



815.344.1300 mchenry
847.382.3366 barrington
www.edercasella.com

MAIN STAY THERAPEUTIC FARM, INC.

AUDITED FINANCIAL STATEMENTS

OCTOBER 31, 2016

eder, casella & co.

MAIN STAY THERAPEUTIC FARM, INC.

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Main Stay Therapeutic Farm, Inc.
Richmond, Illinois

We have audited the accompanying statement of financial statements of

MAIN STAY THERAPEUTIC FARM, INC.
(a nonprofit organization)

which comprise the statement of financial position as of October 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of 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 auditor's judgment, including the assessment of the risks of material misstatements 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Main Stay Therapeutic Farm, Inc. as of October 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Eder, Casella & Co.
EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
February 7, 2017

FINANCIAL STATEMENTS

MAIN STAY THERAPEUTIC FARM, INC.
STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2016

ASSETS

Cash and Cash Equivalents		\$ 107,778
Cash Restricted for Capital Maintenance		533,937
Marketable Securities at Fair Value		8,747
Accounts Receivable (Net of allowance for uncollectibles of \$0)		3,060
Prepaid Expenses		19,231
Pledges Receivable (Net of allowance for uncollectibles of \$0)		450,000
Fixed Assets		
Land	\$ 400,000	
Construction in Progress	584	
Building	5,479,655	
Improvements	225,685	
Equipment	109,359	
Horses	23,550	
Vehicles	26,957	
Furniture	49,690	
Artwork	4,081	
Less: Accumulated Depreciation	<u>(560,718)</u>	
Net Fixed Assets		<u>5,758,843</u>
 TOTAL ASSETS		 <u><u>\$ 6,881,596</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts Payable	\$ 5,374	
Accrued Payroll and Payroll Taxes	<u>11,307</u>	
Total Liabilities		\$ 16,681
NET ASSETS		
Unrestricted	\$ 6,330,978	
Temporarily Restricted	<u>533,937</u>	
Total Net Assets		<u>6,864,915</u>
 TOTAL LIABILITIES AND NET ASSETS		 <u><u>\$ 6,881,596</u></u>

The Notes to Financial Statements are an integral part of this statement.

MAIN STAY THERAPEUTIC FARM, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Donations	\$ 100,660	\$ -	\$ 100,660
Program Fees	65,540	-	65,540
Grants	182,750	-	182,750
Interest and Dividend Income	3,873	-	3,873
Unrealized Gain/(Loss) on Marketable Securities	810	-	810
Fundraising Events	223,218	-	223,218
Capital Campaign	-	341,510	341,510
Gain/(Loss) on Sale of Fixed Assets	(4,080)	-	(4,080)
Other Revenue	3,914	-	3,914
Net Assets Released from Restrictions	<u>3,773,127</u>	<u>(3,773,127)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>\$ 4,349,812</u>	<u>\$ (3,431,617)</u>	<u>\$ 918,195</u>
EXPENSES			
Program Services			
Animal Assisted Activities	\$ 32,971	\$ -	\$ 32,971
Therapeutic Riding Program	556,871	-	556,871
Supporting Services			
Management and General	25,408	-	25,408
Public Relations and Fundraising	97,102	-	97,102
Total Expenses	<u>\$ 712,352</u>	<u>\$ -</u>	<u>\$ 712,352</u>
CHANGE IN NET ASSETS	\$ 3,637,460	\$ (3,431,617)	\$ 205,843
NET ASSETS AT BEGINNING OF YEAR	<u>2,693,518</u>	<u>3,965,554</u>	<u>6,659,072</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,330,978</u>	<u>\$ 533,937</u>	<u>\$ 6,864,915</u>

The Notes to Financial Statements are an integral part of this statement.

