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MAIN STAY THERAPEUTIC FARM, INC.

AUDITED FINANCIAL STATEMENTS

OCTOBER 31, 2021

eder, casella & co

MAIN STAY THERAPEUTIC FARM, INC.

TABLE OF CONTENTS

OCTOBER 31, 2021

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



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, 2021, 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.

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, 2021 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.

Change in Accounting Principle

As described in Note 13 to the financial statements, the Organization adopted new accounting guidance ASU 2014-09, *Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively ASC 606)* and ASU 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
February 7, 2022

FINANCIAL STATEMENTS

MAIN STAY THERAPEUTIC FARM, INC.
STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2021

ASSETS

CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,366,701	
Accounts Receivable	12,000	
Prepaid Expenses	2,258	
Total Current Assets		\$ 1,380,959
Property and Equipment, Net		5,000,716
Endowment Fund		38,674
TOTAL ASSETS		\$ 6,420,349

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 11,474	
Payroll Liabilities	22,317	
Deferred Revenue	24,954	
Total Current Liabilities		\$ 58,745
NET ASSETS		
Without Donor Restrictions	\$ 6,318,505	
With Donor Restrictions	43,099	
Total Net Assets		6,361,604
TOTAL LIABILITIES AND NET ASSETS		\$ 6,420,349

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES, GAINS, AND OTHER SUPPORT			
Support			
Grants	\$ 539,282	\$ -	\$ 539,282
Contributions	171,064	-	171,064
Special Events	229,542	-	229,542
Program Revenue	115,146	-	115,146
Other Revenue			
Return on Investment, net	2,018	8,875	10,893
Other Income	2,180	-	2,180
Net Assets Released from Restrictions	5,575	(5,575)	-
Total Operating Revenues, Gains, and Other Support	<u>\$ 1,064,807</u>	<u>\$ 3,300</u>	<u>\$ 1,068,107</u>
EXPENSES			
Program Services	\$ 825,672	\$ -	\$ 825,672
Supporting Services			
Management and General	86,125	-	86,125
Fundraising	108,342	-	108,342
Cost of Direct Benefits to Donors	2,291	-	2,291
Total Expenses	<u>\$ 1,022,430</u>	<u>\$ -</u>	<u>\$ 1,022,430</u>
CHANGE IN NET ASSETS	\$ 42,377	\$ 3,300	\$ 45,677
NET ASSETS AT BEGINNING OF YEAR	<u>6,276,128</u>	<u>39,799</u>	<u>6,315,927</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,318,505</u>	<u>\$ 43,099</u>	<u>\$ 6,361,604</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, 2021

	<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>	<u>Cost of Direct Benefits to Donors</u>			
Salaries, Wages and Payroll Taxes	\$ 434,287	\$ 61,061	\$ 93,643	\$ -	\$ 154,704	\$ 588,991	
Professional Services	-	9,953	-	-	9,953	9,953	
Students and Volunteers	6,551	28	101	-	129	6,680	
Marketing	4,280	220	3,062	-	3,282	7,562	
Office Expense	7,765	3,487	6,456	-	9,943	17,708	
Occupancy	62,709	792	1,296	-	2,088	64,797	
Depreciation	180,367	7,515	-	-	7,515	187,882	
Insurance	44,361	2,055	83	-	2,138	46,499	
Animal Feed and Vet Costs	50,156	-	50	-	50	50,206	
Miscellaneous Animal Supplies	14,494	-	-	-	-	14,494	
Equipment	3,526	-	-	-	-	3,526	
Dues and Subscriptions	2,304	15	-	-	15	2,319	
Printing and Publications	75	-	1,906	-	1,906	1,981	
Professional Development	3,991	563	111	-	674	4,665	
Telephone	9,374	324	653	-	977	10,351	
Postage	330	-	618	-	618	948	
Miscellaneous	1,102	112	363	2,291	2,766	3,868	
	<u>\$ 825,672</u>	<u>\$ 86,125</u>	<u>\$ 108,342</u>	<u>\$ 2,291</u>	<u>\$ 196,758</u>	<u>\$ 1,022,430</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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$	45,677
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation		187,882
Bad Debts		890
Unrealized (Gain)/Loss on Investments		(9,265)
(Increase)/Decrease in Assets:		
Accounts Receivable		(8,291)
Prepaid Expenses		3,161
Increase/(Decrease) in Liabilities:		
Accounts Payable		(17,337)
Payroll Liabilities		1,429
Deferred Revenue		(75,276)
Net Cash Flows Provided/(Used) by Operating Activities		<u>\$ 128,870</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	\$	(5,575)
Proceeds from Sale of Investments		<u>344,539</u>
Net Cash Flows Provided/(Used) by Investing Activities		<u>338,964</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$	467,834
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>898,867</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$	<u><u>1,366,701</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, 2021

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.

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.

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.

Cash and Cash Equivalents

For purposes of these financial statements, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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.

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:

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

NOTES TO FINANCIAL STATEMENTS (Continued)

Revenue Recognition

The Organization recognizes program service fees when received in accordance with the accrual basis of accounting. Program service fees consist of fees charged to clients per lesson or session. The Organization evaluates all accounts aged past 120 days to estimate the portion which is uncollectible. Management represents that all program fees are 100% collectible and therefore no allowance is recognized in the financial statements. The Organization records special events revenue equal to the fair value of direct benefit to donors and contributions income for the excess received when the event takes place.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend on have been met. 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.

