

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

QUANTUM LEAP FARM, INC.

June 30, 2025

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Quantum Leap Farm, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 2025

ASSETS

Current assets	
Cash and cash equivalents	\$ 918,376
Accounts receivable, net	9,658
Pledges receivable, net	1,062
Investments	502,277
Prepaid expenses	39,617
Total current assets	<u>1,470,990</u>
Property and equipment, net	3,301,204
Beneficial interest in assets held by others	32,328
Pledges receivable, net	1,200
Operating lease right-of-use asset	95,171
TOTAL ASSETS	<u><u>\$ 4,900,893</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	\$ 48,811
Operating lease liability, current portion	19,334
Note payable, current portion	3,920
Total current liabilities	<u>72,065</u>
Long-term liabilities	
Operating lease liability, less current portion	75,837
Note payable, less current portion	134,849
Total liabilities	<u>282,751</u>
Net assets	
Without donor restrictions	4,440,880
With donor restrictions	177,262
Total net assets	<u>4,618,142</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,900,893</u></u>

The accompanying notes are an integral part of this financial statement.

Quantum Leap Farm, Inc.  
STATEMENT OF ACTIVITIES

June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT</b>			
Contributions	\$ 392,675	\$ -	\$ 392,675
Grants	671,940	150,000	821,940
Special events revenue	819,609	25,000	844,609
Less: special events expenses	(199,741)	-	(199,741)
Net revenues from special events	619,868	25,000	644,868
Riding lessons and fees	107,843	-	107,843
Investment income, net	41,874	-	41,874
Loss on disposal of equipment	(5,402)	-	(5,402)
Net assets released from restrictions	10,617	(10,617)	-
Total revenue and other support	1,839,415	164,383	2,003,798
 <b>EXPENSES</b>			
Program services	1,325,011	-	1,325,011
General and administrative	210,244	-	210,244
Fundraising	205,096	-	205,096
Total expenses	1,740,351	-	1,740,351
Change in net assets, before other change in net assets	99,064	164,383	263,447
 <b>OTHER CHANGE IN NET ASSETS</b>			
Employee Retention Credits	117,940	-	117,940
<b>CHANGE IN NET ASSETS</b>	217,004	164,383	381,387
Net assets at beginning of year	4,223,876	12,879	4,236,755
Net assets at end of year	\$ 4,440,880	\$ 177,262	\$ 4,618,142

The accompanying notes are an integral part of this financial statement.

Quantum Leap Farm, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

June 30, 2025

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses	\$ 711,814	\$ 83,199	\$ 129,421	\$ 924,434
Contract services	55,870	103,765	64,000	223,635
Occupancy	19,463	1,925	-	21,388
Insurance	15,806	1,405	-	17,211
Marketing	13,541	-	-	13,541
Business	24,042	4,243	-	28,285
Barn and facility management	109,386	10,818	-	120,204
Farm animal expenses	174,632	-	-	174,632
Activity expenses	156,475	-	-	156,475
Donor stewardship and cultivation	-	-	9,149	9,149
Depreciation and amortization	43,632	4,889	-	48,521
Bad debt expense	350	-	2,526	2,876
	<u>350</u>	<u>-</u>	<u>2,526</u>	<u>2,876</u>
Total	<u>\$ 1,325,011</u>	<u>\$ 210,244</u>	<u>\$ 205,096</u>	<u>\$ 1,740,351</u>

The accompanying notes are an integral part of this financial statement.