MAIN STAY THERAPEUTIC FARM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2016

	<u>PROGRAM SERVICES</u>		<u>SUPPORTING SERVICES</u>		<u>TOTAL</u>
	<u>ANIMAL ASSISTED ACTIVITIES</u>	<u>THERAPEUTIC RIDING PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>PUBLIC RELATIONS AND FUNDRAISING</u>	
Event Costs	\$ 100	\$ 323	\$ -	\$ 26,766	\$ 27,189
Office Expense	937	59,155	1,148	942	62,182
Printing and Publications	-	2,161	-	4,050	6,211
Insurance	2,400	6,000	2,400	-	10,800
Utilities	773	26,956	1,556	1,036	30,321
Horse Feed, Medical and Supplies	5,147	46,056	-	20	51,223
Students and Volunteers	100	8,925	-	(64)	8,961
Repairs and Maintenance	79	5,590	-	-	5,669
Professional Development	-	6,410	-	-	6,410
Real Estate Taxes	-	2,734	-	-	2,734
Salaries and Wages	21,625	292,689	15,225	59,608	389,147
Payroll Taxes	1,810	23,992	1,325	4,744	31,871
Professional Services	-	7,849	-	-	7,849
Bank Charges	-	259	3,578	-	3,837
Other Expenses	-	802	176	-	978
Depreciation	-	66,970	-	-	66,970
	<u>\$ 32,971</u>	<u>\$ 556,871</u>	<u>\$ 25,408</u>	<u>\$ 97,102</u>	<u>\$ 712,352</u>

The Notes to Financial Statements are an integral part of this statement.

MAIN STAY THERAPEUTIC FARM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$	205,843
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation		66,970
(Gain)/Loss on Sale of Fixed Assets		4,080
Unrealized (Gain)/Loss on Marketable Securities		(810)
(Increase)/Decrease in Assets:		
Accounts Receivable		2,870
Prepaid Expenses		(13,136)
Pledges Receivable		750,000
Increase/(Decrease) in Liabilities:		
Accounts Payable		(573,129)
Accrued Payroll and Payroll Taxes		3,902
Retainage Payable		(164,033)
Net Cash Flows Provided/(Used) by Operating Activities		<u>\$ 282,557</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction of Fixed Assets	<u>\$</u>	<u>(3,381,582)</u>
Net Cash Flows Provided/(Used) by Investing Activities		(3,381,582)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Cash Flows Provided/(Used) by Financing Activities		<u>-</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$	(3,099,025)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>3,740,740</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$</u>	<u>641,715</u>

The Notes to Financial Statements are an integral part of this statement.

MAIN STAY THERAPEUTIC FARM, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Main Stay Therapeutic Farm, Inc. (Organization) is a not-for-profit entity organized in the State of Illinois. The Organization provides equine and animal related therapeutic activities to people with physical, developmental, emotional, and social disabilities. The Organization is supported primarily through fundraising activities and donations. Additional revenue is received by the Organization from private grants and program fees. All contributions made to the Organization are tax deductible under the Internal Revenue Code of 1986, Section 501(c)(3).

A. *Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Temporarily restricted net assets are available at October 31, 2016 for the following purposes:

New Building	<u>\$ 533,937</u>
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Net assets released from donor restriction by occurrence of expenses were \$3,773,127 during the year ended October 31, 2016.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. At October 31, 2016 the Organization had no permanently restricted net assets.

B. *Cash and Cash Equivalents*

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents are accounted for at cost, which equals market.

C. *Investments*

Investments in marketable securities with readily determinable fair values are valued at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. *Accounts Receivable*

Accounts receivable are stated at their net realizable value which includes an allowance for doubtful accounts. The Organization evaluates all accounts aged past 120 days to estimate the portion which is uncollectible. Uncollectible receivables are charged against expense in the year they are deemed uncollectible.

E. *Fixed Assets*

The Organization has a policy of capitalizing all property and equipment over \$2,000; lesser amounts are expensed. Purchased fixed assets are capitalized at cost and depreciated on a straight-line basis over the estimated useful lives as follows:

Building	20 - 39 years
Improvements	7 - 20 years
Equipment	5 years
Horses	7 years
Vehicles	5 years
Furniture	10 years
Artwork	10 years

The fair value at the date of gift of donated fixed assets is similarly capitalized. The Organization follows the general policy of providing for depreciation by utilizing the straight-line method of depreciation with useful lives ranging from five to thirty-nine years. Depreciation expense for the year ended October 31, 2016 was \$66,970 and is reported as program services in the Statement of Activities.

