cash, Cash Equivalents, and Restricted Cash Shown in Statements of Cash Flows	<u>\$ 167,549</u>	<u>\$ 160,809</u>

QUANTUM LEAP FARM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on historical experience and other circumstances which may affect the ability of clients to meet their obligations. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Management has determined that no allowance is needed as of June 30, 2019 and 2018.

Beneficial Interest in Assets Held by Others

Consists of a fund with a local community foundation. The funds are invested in the community foundation's investment pool and the Organization receives a proportionate share of the overall investment return of the pool. The underlying investments in the community foundation's investment pool consists of cash, equity securities, debt securities, private equity funds, limited partnerships, and hedge funds. These assets are measured at fair value, as reported by community foundation. The Organization may request distributions from the fund up to four times per year by an affirmative vote of 75% of the Organization's board of directors.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their future cash flows. The discount for present value is computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Management estimates an allowance for promises to give based on historical experience and other circumstances which may affect the ability of donors to meet their obligations. It is the Organization's policy to charge off uncollectible promises to give when management determines the balance will not be collected.

Property and Equipment

Property and equipment is recorded at historical cost and includes expenditures which substantially increase the useful lives of existing property and equipment. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000, or if donated, at fair market value at the date of acquisition. Maintenance and repairs are charged to operations when incurred. When property and equipment is sold or otherwise disposed of, the related asset account and related accumulated depreciation account are relieved, and any gain or loss is included in other income or expense.

QUANTUM LEAP FARM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Property and Equipment (Continued)

Depreciation and amortization of property and equipment is computed using the straight-line method over the estimated useful lives of the assets as follows:

Riding Arena	5 to 15 Years
Barn Equipment	5 to 12 Years
Horses	5 to 10 Years
Building	5 to 39 Years
Leasehold Improvements	15 Years
Furniture and Fixtures	5 Years
Computers and Servers	3 to 10 Years

Donations of property and equipment are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose upon receipt. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Contributions and Grants

Under accounting principles generally accepted in the United States of America for nonprofit organizations, contributions and grants received are recorded as public support without donor restrictions or public support with donor restrictions depending on the existence and/or nature of any donor restrictions.

Donated Services

Donated services are recognized as contributions upon performance of service if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Approximately 1,100 volunteers serve regularly as disabled riders can require up to three volunteers and horse-care is ongoing and labor intensive. The accompanying statements of activities do not include any contributions related to these volunteer hours because the recognition criteria were not met.

Nonoperating Activities

In the accompanying statements of activities, the Organization includes in its definition of operating activities all revenues and expenses that are an integral part of its programs and supporting activities. Nonoperating activities consist primarily of losses incurred on promises to give.

QUANTUM LEAP FARM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Functional Allocation of Expense

The costs of providing various program and related supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated to one or more of the appropriate program and supporting services. Salaries and related expense, occupancy expense and barn and facility management are allocated based on estimated time and effort of personnel. Depreciation and amortization is allocated based on estimated use of asset. All other expenses are directly allocated to the programs and services they support.

Reclassifications

Certain amounts previously reported in the financial statements for the prior year have been reclassified in order for them to be in conformity with the current year presentation.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, except for the statement of functional expenses for the year ended June 30, 2018. Net assets originally stated as unrestricted net assets were reclassified as net assets without donor restrictions. Net assets originally stated as temporarily restricted or permanently restricted net assets were reclassified as net assets with donor restrictions.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and from state corporate income tax under applicable Florida Statutes. The IRC provides for taxation of unrelated business income under certain circumstances. The Organization has no unrelated business income; however, such status is subject to final determination upon examination of the related income tax returns by the appropriate taxing authorities. The Organization has no uncertain tax positions that it has taken and believes that it can defend its tax return in any jurisdiction.

Subsequent Events

Subsequent events were evaluated through January 23, 2020, which is the date the financial statements were available to be issued.

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NOTE 2 LIQUIDITY AND AVAILABILITY

As part of the Organization’s liquidity management, a line of credit in the amount of \$50,000 is available for unanticipated liquidity needs. The Organization has a goal to maintain financial assets, which consists of cash and cash equivalents on hand to meet 30 days of normal operating expenses, which are, on average, approximately \$112,000. The Organization’s financial assets available within one year of the financial position date for general expenditures are as follows as of June 30:

	2019	2018
Cash and Cash Equivalents	\$ 167,549	\$ 158,059
Accounts Receivable	17,493	45,824
Promises to Give, Current Portion	77,492	155,827
Total Financial Assets	262,534	359,710
Less: Donor-Imposed Restrictions	(50,000)	(17,750)
Total Financial Assets Available for General Expenditures Within One Year	\$ 212,534	\$ 341,960

NOTE 3 FAIR VALUE MEASUREMENTS

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity’s own assumptions, as there is little, if any, related market activity.