Quantum Leap Farm, Inc.  
STATEMENT OF CASH FLOWS  
June 30, 2025

Cash flows from operating activities	
Change in net assets	\$ 381,387
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	48,521
Bad debt expense	350
Loss on sale of equipment	5,402
Unrealized and realized gain on investments	(5,525)
Decrease in right of use asset - operating lease	29,625
Decrease in accounts receivable	2,949
Decrease in pledges receivable	10,617
Decrease in prepaid expenses	10,969
Increase in beneficial interest in assets held by others	(2,414)
Accounts payable and accrued expenses	23,973
Decrease in operating lease liability	<u>(29,625)</u>
Net cash provided by operating activities	<u>476,229</u>
Cash flows from investing Activities	
Purchase of investments	(200,000)
Proceeds from sale of investments	101,497
Purchase of equipment	(96,895)
Proceeds from sale of equipment	<u>27,000</u>
Net cash used by investing activities	<u>(168,398)</u>
Cash flows from financing activities	
Payments on note payable	<u>(315)</u>
Net cash used by financing activities	<u>(315)</u>
Net change in cash, cash equivalents and restricted cash	307,516
Cash, cash equivalents and restricted cash at beginning of year	<u>610,860</u>
Cash, cash equivalents and restricted cash at end of year	<u><u>\$ 918,376</u></u>
Supplemental disclosure of cash flow information	
Cash paid for interest	<u><u>\$ 8,623</u></u>
Income taxes paid	<u><u>\$ -</u></u>
Right of use of land and barn facilities - operating lease	<u><u>\$ 124,796</u></u>

The accompanying notes are an integral part of this financial statement.

Quantum Leap Farm, Inc.

NOTES TO FINANCIAL STATEMENT

June 30, 2025

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 United States. The Organization also works with their family members understanding the impacts of having a disabled family member affects 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

2. Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein and 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.

3. Program Services

Therapeutic riding participants are encouraged to focus on their abilities instead of their disabilities. While they're learning horsemanship skills, they're also experiencing exercises that stretch muscles, improve balance and provide a total body gentle muscular workout. Participants also experience social and intellectual benefits including improved communication and relationship-building skills, and decreased anxiety and impulsivity. Goals are horsemanship related and sessions are facilitated by our certified riding instructors.

Hippotherapy services utilize an intensive therapeutic approach facilitated by a specially trained, certified and licensed occupational therapist, physical therapist or speech pathologist. The practitioners utilize the characteristic movements of the horse to provide carefully graded sensory input resulting in functional improvements in balance, proprioception, range of motion, postural control, muscular strength, endurance and tone and cardiovascular fitness, as well as helping with neurological reorganization.

Quantum Leap Farm, Inc.

NOTES TO FINANCIAL STATEMENT - CONTINUED

June 30, 2025

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Equine-Assisted Self Exploration Psychotherapy is one of our mental health programs. In this, veterans will work with specially trained, certified and licensed mental health counselors in sessions designed to help clients acknowledge and recognize emotional challenges and triggers, assess and identify available resources, and to learn and employ healthy coping strategies, self-reliance and personal responsibility. Metaphoric and experiential learning facilitate personal growth and development.

Other programs include family fun days, and internships for students in related fields. Family Fun Days are population-specific family-oriented events designed to encourage family member interaction and provide invaluable peer-to- peer support. Events feature a lunchtime cookout, pony rides for kids 12 and under, pony painting, equine-themed arts and crafts, and outdoor games of all kinds. These relaxing and fun afternoons provide special bonding time for families experiencing similar circumstances, in a beautiful and emotionally safe space where they can recreate, connect or re-connect and engage with each other.

4. Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents, and restricted cash include cash and all highly liquid investments with an original maturity of 90 days or less.

5. Investments

The Organization reports investments in U.S. Treasury's with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

6. Beneficial Interest in Assets Held by Others

Consists of a fund with a local community foundation. The funds are invested in the Community Foundation of Tampa Bay, Inc.'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 of Tampa Bay, Inc.

Quantum Leap Farm, Inc.

NOTES TO FINANCIAL STATEMENT - CONTINUED

June 30, 2025

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Revenue Recognition and Related Accounts Receivable

Program service fees and payments under various contracts are accounted for under ASC Topic 606, Revenue from Contracts with Customers (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied. Program services include hippotherapy activities, therapeutic activities, and equine experiential learning. Program services fees and related receivables are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services to their program participants. Revenue is recognized as performance obligations are satisfied. Revenue is recognized over time as the services are performed.

Accounts receivables are stated at unpaid balances, less an allowance for credit losses. 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 members 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, 2025.

