

HEARTLAND FARM SANCTUARY, INC.

FINANCIAL STATEMENTS

December 31, 2015 and 2014

CONTENTS

Independent Auditor's Report	1
Statements of Financial Position.....	2
Statements of Activities.....	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Heartland Farm Sanctuary, Inc.
Madison, Wisconsin

We have audited the accompanying financial statements of Heartland Farm Sanctuary, Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 Heartland Farm Sanctuary, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
June 30, 2016

Janesville Office:
101 E. Milwaukee Street
Suite 425
Janesville, WI 53545
P: (608) 756-4020

Baraboo Office:
123 Second Street
P.O. Box 150
Baraboo, WI 53913
P: (608) 356-3966
F: (608) 356-2966

Milwaukee Office:
W229 N1433 Westwood Drive
Suite 105
Waukesha, WI 53186
P: (262) 522-7555
F: (262) 522-7550

Madison Office:
2110 Luann Lane
Madison, WI 53713
P: (608) 274-4020
F: (608) 274-0775

www.wegnercpas.com
info@wegnercpas.com
(888) 204-7665

HEARTLAND FARM SANCTUARY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash	\$ 59,273	\$ 21,850
Accounts receivable	-	206
Promises to give	25,000	10,700
Prepaid expenses	7,189	4,497
Total current assets	91,462	37,253
Property and equipment - net	1,771,827	1,721,684
OTHER ASSETS		
Promises to give - net	70,041	-
Total assets	\$ 1,933,330	\$ 1,758,937
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,196	\$ 1,441
Accrued interest	7,891	-
Accrued payroll	6,977	6,503
Current portion of land contract	145,000	25,000
Total current liabilities	161,064	32,944
OTHER LIABILITIES		
Land contract less current portion	1,450,000	1,595,000
Line of credit	60,000	50,000
Total other liabilities	1,510,000	1,645,000
Total liabilities	1,671,064	1,677,944
NET ASSETS		
Unrestricted	164,107	80,993
Temporarily restricted	98,159	-
Total net assets	262,266	80,993
Total liabilities and net assets	\$ 1,933,330	\$ 1,758,937

See accompanying notes.

HEARTLAND FARM SANCTUARY, INC.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2015 and 2014

	2015	2014
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	\$ 254,962	\$ 150,216
Gala income	41,899	39,030
Animal sponsorships	-	5,920
Camp Heartland	51,905	41,453
Barn tours and trips	9,438	7,875
Farm on wheels	660	3,124
In-kind contributions	123,340	161,758
	<u>482,204</u>	<u>409,376</u>
Total unrestricted support and revenue	482,204	409,376
EXPENSES		
Program service fees	235,305	235,331
Supporting activities		
Administrative	102,461	73,535
Fundraising	61,324	50,708
	<u>163,785</u>	<u>124,243</u>
Total supporting activities	163,785	124,243
Total expenses	399,090	359,574
NET ASSETS RELEASED FROM RESTRICTIONS		
Restrictions satisfied by payments	-	9,150
	<u>-</u>	<u>9,150</u>
Change in unrestricted net assets	83,114	58,952
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	98,159	-
Net assets released from restrictions		
Restrictions satisfied by payments	-	(9,150)
	<u>-</u>	<u>(9,150)</u>
Change in temporarily restricted net assets	98,159	(9,150)
Change in net assets	181,273	49,802
Net assets - beginning of year	80,993	31,191
Net assets - end of year	<u>\$ 262,266</u>	<u>\$ 80,993</u>

See accompanying notes.

HEARTLAND FARM SANCTUARY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31, 2015 and 2014

	Program Services	Adminstrative	Fundraising	2015 Total
Personnel	\$ 125,297	\$ 64,248	\$ 24,339	\$ 213,884
Professional fees	20,793	5,023	2,243	28,059
Printing and postage	6,472	4,184	1,426	12,082
Repairs and maintenance	1,448	-	-	1,448
Facility rental	5,994	3,874	3,170	13,038
Supplies and office expense	51,208	16,167	4,598	71,973
Telephone	4,256	2,751	937	7,944
Equipment and software	-	450	-	450
Travel	378	245	83	706
Training and meetings	-	-	22,529	22,529
Advertising	-	-	1,016	1,016
Depreciation	6,107	-	-	6,107
Interest expense	8,891	-	-	8,891
Insurance	4,461	2,884	983	8,328
Miscellaneous	-	2,635	-	2,635
Total expenses	\$ 235,305	\$ 102,461	\$ 61,324	\$ 399,090

	Program Services	Adminstrative	Fundraising	2014 Total
Personnel	\$ 138,977	\$ 35,573	\$ 19,269	\$ 193,819
Professional fees	22,916	17,529	3,923	44,368
Printing and postage	339	4,315	8,313	12,967
Repairs and maintenance	4,237	-	-	4,237
Facility rental	17,659	4,861	5,120	27,640
Supplies and office expense	32,350	5,193	2,746	40,289
Telephone	2,073	573	292	2,938
Equipment and software	622	472	-	1,094
Travel	908	251	128	1,287
Training and meetings	2,951	-	10,522	13,473
Advertising	461	-	-	461
Depreciation	2,746	-	-	2,746
Insurance	2,808	777	395	3,980
Miscellaneous	6,284	3,991	-	10,275
Total expenses	\$ 235,331	\$ 73,535	\$ 50,708	\$ 359,574

See accompanying notes.

