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MAIN STAY THERAPEUTIC FARM, INC.

AUDITED FINANCIAL STATEMENTS

OCTOBER 31, 2018

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 financial statements of

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

which comprise the statement of financial position as of October 31, 2018, 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 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 auditor's 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.

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, 2018, 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
March 22, 2019

FINANCIAL STATEMENTS

MAIN STAY THERAPEUTIC FARM, INC.
STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2018

ASSETS

Cash and Cash Equivalents		$ 176,567
Marketable Securities at Fair Value		13,899
Accounts Receivable (Net of allowance for uncollectibles of $0)		16,879
Prepaid Expenses		3,438
Restricted Assets		
Cash		534,504
Investments		566,040
Fixed Assets	$ 6,509,022	
Less: Accumulated Depreciation	(926,651)	
Net Fixed Assets		5,582,371
TOTAL ASSETS		$ 6,893,698

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts Payable	$ 45,666	
Accrued Payroll and Payroll Taxes	21,755	
Total Liabilities		$ 67,421
NET ASSETS		
Unrestricted		
Board Designated	$ 539,105	
Undesignated	5,725,733	
Temporarily Restricted	534,504	
Permanently Restricted	26,935	
Total Net Assets		6,826,277
TOTAL LIABILITIES AND NET ASSETS		$ 6,893,698

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, 2018

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES, GAINS, AND OTHER SUPPORT				
Donations	$ 604,403	$ -	$ 25,000	$ 629,403
Program Fees	107,900	-	-	107,900
Grants	166,624	-	-	166,624
Interest and Dividend Income	2,189	-	-	2,189
Unrealized Gain/(Loss) on Investments	42,929	-	1,935	44,864
Fundraising Events	245,293	-	-	245,293
Capital Campaign	-	10,250	-	10,250
Gain/(Loss) on Sale of Fixed Assets	(3,492)	-	-	(3,492)
Other Revenue	10,655	-	-	10,655
Net Assets Released from Restrictions	115,406	(115,406)	-	-
Total Revenues, Gains, and Other Support	$ 1,291,907	$ (105,156)	$ 26,935	$ 1,213,686
EXPENSES				
Program Services				
Animal Assisted Activities	$ 118,475	$ -	$ -	$ 118,475
Therapeutic Riding Program	786,344	-	-	786,344
Supporting Services				
Management and General	49,988	-	-	49,988
Public Relations and Fundraising	101,081	-	-	101,081
Total Expenses	$ 1,055,888	$ -	$ -	$ 1,055,888
CHANGE IN NET ASSETS	$ 236,019	$ (105,156)	$ 26,935	$ 157,798
NET ASSETS AT BEGINNING OF YEAR	6,028,819	639,660	-	6,668,479
NET ASSETS AT END OF YEAR	$ 6,264,838	$ 534,504	$ 26,935	$ 6,826,277

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, 2018

	PROGRAM SERVICES		SUPPORTING SERVICES		
	ANIMAL ASSISTED ACTIVITIES	THERAPEUTIC RIDING PROGRAM	MANAGEMENT AND GENERAL	PUBLIC RELATIONS AND FUNDRAISING	TOTAL
Event Costs	$ 46	$ 694	$ -	$ 33,735	$ 34,475
Office Expense	757	8,993	102	286	10,138
Printing and Publications	596	3,071	-	4,715	8,382
Staff Welfare	154	835	147	-	1,136
Dues and Subscriptions	250	2,765	9	-	3,024
Insurance	4,927	43,259	-	-	48,186
Marketing	393	1,051	-	3,406	4,850
Utilities	2,619	23,899	-	-	26,518
Telephone	836	7,703	-	-	8,539
Horse Feed, Medical and Supplies	7,533	35,710	-	-	43,243
Students and Volunteers	648	6,391	-	14	7,053
Equipment	1,210	9,015	-	-	10,225
Repairs and Maintenance	1,799	51,467	-	129	53,395
Professional Development	281	9,359	-	-	9,640
Real Estate Taxes	-	2,845	-	-	2,845
Salaries and Wages	88,972	313,653	43,165	27,369	473,159
Payroll Taxes	6,759	22,265	3,206	2,120	34,350
Professional Services	695	39,057	-	29,307	69,059
Bank Charges	-	90	3,334	-	3,424
Other Expenses	-	-	25	-	25
Depreciation	-	204,222	-	-	204,222
	$ 118,475	$ 786,344	$ 49,988	$ 101,081	$ 1,055,888