8. Contributions, Grants and Pledges Receivable

Contributions and grants received are classified as with and without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions and grants receivable are recognized when an unconditional promise to give is received. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. The Organization has not recorded the present value discount for long-term contributions as they have determined it does not materially impact the financial statements. 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.

Conditional contributions and grants – that is, those with a measurable performance or other barrier and a right of return – are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Payments received before conditions are substantially met are recorded as deferred revenue in the accompanying statements of financial position. There were no conditional contributions and grants awarded in the year ended June 30, 2025.

Quantum Leap Farm, Inc.

NOTES TO FINANCIAL STATEMENT - CONTINUED

June 30, 2025

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. Special Events

Special fundraising events comprise an exchange element based on the value of benefits provided and a contribution element for the difference between the total support and the exchange element. The exchange element includes the meals and services provided to participants and the auction items purchased at the events. The performance obligation for meals and services provided is met over time as the event occurs. The performance obligation for auction items purchased is met at a point in time when auction closes.

The following table shows the Organization's special events revenue for the year ended June 30, 2025, disaggregated according to the timing of revenue recognition:

Unconditional Contributions	\$	717,318
Meals and Services		84,841
Auction Proceeds		<u>42,450</u>
Total	\$	<u>844,609</u>

10. Property and Equipment

Property and equipment are recorded at historical cost less accumulated depreciation 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 \$2,500, or if donated, at fair market value at the date of acquisition. Depreciation and amortization of property and equipment is computed using the straight-line method over the estimated useful lives of the assets. 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.

11. 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. 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.

Quantum Leap Farm, Inc.

NOTES TO FINANCIAL STATEMENT - CONTINUED

June 30, 2025

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

12. Lease

The Organization leases certain agricultural land and equine facilities. The Organization typically determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) asset – operating lease and operating lease liability on the accompanying statement of financial position.

The ROU asset represents the Organization's right to use an underlying asset for the lease term and lease liability represent the Organization's obligation to make lease payments arising from the lease. The operating lease ROU asset and liability are recognized at the commencement date based on the present value of the lease payments over the lease term. The Organization has elected to use a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain the Organization will exercise the option. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

13. Functional Allocation of Expenses

The costs of providing various program and related supporting services have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated to one or more of the appropriate programs 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 are allocated based on estimated use of asset. All other expenses are directly or indirectly allocated to the programs and services they support.

14. 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.

Quantum Leap Farm, Inc.

NOTES TO FINANCIAL STATEMENT - CONTINUED

June 30, 2025

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Organization utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2025, the Organization has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements. Tax years after June 2021 remain open for examination by taxing authorities.

15. Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and capital assets reserve.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

NOTE C - LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

The Organization maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as the Organization's expenditures come due. The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

Quantum Leap Farm, Inc.

NOTES TO FINANCIAL STATEMENT - CONTINUED

June 30, 2025

NOTE C - LIQUIDITY AND FINANCIAL ASSET AVAILABILITY - Continued

Total assets at year end	\$ 4,900,893
Less non-financial assets	
Prepaid expenses and other assets	(39,617)
Property and equipment, net	<u>(3,301,204)</u>
Financial assets at year-end	1,560,072
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	<u>(177,262)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,382,810</u></u>

The Organization is principally supported by contributions and grants from the public. The goal of the Organization is to maintain available financial assets to meet its next 30 days of operating expenses of approximately \$145,000. In the event of unanticipated liquidity needs, the Organization has a line of credit with available borrowings of \$50,000.

NOTE D - PLEDGES RECEIVABLE

Pledges receivables consist of the following:

Receivables within one year	\$ 1,062
Receivables in two to five years	1,200
Total promises to give	<u>2,262</u>
Less: Allowance for uncollectible promises to give	-
Promises to give, net	2,262
Less: Promises to give, net of current portion	<u>1,062</u>
Promises to give, net of current portion	<u><u>\$ 1,200</u></u>

NOTE E - INVESTMENTS

Investments carried at fair value and consisted of the following on June 30, 2025:

U.S. Treasuries	\$ 301,133
Municipal bonds	<u>201,144</u>
	<u><u>\$ 502,277</u></u>

Quantum Leap Farm, Inc.