Contributed Services/Materials

In-kind contributions of property and equipment are recorded as contributions at the estimated fair value of the property contributed at the date of the 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. Management estimates that 100 volunteers donated their services during the year ended October 31, 2021; however, these services do not meet the criteria for recognition as contributed services.

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.

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.

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, 2021. 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).

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - CASH AND CASH EQUIVALENTS

The Organization maintains nine bank accounts at four financial institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at October 31, 2021 exceeded federally insured limits by \$201,595. 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, 2021. 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, 2021		
Investments:		
Mutual Funds	\$ 38,674	\$ 38,674
Total	<u>\$ 38,674</u>	<u>\$ 38,674</u>

NOTE 4 - INVESTMENTS

Investments held by the Organization are stated at fair market value and consist of the following at October 31, 2021:

NOTES TO FINANCIAL STATEMENTS (Continued)

	Cost	Fair Market Value	Unrealized Appreciation
Endowment	\$ 25,000	\$ 38,674	\$ (13,674)
Total	<u>\$ 25,000</u>	<u>\$ 38,674</u>	<u>\$ (13,674)</u>

Investment return for the year ended October 31, 2021 consists of the following:

Interest and Dividends	\$ 2,882
Realized Gain/(Loss) on Investment	(864)
Unrealized Gain/(Loss) on Investments	9,265
Administrative Fees	(390)
	<u>\$ 10,893</u>

NOTE 5 - 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, 2021 are as follows:

	2021
Financial assets at year end:	
Cash and Cash Equivalents	\$ 1,366,701
Accounts Receivable	12,000
Endowment Fund	38,674
Total Financial Assets	<u>\$ 1,417,375</u>
Less amounts not available to be used within one year:	
Net Assets with Donor Restrictions	\$ 43,099
	<u>\$ 43,099</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,374,276</u>

The Organization has \$1,374,276 of financial assets available within one year of the Statement of Financial Position date to meet cash needs for general expenditures. \$43,099 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 \$500,000. The Organization’s policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 6 - 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. During fiscal year 2021, the Organization withdrew their contribution amounts. The remaining \$38,674 is a permanently endowed balance.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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:

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, 2021:

Agency Endowment Fund	Cost	Fair Market Value	Unrealized Gain/(Loss)
With Donor Restrictions	\$ 25,000	\$ 38,674	\$ 13,674
	<u>\$ 25,000</u>	<u>\$ 38,674</u>	<u>\$ 13,674</u>

During the year ended October 31, 2021, the Organization had the following endowment-related activities:

	With Donor Restrictions	Without Donor Restrictions	Total Endowment
Endowment net assets - 10/31/20	\$ 29,799	\$ 345,040	\$ 374,839
Return on Investment	9,265	(864)	8,401
Endowment Administrative Fees	(390)	-	(390)
Distributions	-	(344,176)	(344,176)
Endowment net assets - 10/31/21	<u>\$ 38,674</u>	<u>\$ -</u>	<u>\$ 38,674</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - PROPERTY AND EQUIPMENT

Property and Equipment owned by the Organization at October 31, 2021 consist of the following:

	Cost	Accumulated Depreciation	Book Value
Land	\$ 400,000	\$ -	\$ 400,000
Building and Improvements	5,866,198	1,317,622	4,548,576
Furniture and Equipment	196,524	159,997	36,527
Horses	35,275	19,662	15,613
Vehicles	26,957	26,957	-
	<u>\$ 6,524,954</u>	<u>\$ 1,524,238</u>	<u>\$ 5,000,716</u>

Depreciation expense in the amount of \$187,882 is reported on the Statement of Functional Expenses for the year ended October 31, 2021.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net Assets were donor-restricted at October 31, 2021 for the following purposes:

Purpose for Restrictions	Amount
Endowment Fund	\$ 38,674
Purchase Horses	4,425
Total	<u>\$ 43,099</u>

Net assets released from donor restrictions due to occurrence of expenditures in the amount of \$5,575 is reported on the Statement of Activities for the year ended October 31, 2021.

NOTE 9 - REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table provides information about significant changes in deferred revenue for the year ended October 31, 2021:

Deferred revenue, beginning of the year	\$ 13,950
Revenue recognized that was included in deferred revenue at the beginning of the year	(13,950)
Increase in deferred revenue due to cash received during the year	24,954
Deferred revenue, end of the year	<u>\$ 24,954</u>

NOTE 10 - 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 \$67,420 during the year. This constitutes 8% of total support for the year ended October 31, 2021.

NOTE 11 - PAYCHECK PROTECTION PROGRAM

The Organization has received two forgivable loans through the US Small Business Administration under the CARES Act Paycheck Protection Program. The loans received totaled \$100,230 and \$116,290 and were recognized as revenue in the current year. The proceeds must be used for payroll costs, rent, and utilities over the 24-week period beginning from the day the funds were disbursed. These proceeds were recorded as grants on the Statement of Activities.

NOTE 12 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 7, 2022, the date on which the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS (Continued)

Since March 2020, the COVID-19 outbreak in the United States has created disruptions in various nonprofits and has continued to impact these organizations. The Organization was impacted during the year ended October 31, 2021. However, the extent of any additional impact on the Organization is uncertain and cannot be reasonably estimated at this time.

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, and ASU 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognized revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.