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MAIN STAY THERAPEUTIC FARM, INC.

AUDITED FINANCIAL STATEMENTS

OCTOBER 31, 2020

eder, casella & co

MAIN STAY THERAPEUTIC FARM, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2020, 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 Organization'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 Organization'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 opinions.

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Opinions

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, 2020 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
April 30, 2021

FINANCIAL STATEMENTS

MAIN STAY THERAPEUTIC FARM, INC.
STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2020

ASSETS

CURRENT ASSETS		
Cash and Cash Equivalents	\$ 898,867	
Accounts Receivable	3,709	
Prepaid Expenses	5,419	
Total Current Assets	\$ 907,995	
Property and Equipment, Net		5,183,022
Endowment Fund		374,839
TOTAL ASSETS		\$ 6,465,856

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 28,811	
Payroll Liabilities	20,888	
Deferred Revenue	100,230	
Total Current Liabilities	\$ 149,929	
NET ASSETS		
Without Donor Restrictions		
Undesignated	\$ 5,931,088	
Board Designated	345,040	
	\$ 6,276,128	
With Donor Restrictions		39,799
Total Net Assets		\$ 6,315,927
TOTAL LIABILITIES AND NET ASSETS		\$ 6,465,856

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES, GAINS, AND OTHER SUPPORT			
Support			
Grants	\$ 392,760	\$ -	\$ 392,760
Contributions	92,870	10,000	102,870
Special Events	189,136	-	189,136
Program Revenue	67,907	-	67,907
Other Revenue			
Return on Investment	24,516	1,853	26,369
Gain/(Loss) on Sale of Fixed Assets	36	-	36
Other Income	569	-	569
Total Operating Revenues, Gains, and Other Support	<u>\$ 767,794</u>	<u>\$ 11,853</u>	<u>\$ 779,647</u>
EXPENSES			
Program Services	\$ 837,490	\$ -	\$ 837,490
Supporting Services			
Management and General	85,678	-	85,678
Fundraising	127,903	-	127,903
Total Expenses	<u>\$ 1,051,071</u>	<u>\$ -</u>	<u>\$ 1,051,071</u>
CHANGE IN NET ASSETS	\$ (283,277)	\$ 11,853	\$ (271,424)
NET ASSETS AT BEGINNING OF YEAR	<u>6,559,405</u>	<u>27,946</u>	<u>6,587,351</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 6,276,128</u></u>	<u><u>\$ 39,799</u></u>	<u><u>\$ 6,315,927</u></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, 2020

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Animal Assisted Activities and Therapeutic Riding Program</u>	<u>Management and General</u>	<u>Fundraising</u>		
Salaries, Wages and Payroll Taxes	\$ 432,863	\$ 64,296	\$ 111,054	\$ 175,350	\$ 608,213
Professional Services	2,394	9,432	-	9,432	11,826
Students and Volunteers	4,917	-	-	-	4,917
Office Expense	20,526	2,467	3,842	6,309	26,835
Occupancy	65,652	474	1,106	1,580	67,232
Depreciation	197,581	7,463	-	7,463	205,044
Insurance	54,286	1,366	166	1,532	55,818
Animal Feed and Vet Costs	36,139	-	50	50	36,189
Miscellaneous Animal Supplies	13,895	-	-	-	13,895
Equipment	2,781	-	-	-	2,781
Dues and Subscriptions	2,313	15	-	15	2,328
Professional Development	3,638	135	-	135	3,773
Event Costs	505	30	11,685	11,715	12,220
	<u>\$ 837,490</u>	<u>\$ 85,678</u>	<u>\$ 127,903</u>	<u>\$ 213,581</u>	<u>\$ 1,051,071</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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$	(271,424)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation		205,044
Bad Debts		1,538
(Gain)/Loss on Sale of Property and Equipment		(36)
Unrealized (Gain)/Loss on Investments		(13,218)
(Increase)/Decrease in Assets:		
Accounts Receivable		20,798
Prepaid Expenses		(2,917)
Increase/(Decrease) in Liabilities:		
Accounts Payable		7,222
Payroll Liabilities		4,664
Deferred Revenue		100,230
Net Cash Flows Provided/(Used) by Operating Activities		<u>51,901</u>
	\$	51,901
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	\$	(1,600)
Proceeds from Sale of Investments		241,541
Net Cash Flows Provided/(Used) by Investing Activities		<u>239,941</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$	291,842
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>607,025</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$	<u><u>898,867</u></u>

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

MAIN STAY THERAPEUTIC FARM, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Main Stay Therapeutic Farm, Inc. (“the Organization”) is a not-for-profit corporation 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.

A. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) and accordingly reflect all significant receivables, payables and other liabilities.

B. Financial Statement Presentation

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:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors. Net assets without donor restrictions includes board-designated net assets as described in Note 8.

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

C. Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

D. Investments

Investments in marketable equity securities with readily determinable fair values are stated at fair value. Equity securities without readily determinable fair values are stated at cost.

E. Accounts Receivable

Accounts receivable are stated at their net realizable value. Management represents that all accounts receivables are 100% collectible and therefore no allowance is recognized in the financial statements. Uncollectible receivables are charged against expense in the year they are deemed uncollectible.

F. Property and Equipment

The Organization capitalizes all expenditures for Property and Equipment with a cost of over \$2,000 and an estimated useful life of 3 or more years. Purchased Property and Equipment is carried at cost. Donated Property and Equipment is carried at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

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

G. *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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

The Organization evaluates all accounts aged past 120 days to estimate the portion which is uncollectible. Management represents that all promises are 100% collectible and therefore no allowance is recognized in the financial statements.

H. *In-kind Contributions*

In-kind contributions of property and equipment are recorded as contributions at the estimated fair value of the property contributed at the date of donation.

In-kind contributions of services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by individuals possessing those skills and would otherwise need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that assist the Organization in carrying out their mission. However, these services do not meet the criteria for recognition as contributed services

I. *Program Service Fees*

Program service fees consist of fees charged to clients per lesson or session. Management represents that all program fees are 100% collectible and therefore no allowance is recognized in the financial statements.

J. *Functional Allocation of Expenses*

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. All direct expenses have been allocated to the respective function. Salaries, benefits, payroll taxes, office expense, and insurance are allocated based on the time spent on each activity. All occupancy-related costs are allocated based on the coverage of space used for the programs. Professional services, depreciation, animal feed and vet costs, student volunteers, equipment, dues and subscriptions, and professional development costs are allocated based on usage.

K. *Estimates*

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenses. Management evaluates, on an ongoing basis, the estimates and assumptions based on new information. Management represents that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (Continued)

L. Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and reported no unrelated business income for the year ended October 31, 2020. Management represents there are no uncertain tax position or other provision for income taxes that should be recognized in these financial statements. In addition, the Organization qualifies to receive deductible charitable contributions pursuant to Section 170(b)(1)(A)(vi).

NOTE 2 - CASH AND CASH EQUIVALENTS

The Organization maintains six bank accounts at three financial institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at October 31, 2020 exceeded federally insured limits by \$81,073. The Organization has not experienced any losses in such accounts. Management represents it is not exposed to any significant credit risk on its cash balances.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

When available, the Organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value.

Fair values approximate carrying value for all assets and current liabilities, measured on a recurring basis, at October 31, 2020. All are considered Level 1 observable inputs; the carrying amount approximates fair value because of the short maturities thereof.

	Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)
October 31, 2020		
Investments:		
Mutual Funds	\$ 374,839	\$ 374,839
Total	\$ 374,839	\$ 374,839

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - AVAILABILITY AND LIQUIDITY

The following table shows the total financial assets held by the Organization and the amounts of those financial assets that could be readily made available within one year of the Statement of Financial Position date to meet general expenditures. The Organization's financial assets at October 31, 2020 are as follows:

	<u>2020</u>
Financial assets at year end:	
Cash and Cash Equivalents	\$ 898,867
Accounts Receivable	3,709
Endowment Fund	<u>374,839</u>
Total Financial Assets	<u>\$ 1,277,415</u>
Less amounts not available to be used within one year:	
Board-Designated	\$ 345,040
Net Assets with Donor Restrictions	<u>39,799</u>
	<u>\$ 384,839</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 892,576</u>

The Organization has \$892,576 of financial assets available within one year of the Statement of Financial Position date to meet cash needs for general expenditures. \$39,799 of the total financial assets are subject to donor restrictions that make them unavailable for general expenditures within one year of the Statement of Financial Position date. A majority affirmative vote by the Organization's Board of Directors is required in order to access the Board-designated funds for general expenditures. The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet six months of normal operating expenses, which are on average approximately \$450,000. The Organization's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 5 - ENDOWMENT FUND

The Organization established a donor-restricted endowment fund with The Community Foundation for McHenry County ("the Community Foundation") in the fiscal year ending January 31, 2016. The terms of the agency endowment agreement ("the Agreement") required the Organization to contribute \$525,000 which was comprised of a \$500,000 contribution from the Organization and a grant in the amount of \$25,000 from the Community Foundation. The Agreement provides for \$25,000 of the fund as permanently endowed.