F. *Contributions*

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

G. *Donated Services*

The value of contributed time (unpaid volunteers) is not reflected in these statements since it is not susceptible to objective measurement of valuation.

H. *Program Service Fees*

Program service fees consist of fees charged to clients per lesson or session. Fees are recorded at gross and a corresponding uncollectible amount is estimated based on past experience and trends. Program service fees are reported net of uncollectible amounts in the Statement of Activities. For the year ended October 31, 2016, the Organization reported net gross program service fees of \$65,540.

I. *Functional Allocation of Expenses*

The costs of providing the programs and other activities have been summarized on a functional basis in the Statement of Activities. All direct expenses have been allocated to the programs. In addition, various indirect expenses have been allocated to the program services using percentages as determined by management.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. *Income Tax Status*

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. The Organization's 2012 through 2014 tax returns are available for examination by the Internal Revenue Service.

NOTE 2 - DEPOSITS

The Organization maintains cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000. The Organization has not experienced any loss in such accounts. As of October 31, 2016, the uninsured balance is \$0. The Organization believes it is not exposed to any significant credit risk on its cash balances.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying Statement of Financial Position. The methods used to measure fair value may produce an amount 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 the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

	Fair Value Measurements Using:	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
October 31, 2016		
Investments:		
Stocks	\$ 8,747	\$ 8,747
Total	\$ 8,747	\$ 8,747

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs consist of unobservable inputs and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 1 Fair Value Measurements

The fair value of mutual funds is based on quoted net asset values of the share held by the Organization at year-end. The fair values of common stock, corporate bonds, and U.S. Government securities are based on quoted market prices.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - PLEDGES RECEIVABLE (UNCONDITIONAL PROMISES TO GIVE)

During fiscal year 2013, the Organization launched a capital campaign to raise funds for the construction of a new barn. As of October 31, 2016, the campaign has raised a total of \$6,076,545 of gross support, which includes an amount of \$250,000 of outstanding promises to give. The remaining \$200,000 is a pledge to fund general operations. Management believes the pledges receivable are fully collectible as of October 31, 2016. Promises to give are due as follows:

Year Ending October 31	Amount
2017	\$ 350,000
2018	100,000
	<u>\$ 450,000</u>

NOTE 5 - FIXED ASSETS

A summary of fixed assets shows:

	Balance 10/31/2015	Increases	Decreases	Balance 10/31/2016
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
Construction in Progress	1,807,848	3,340,417	5,147,681	584
Building	406,136	5,073,519	-	5,479,655
Improvements	199,125	26,560	-	225,685
Equipment	83,864	25,495	-	109,359
Horses	21,150	9,500	7,100	23,550
Vehicles	26,957	-	-	26,957
Furniture	-	49,690	-	49,690
Artwork	-	4,081	-	4,081
	<u>\$ 2,945,080</u>	<u>\$ 8,529,262</u>	<u>\$ 5,154,781</u>	<u>\$ 6,319,561</u>
Accumulated Depreciation:				
Building	\$ 287,195	\$ 41,685	\$ -	\$ 328,880
Improvements	104,486	11,708	-	116,194
Equipment	77,688	4,711	-	82,399
Horses	8,978	2,613	3,020	8,571
Vehicles	18,421	5,391	-	23,812
Furniture	-	828	-	828
Artwork	-	34	-	34
	<u>\$ 496,768</u>	<u>\$ 66,970</u>	<u>\$ 3,020</u>	<u>\$ 560,718</u>

Depreciation expense for the year ended October 31, 2016 was \$66,970.

NOTE 6 - CONDITIONAL PROMISE TO GIVE

The Organization has an existing conditional promise to receive \$75,000. Payment is contingent upon completion of the Geothermal HVAC system.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Organization received \$46,660 in unrestricted contributions and donations, and \$7,750 in restricted contributions and donations from members of the Board of Directors and immediate family during the year.

NOTE 8 - CONTRIBUTED SERVICES

The Organization recognized contribution revenue in fiscal year 2016 for contributed professional services of \$25,600 related to the construction of the horse stalls. Contribution revenue from services was measured based on the fair value of those services.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 7, 2017, the date on which the financial statements were available to be issued.