NOTES TO FINANCIAL STATEMENT - CONTINUED

June 30, 2025

NOTE E - INVESTMENTS - Continued

The components of investment income, net investment expenses, are summarized as follows for the year ended June 30, 2025:

Interest and dividends	\$ 36,349
Net realized and unrealized gains on investments	<u>5,525</u>
Total investments at fair value	<u><u>\$ 41,874</u></u>

NOTE F - PROPERTY AND EQUIPMENT

The components of property and equipment on June 30, 2025, are as follows:

	<u>Estimated Useful Lives</u>	<u>Total</u>
Land	-	\$ 2,978,676
Riding arena	5 - 15 years	520,508
Building	5 - 39 years	360,788
Barn equipment	5 - 12 years	48,554
Horses	5 - 10 years	69,350
Leasehold improvements	15 years	49,785
Vehicles	5 years	67,216
Furniture and fixtures	5 years	11,964
Computers and servers	3 - 10 years	<u>25,018</u>
		4,131,859
Less accumulated depreciation		<u>(830,655)</u>
Property and equipment, net		<u><u>\$ 3,301,204</u></u>

Depreciation expense for the year ended June 30, 2025, amounted to \$48,521.

Quantum Leap Farm, Inc.

NOTES TO FINANCIAL STATEMENT - CONTINUED

June 30, 2025

NOTE G - LONG-TERM DEBT

The Organization has a 30-year loan with the U.S. Small Business Administration (SBA) that originated in May 2020 and bears interest at a fixed rate of 2.75%. The loan is secured by the organization's assets. Monthly payments of principal and interest are \$640. At June 30, 2025 the total amount outstanding on this loan was \$134,849. Maturities of long-term debt subsequent to June 30, 2025, are as follows:

<u>Years ending June 30.</u>	
2026	\$ 3,920
2027	4,029
2028	4,141
2029	4,257
Thereafter	<u>122,422</u>
	<u>\$ 138,769</u>

NOTE H - LINE OF CREDIT

The Organization maintains a line of credit agreement with a local financial institution. Available borrowings related to the agreement are \$50,000, with an interest rate of 8.0% on June 30, 2025, secured by any inventory, chattel paper, accounts, equipment, and general intangible assets, if any. The credit line is due on demand and is reviewed annually by the lender. The outstanding balance as of June 30, 2025, was zero.

NOTE I - NET ASSETS

A summary of net assets with donor restrictions follows:

Restricted for capital improvements	\$ 150,000
Restricted for special event	25,000
Time restricted on promises to give	<u>2,262</u>
Total net assets with donor restrictions	<u>\$ 177,262</u>

A summary of the release of net assets with donor restrictions follows:

Time restrictions	<u>\$ 10,617</u>
Total net assets with donor restrictions released	<u>\$ 10,617</u>

Quantum Leap Farm, Inc.

NOTES TO FINANCIAL STATEMENT - CONTINUED

June 30, 2025

NOTE J - FAIR VALUE MEASUREMENT

Financial instruments measured at fair value are classified and disclosed in the following categories:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level I are equities, certain corporate bonds, intermediate bond funds, U.S. Treasury notes and cash and cash equivalents.

Level 2 - Pricing inputs are other than quoted prices for identical investments in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. The types of investments which are generally included in this category include corporate bonds, government bonds, mortgage-backed securities, real estate investment trusts and closed-end funds.

Level 3 - Valuation is based on unobservable inputs.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used on June 30, 2025.

*U.S. Treasury Securities* are investments that are valued using quoted prices in active markets from the custodian bank's primary external pricing vendors.

*Municipal Bonds* are investments that are valued using independent pricing services using spreads obtained from broker-dealers, recent trade prices and new-issue market prices. Municipal bonds are not actively traded.

*Beneficial Interest in Assets Held by Others* are investments pooled with other assets for investment purposes and valued at net asset value based on the valuation of the underlying securities.

Quantum Leap Farm, Inc.