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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 157,798	
Adjustments to Reconcile Change in Net Assets		
to Net Cash Used by Operating Activities:		
Depreciation	204,222	
(Gain)/Loss on Sale of Fixed Assets	4,157	
Unrealized (Gain)/Loss on Investments	(3,825)	
(Increase)/Decrease in Assets:		
Accounts Receivable	(6,806)	
Prepaid Expenses	2,913	
Pledges Receivable	100,000	
Restricted Assets	(566,040)	
Increase/(Decrease) in Liabilities:		
Accounts Payable	28,437	
Accrued Payroll and Payroll Taxes	9,852	
Net Cash Flows Provided/(Used) by Operating Activities		$ (69,292)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	$ (55,438)	
Sale of Horses	4,000	
Net Cash Flows Provided/(Used) by Investing Activities		(51,438)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		$ (120,730)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		831,801
CASH AND CASH EQUIVALENTS AT END OF YEAR		$ 711,071

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

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, 2018 for the following purposes:

New Building	$ 534,504

Net assets released from donor restriction by occurrence of expenses were $115,406 during the year ended October 31, 2018.

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. Permanently restricted net assets are available at October 31, 2018 for the following purposes:

Edowment Fund	$ 26,935

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.

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, 2018 was $204,222 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*

GAAP requires recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. 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, 2018, the Organization reported net gross program service fees of $107,900.

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.

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 2014 through 2016 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, 2018, the uninsured balance is $0. The Organization believes it is not exposed to any significant credit risk on its cash balances.

NOTE 3 – RESTRICTED CASH AND INVESTMENTS

The restricted cash is for the capital maintenance. These are funds that were raised during the capital campaign and will be used to help with the maintenance of the facility.

Restricted investments are stated at fair market value and consist of the following:

	Cost	Fair Market Value	Unrealized Appreciation
Mutual Funds (Endowment Funds)	$ 525,000	$ 566,040	$ 41,040

Investment income for the year ended October 31, 2018 consisted of the following:

Interest and Dividends	$ 7,237
Miscellaneous Income	285
Realized/Unrealized Gain/(Loss) on Investments	37,511
Administrative Fees	(3,993)
	$ 41,040

NOTE 4 - 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:
October 31, 2018	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Investments:		
Stocks	$ 13,899	$ 13,899
Mutual Funds	566,040	566,040
Total	$ 579,939	$ 579,939

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.

NOTE 5 - ENDOWMENT FUND

The Organization has one donor-restricted endowment fund. This fund was established by the McHenry County Community Foundation in fiscal year 2018. Per the agreement with the McHenry County Community Foundation, the Organization contributed $525,000 ($500,000 from the Organization and $25,000 of a grant from the McHenry County Community Foundation) to the fund, of which $25,000 is deemed permanently endowed.

	Unrestricted	Permanently Restricted
Donor-restricted	$ -	$ 26,935
Board-designated	539,105	-
	$ 539,105	$ 26,935

The Organization’s endowments have been classified as follows at October 31, 2018:

	Unrestricted	Permanently Restricted
Endowment net assets - 10/31/17	$ -	$ -
Endowment donation	500,000	25,000
Investment income/(loss)	39,105	1,935
Endowment net assets - 10/31/18	$ 539,105	$ 26,935

The Board of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the Organization and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Organization; and
7. The investment policies of the Organization.

NOTE 6 - FIXED ASSETS

A summary of fixed assets shows:

	Balance 10/31/2017	Increases	Decreases	Balance 10/31/2018
Land	$ 400,000	$ -	$ -	$ 400,000
Construction in Progress	584	-	-	584
Building	5,501,669	-	-	5,501,669
Improvements	330,400	24,439	-	354,839
Equipment	129,263	17,849	4,360	142,752
Horses	30,100	13,150	14,800	28,450
Vehicles	26,957	-	-	26,957
Furniture	49,690	-	-	49,690
Artwork	4,081	-	-	4,081
	$ 6,472,744	$ 55,438	$ 19,160	$ 6,509,022
Accumulated Depreciation:				
Building	$ 479,216	$ 150,076	$ -	$ 629,292
Improvements	136,032	29,096	-	165,128
Equipment	74,363	14,957	4,359	84,961
Horses	10,627	5,378	7,308	8,697
Vehicles	26,957	-	-	26,957
Furniture	5,797	4,969	-	10,766
Artwork	442	408	-	850
	$ 733,434	$ 204,884	$ 11,667	$ 926,651

Depreciation expense for the year ended October 31, 2018 was $204,222.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Organization received $564,395 in unrestricted contributions and donations from members of the Board of Directors and immediate family during the year.

NOTE 8 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 22, 2019, the date on which the financial statements were available to be issued.