HEARTLAND FARM SANCTUARY, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 181,273	\$ 49,802
Adjustments to reconcile change in net assets to change in cash		
Contributions restricted for long-term purposes	(76,500)	(22,696)
Amortization of discount for promises to give	4,959	-
Depreciation	6,107	2,746
Gain on sale of vehicle	(100)	-
Donated materials and services capitalized	(18,461)	(69,880)
(Increase) decrease in assets		
Accounts receivable	206	332
Promises to give	(49,300)	(1,550)
Prepaid expenses	(2,692)	(4,426)
Increase (decrease) in liabilities		
Accounts payable	(245)	(5,703)
Accrued interest	7,891	-
Accrued payroll	474	1,239
Net cash flows from operating activities	53,612	(50,136)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of vehicle	1,000	-
Proceeds from sale of donated stock	-	511
Purchase of property and equipment	(38,689)	(30,000)
Net cash flows from investing activities	(37,689)	(29,489)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	10,000	50,000
Payment on land contract	(25,000)	-
Proceeds from contributions restricted for investment in property and equipment	36,500	22,696
Net cash flows from financing activities	21,500	72,696
Change in cash	37,423	(6,929)
Cash - beginning of year	21,850	28,849
Cash - end of year	<u>\$ 59,273</u>	<u>\$ 21,850</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 1,000	\$ -
Noncash investing and financing transactions		
Donated materials and services capitalized	18,461	69,880
Land and building acquired with land contract	-	1,620,000

See accompanying notes.

HEARTLAND FARM SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Heartland Farm Sanctuary, Inc. (HFS) was formed to provide physical and emotional support to at-risk and special needs youth in the Madison Area through their involvement with rescued homeless farm animals in Wisconsin from abuse and neglect. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

HFS is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by HFS in perpetuity.

Promises to Give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Purchases of property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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 and reported in the statements of activities as net assets released from restrictions.

HEARTLAND FARM SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

Advertising costs are expensed as incurred. Advertising expense for 2015 and 2014 was \$1,016 and \$461.

Donated Materials, Facilities, and Services

Donated materials and facilities are recorded at their estimated fair values in the period received. Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Income Tax Status

HFS is an exempt public charity under Section 501(c)(3) of the Internal Revenue Code and therefore is not subject to federal and state income or franchise taxes.

Estimates

Management uses estimates and assumptions in preparing consolidated 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. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Date of Management's Review

Management has evaluated subsequent events through June 30, 2016, the date which the financial statements were available to be issued.

HEARTLAND FARM SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 2 – PROMISES TO GIVE

Promises to give at December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 25,000	\$ 10,700
Receivable in one to five years	<u>75,000</u>	<u>-</u>
Subtotal	100,000	10,700
Discount to present value	<u>4,959</u>	<u>-</u>
Promises to give	<u><u>\$ 95,041</u></u>	<u><u>\$ 10,700</u></u>

Promises to give receivable in more than one year are discounted at 3.5%.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 1,652,231	\$ 1,652,231
Building	75,565	67,649
Vehicles	8,000	9,500
Cow shed	4,496	-
Chicken sheds	5,185	-
Trailer	9,234	-
Construction in progress	30,319	-
Less accumulated depreciation	<u>13,203</u>	<u>7,696</u>
Property and equipment - net	<u><u>\$ 1,771,827</u></u>	<u><u>\$ 1,721,684</u></u>

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2015 and 2014 are available for the following:

	<u>2015</u>	<u>2014</u>
Capital campaign	\$ 32,934	\$ -
Scholarships	8,200	-
For subsequent years' activities	<u>57,025</u>	<u>-</u>
Temporarily restricted net assets	<u><u>\$ 98,159</u></u>	<u><u>\$ -</u></u>

HEARTLAND FARM SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 5 – LAND CONTRACT

HFS purchased land and building through a land contract dated September 30, 2014 for \$1,620,000. Principal and interest payments are based on the payment schedule. Future principal payments on the land contract on July 1, 2016, 2018, 2020, and 2023 are \$145,000, \$250,000, \$200,000, and \$1,000,000.

NOTE 6 – LINE OF CREDIT

HFS has a \$77,500 revolving line of credit with its executive director that is secured by a general business security agreement. The line of credit has a 3% fixed interest rate and matures on October 1, 2019. Unpaid advances and accrued interest is due at maturity. The loan balance at December 31, 2015 and 2014 was \$60,000 and \$50,000.

NOTE 7 – DONATED FACILITIES AND SERVICES

The fair value of donated facilities and services included as contributions in the financial statements and the corresponding expenses are as follows:

2015	Program Services	Administrative	Fundraising
Veterinary services	\$ 11,060	\$ -	\$ -
Salaries and wages	37,500	7,500	5,000
Advertising and design	-	-	2,572
Supplies	9,189	-	19,457
Animal feed	12,600	-	-
	\$ 70,349	\$ 7,500	\$ 27,029
2014	Program Services	Administrative	Fundraising
Veterinary services	\$ 11,810	\$ -	\$ -
Salaries and Wages	37,500	7,500	5,000
Barn and land use	12,519	3,463	1,760
Supplies	2,801	-	1,580
Animal feed	6,445	-	-
Accounting	-	1,500	-
	\$ 71,075	\$ 12,463	\$ 8,340

Donated architectural and installation services capitalized for 2015 was \$18,462. Donated legal services capitalized for the purchase of land and building for 2014 was \$69,880.

In addition, many individuals volunteer their time and perform a variety of tasks including animal care and youth programming, HFS events, and other activities. HFS receives more than 8,500 volunteer hours annually.

HEARTLAND FARM SANCTUARY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 8 – OPERATING LEASES

HFS leased office space that required monthly payments of \$455. The lease expired in February 2016 and was not renewed. In November 2015, HFS entered into a 36-month lease agreement to rent a trailer with monthly payments of \$532 that expires in November 2018. Rent expense for 2015 and 2014 was \$5,992 and \$4,550. Future payments on the lease for 2016, 2017, and 2018 are \$7,294, \$6,384, and \$5,320.