NOTES TO FINANCIAL STATEMENT - CONTINUED

June 30, 2025

NOTE J - FAIR VALUE MEASUREMENT - Continued

The methods described may above produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Assets and liabilities measured at fair value on a recurring basis, are summarized for the year ended June 30, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasuries	\$ 301,133	\$ -	\$ -	\$ 301,133
Municipal bonds	-	201,144	-	201,144
Beneficial interest in assets held by others	-	-	32,328	32,328
	<u>\$ 301,133</u>	<u>\$ 201,144</u>	<u>\$ 32,328</u>	<u>\$ 534,605</u>

NOTE K - CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash deposits with local financial institution on June 30, 2025, in excess of federally insured limits of approximately \$310,000.

NOTE L - 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. The mortgages were forgiven by Hillsborough County in April 2023.

In conjunction with the mortgages, the Organization entered into a land use restriction agreement with Hillsborough County under which the property is required to be maintained and used as a training, educational and socialization facility for the disabled until October 4, 2026.

NOTE M - OPERATING LEASE

On June 22, 2006, the Organization signed a 99-year lease for the farm, barn and associated land located in Odessa, Florida. The Organization is responsible for paying all taxes, insurance and utilities related to the property. The annual lease payment is \$1.00. The lessor had the ability to terminate the lease at any time during the lease.

Quantum Leap Farm, Inc.

NOTES TO FINANCIAL STATEMENT - CONTINUED

June 30, 2025

NOTE M - OPERATING LEASE - Continued

On December 13, 2023, the lease was amended to include an annual base rent of \$30,000 for the period July 1, 2023, through June 30, 2024 and \$31,500 for the period July 1, 2024 through June 30, 2025. Each subsequent year through the term of the lease will increase by 5% or CPI, whichever is greater. The amendment allows either party to terminate the lease with 60 days notice.

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 842, Leases, due to the cancellation clause, requires for the term of the lease to be determined based on management's intent on cancelling the lease and the detriment to the Organization upon cancellation. As of June 30, 2025, due to the uniqueness of the property, management intends to lease the property, at a minimum, through June 30, 2028. As a result, the lease has been treated as an operating lease and a corresponding right of use asset and right of use liability are included on the statement of financial position.

The following information summarizes the line items in the accompanying statement of financial position as of June 30, 2025:

Operating lease:	
Operating lease right-of-use assets	<u>\$ 95,171</u>
Current portion of operating lease liability	\$ 19,334
Operating lease liability, less current portion	<u>75,837</u>
	<u>\$ 95,171</u>

The weighted average lease term and discount rate as of June 30, 2025, is as follows:

Weighted average remaining lease terms - operating lease	3 years
Weighted average discount rate - operating lease	4.24%
Operating lease cost	<u>\$ 31,500</u>

For the year ended June 30, 2025, the component of total lease costs under operating the operating lease totaled \$31,500.

Quantum Leap Farm, Inc.

NOTES TO FINANCIAL STATEMENT - CONTINUED

June 30, 2025

NOTE M - OPERATING LEASE - Continued

Cash flow information related to the operating lease for the year ended June 30, 2025, is summarized as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	<u>\$ 31,500</u>
Lease assets obtained in exchange for lease obligations:	
Operating lease	<u>\$ 124,796</u>

The maturities of the operating lease liability as of June 30, 2025, is as follows:

<u>Year ending June 30,</u>	
2026	\$ 33,075
2027	34,729
2028	<u>36,465</u>
Total payments	104,269
Less interest	<u>(9,098)</u>
Present value of lease liabilities	<u>\$ 95,171</u>

NOTE N - RELATED PARTIES

The Organization maintains a contract for \$1,000 per month with a family member of the Executive Director to provide social media and design services to the Organization. The total expense was \$12,000 for the year ended June 30, 2025.

The Organization's lease for the farm, barn and associated land is with a trust of which the founder, employee and current board member of the Organization is the trustee. The Organization paid the trust \$31,500 in rent during the year ended June 30, 2025.

NOTE O - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 8, 2025 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.