Interpretation of the Relevant Law:

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 net assets without donor restrictions – board designated until those amounts are appropriated for expenditures by the Board of Directors, and such amounts are not subject to UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

Return Objective and Risk Parameters:

The Organization has agreed to the investment and spending policies of the Community Foundation for endowment assets. The Community Foundation policies attempt to provide a predictable stream of funding to the social services mission of the Organization.

Spending Policy:

The Organization has agreed to the Community Foundation's investment agreement for the endowment fund which states that after the one year of investment, the Organization will be eligible for an annual distribution based on the then current distribution rate. This distribution rate would be applied to the endowed fund along with the non-endowed or matching fund. An administrative fee of 1% will be deducted from the annual distribution.

The Organization's endowments have been classified as follows at October 31, 2020:

<u>Agency Endowment Fund</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain/(Loss)</u>
Without Donor Restrictions	\$ 313,652	\$ 345,040	\$ 31,388
With Donor Restrictions	27,771	29,799	2,028
	<u>\$ 341,423</u>	<u>\$ 374,839</u>	<u>\$ 33,416</u>

During the year ended October 31, 2020, the Organization had the following endowment-related activities:

	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>Total Endowment</u>
Endowment net assets - 10/31/19	\$ 27,946	\$ 559,426	\$ 587,372
Return on Investment	2,159	28,218	30,377
Endowment Administrative Fees	(306)	(5,104)	(5,410)
Distributions	-	(237,500)	(237,500)
Endowment net assets - 10/31/20	<u>\$ 29,799</u>	<u>\$ 345,040</u>	<u>\$ 374,839</u>

Investment income for the year ended October 31, 2020 consisted of the following:

Interest and Dividends	\$ 9,820
Realized Gain/(Loss) on Investment	7,339
Unrealized Gain/(Loss) on Investments	13,218
Administrative Fees	(5,410)
	<u>\$ 24,967</u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property and Equipment owned by the Organization at October 31, 2020 consist of the following:

NOTES TO FINANCIAL STATEMENTS (Continued)

	Cost	Accumulated Depreciation	Book Value
Land	\$ 400,000	\$ -	\$ 400,000
Building and Improvements	5,866,198	1,154,131	4,712,067
Furniture and Equipment	196,523	139,715	56,808
Horses	30,450	16,303	14,147
Vehicles	26,957	26,957	-
	<u>\$ 6,520,128</u>	<u>\$ 1,337,106</u>	<u>\$ 5,183,022</u>

Depreciation expense in the amount of \$205,044 is reported on the Statement of Functional Expenses for the year ended October 31, 2020.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net Assets were donor-restricted at October 31, 2020 for the following purposes:

Purpose for Restrictions	Amount
Endowment Fund	\$ 29,799
Purchase Horses	10,000
Total	<u>\$ 39,799</u>

NOTE 8 - BOARD-DESIGNATED NET ASSETS

The Governing Board of the Organization has designated Net Assets Without Donor Restrictions at October 31, 2020 for the following purposes:

Purpose for Designation	Amount
Endowment Fund	\$ 345,040
Total	<u>\$ 345,040</u>

NOTE 9 - RELATED PARTY TRANSACTIONS

The Organization benefits from contributions from board members and key employees. Aggregated contributions were received from board members in the amount of \$73,780 during the year. This constitutes 9.5% of total support for the year ended October 31, 2020.

NOTE10 - PAYCHECK PROTECTION PROGRAM

The Organization received a forgivable loan through the US Small Business Administration under the CARES Act Paycheck Protection Program. The loan received was \$100,230 and is outstanding as of October 31, 2020. The proceeds must be used for payroll costs, rent, and utilities over the 24-week period beginning from the day the funds were disbursed. Subsequent to the year ended October 31, 2020, the Organization applied for and was granted forgiveness. The revenue will be recognized in fiscal year 2021.

NOTE 11 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 30, 2021, the date on which the financial statements were available to be issued.

Prior to the date of this report the Organization received an additional SBA loan for \$116,290 through the Paycheck Protection Program under the Coronavirus CARES Act.

Since March 2020 the COVID-19 outbreak in the United States has created disruptions in various non-profit organizations and continues to impact these organizations. The Organization was impacted during the year ended October 31, 2020. However, the extent of any additional impact on the Organization is uncertain and cannot be reasonably estimated at this time.