QUANTUM LEAP FARM, INC.
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NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth, by level within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis as of June 30:

	2019			Total
	Level 1	Level 2	Level 3	
Beneficial Interest in Assets				
Held by Others	\$ -	\$ -	\$ 26,491	\$ 26,491
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,491</u>	<u>\$ 26,491</u>

	2018			Total
	Level 1	Level 2	Level 3	
Beneficial Interest in Assets				
Held by Others	\$ -	\$ -	\$ 25,702	\$ 25,702
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,702</u>	<u>\$ 25,702</u>

The following table summarizes the activity of Level 3 assets for the years ended June 30:

	2019	2018
Beneficial Interest in Assets Held by Others - Beginning of Year	\$ 25,702	\$ 25,124
Investment Income	789	578
Beneficial Interest in Assets Held by Others - End of Year	<u>\$ 26,491</u>	<u>\$ 25,702</u>

NOTE 4 PROMISES TO GIVE

Unconditional promises to give consists of the following as of June 30:

	2019	2018
Due in Less Than 1 Year	\$ 77,492	\$ 155,827
Due in 1 to 5 Years	213,374	203,932
Total Promises to Give	290,866	359,759
Less: Allowance for Uncollectible Promises	(23,467)	(10,697)
Promises to Give, Net	267,399	349,062
Less: Promises to Give, Current Portion	(77,492)	(155,827)
Promises to Give, Net of Current Portion	<u>\$ 189,907</u>	<u>\$ 193,235</u>

Promises to give that are due in more than one year are discounted at a rate of 1.44% to 2.57%.

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NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Riding Arena	\$ 491,001	\$ 491,001
Barn Equipment	90,237	90,237
Horses	89,950	89,950
Building	290,836	290,836
Leasehold Improvements	49,785	49,785
Furniture and Fixtures	11,964	10,499
Computers and Servers	33,866	31,745
Total	<u>1,057,639</u>	<u>1,054,053</u>
Less: Accumulated Depreciation and Amortization	<u>(681,761)</u>	<u>(616,497)</u>
Total	<u>\$ 375,878</u>	<u>\$ 437,556</u>

Depreciation and amortization expense totaled approximately \$65,000 and \$70,000 for years ended June 30, 2019 and 2018, respectively.

NOTE 6 LINE OF CREDIT

The Organization has a \$50,000 revolving line of credit. The outstanding balance on the line of credit was approximately \$14,000 and \$23,000 as of June 30, 2019 and 2018, respectively. Bank advances on the line of credit are due on demand. Interest is due monthly at a variable rate equal to the prime rate plus 0.50% (6.00% and 5.50% at June 30, 2019 and 2018, respectively). The line of credit is secured by the business assets.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of June 30:

	<u>2019</u>	<u>2018</u>
Time Restrictions on Promises to Give	\$ 275,116	\$ 332,002
At E.A.S.E Retreats	50,000	-
Military Programs	-	15,000
Capital Expenditures	-	2,750
Total	<u>\$ 325,116</u>	<u>\$ 349,752</u>

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NOTE 8 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions as follows for the years ended June 30,

	2019	2018
Purpose Restrictions Accomplished:		
At E.A.S.E Retreats	\$ 103,344	\$ 150,254
Capital Expenditures	2,750	53,232
Little Leapers Program	10,000	10,000
Apparel	-	8,000
Horse Sponsorship	-	4,500
Family Fun Days	1,750	2,500
Total Purpose Restrictions Accomplished	117,844	228,486
Time Restrictions Expired	126,746	193,123
Total Restrictions Released	\$ 244,590	\$ 421,609

NOTE 9 CONCENTRATION OF CREDIT RISK

The Organization maintains deposits in a financial institution that at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses on its deposits with financial institutions.

NOTE 10 CONTINGENCIES

The Organization was awarded forgivable, interest-free mortgages from the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) which is passed through Hillsborough County. These funds were recognized as revenue in the year of receipt.

In 2006, the Organization executed a mortgage which has a balance of \$568,295 as of June 30, 2019 and 2018. The mortgage shall be forgiven on October 4, 2021 if the terms and conditions of the CDBG agreement are met. Among other CDBG requirements, the property is required to be maintained and used for training, educational and socialization for the disabled until October 4, 2036.

In 2013, the Organization executed a mortgage which has a balance of \$-0- and \$74,674 as of June 30, 2019 and 2018, respectively. The mortgage was forgiven on December 31, 2018. Among other CDBG requirements, the property was required to be maintained and used for therapeutic and recreational riding and as a research facility for persons with physical and mental disabilities until December 31, 2018.

QUANTUM LEAP FARM, INC.
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NOTE 11 RELATED PARTIES

The Organization receives contributions from employees and members of its governing board. The Organization received contributions from employees and members of the governing board totaling approximately \$49,000 and \$82,000 during the years ended June 30, 2019 and 2018, respectively. The accompanying statements of financial position include approximately \$23,000 and \$87,000 of promises to give from employees and members of the governing board as of June 30, 2019 and 2018, respectively.