

**THISTLE FARMS, INC. AND SUBSIDIARY**  
**(FORMERLY MAGDALENE, INC. AND SUBSIDIARY)**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

**THISTLE FARMS, INC. AND SUBSIDIARY**  
**(FORMERLY MAGDALENE, INC. AND SUBSIDIARY)**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Thistle Farms, Inc. and Subsidiary  
(Formerly Magdalene, Inc. and Subsidiary)  
Nashville, Tennessee

We have audited the accompanying consolidated financial statements of Thistle Farms, Inc. and subsidiary (formerly Magdalene, Inc. and subsidiary) (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Thistle Farms, Inc. and subsidiary (formerly Magdalene, Inc. and subsidiary) as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Frasier, Dan L. Hunt, PLLC*

Nashville, Tennessee  
October 19, 2015

**THISTLE FARMS, INC. AND SUBSIDIARY**  
**(FORMERLY MAGDALENE, INC. AND SUBSIDIARY)**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 841,736	\$ 482,057
Unconditional promises to give, current	169,984	117,247
Accounts receivable	54,187	37,451
Inventory	158,698	70,921
Other current assets	1,547	4,693
Total current assets	1,226,152	712,369
Cash restricted for endowment	57,304	57,304
Beneficial interest in assets at Community		
Foundation of Middle Tennessee	55,585	57,409
Unconditional promises to give, net	86,377	131,552
Third mortgages receivable	20,000	20,000
Property and equipment, net	2,490,503	2,093,218
Total assets	\$ 3,935,921	\$ 3,071,852
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 159,465	\$ 121,629
Nurse practitioner payable	32,084	27,206
Notes payable, current	508,028	8,755
Total current liabilities	699,577	157,590
Unearned revenue on third mortgages	20,000	20,000
Notes payable, net of current portion	6,262	14,242
Total liabilities	725,839	191,832
Net assets:		
Unrestricted	2,834,115	2,512,799
Temporarily restricted	275,967	267,221
Permanently restricted	100,000	100,000
Total net assets	3,210,082	2,880,020
Total liabilities and net assets	\$ 3,935,921	\$ 3,071,852

See accompanying notes to consolidated financial statements.

**THISTLE FARMS, INC. AND SUBSIDIARY**  
**(FORMERLY MAGDALENE, INC. AND SUBSIDIARY)**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support:				
Contributions	\$ 1,659,593	\$ 176,815	\$ -	\$ 1,836,408
Thistle Farms product sales	1,281,206	-	-	1,281,206
Thistle Stop Café sales	353,418	-	-	353,418
In-kind	107,000	-	-	107,000
Shared Trade product sales	86,099	-	-	86,099
Men's rehabilitation program	79,700	-	-	79,700
Grants	51,000	-	-	51,000
Other	36,233	(1,824)	-	34,409
Net assets released from restrictions	166,245	(166,245)	-	-
Total revenue and support	<u>3,820,494</u>	<u>8,746</u>	<u>-</u>	<u>3,829,240</u>
Expenses:				
Program services:				
Thistle Farms	1,804,377	-	-	1,804,377
Women's sanctuary and rehabilitation	660,652	-	-	660,652
Thistle Stop Café	436,893	-	-	436,893
Shared Trade	203,834	-	-	203,834
Total program services	<u>3,105,756</u>	<u>-</u>	<u>-</u>	<u>3,105,756</u>
Supporting services:				
Management and general	258,892	-	-	258,892
Fundraising	134,530	-	-	134,530
Total supporting services	<u>393,422</u>	<u>-</u>	<u>-</u>	<u>393,422</u>
Total expenses	<u>3,499,178</u>	<u>-</u>	<u>-</u>	<u>3,499,178</u>
Change in net assets	321,316	8,746	-	330,062
Net assets, beginning of year	<u>2,512,799</u>	<u>267,221</u>	<u>100,000</u>	<u>2,880,020</u>
Net assets, end of year	<u>\$ 2,834,115</u>	<u>\$ 275,967</u>	<u>\$ 100,000</u>	<u>\$ 3,210,082</u>

See accompanying notes to consolidated financial statements.

**THISTLE FARMS, INC. AND SUBSIDIARY**  
**(FORMERLY MAGDALENE, INC. AND SUBSIDIARY)**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support:				
Contributions	\$ 1,232,189	\$ 142,735	\$ -	\$ 1,374,924
Thistle Farms product sales	939,926	-	-	939,926
Thistle Stop Café sales	268,295	-	-	268,295
In-kind	115,000	-	-	115,000
Men's rehabilitation program	59,700	-	-	59,700
Other	48,928	5,328	-	54,256
Grants	47,180	-	-	47,180
Gain on sale of property	44,932	-	-	44,932
Net assets released from restrictions	206,311	(206,311)	-	-
Total revenue and support	<u>2,962,461</u>	<u>(58,248)</u>	<u>-</u>	<u>2,904,213</u>
Expenses:				
Program services:				
Thistle Farms	1,435,268	-	-	1,435,268
Women's sanctuary and rehabilitation	645,140	-	-	645,140
Thistle Stop Café	416,836	-	-	416,836
Total program services	<u>2,497,244</u>	<u>-</u>	<u>-</u>	<u>2,497,244</u>
Supporting services:				
Management and general	180,227	-	-	180,227
Fundraising	108,022	-	-	108,022
Total supporting services	<u>288,249</u>	<u>-</u>	<u>-</u>	<u>288,249</u>
Total expenses	<u>2,785,493</u>	<u>-</u>	<u>-</u>	<u>2,785,493</u>
Change in net assets	176,968	(58,248)	-	118,720
Net assets, beginning of year	<u>2,335,831</u>	<u>325,469</u>	<u>100,000</u>	<u>2,761,300</u>
Net assets, end of year	<u>\$ 2,512,799</u>	<u>\$ 267,221</u>	<u>\$ 100,000</u>	<u>\$ 2,880,020</u>

See accompanying notes to consolidated financial statements.

**THISTLE FARMS, INC. AND SUBSIDIARY**  
**(FORMERLY MAGDALENE, INC. AND SUBSIDIARY)**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2015**

	Program Services				Supporting Services				
	Women's Sanctuary and Rehabilitation	Thistle Farms	Thistle Stop Café	Shared Trade	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries, taxes and benefits	\$ 313,004	\$ 685,356	\$ 224,026	\$ 85,579	\$ 1,307,965	\$ 126,487	\$ 62,385	\$ 188,872	\$ 1,496,837
Cost of sales - materials	-	421,125	126,595	57,179	604,899	-	-	-	604,899
Cost of sales - labor	-	168,557	-	-	168,557	-	-	-	168,557
Depreciation	57,432	20,979	24,286	7,119	109,816	7,227	6,997	14,224	124,040
Legal and professional	4,635	39,663	9,760	383	54,441	62,283	-	62,283	116,724
Miscellaneous	4,000	53,070	6,131	22,040	85,241	13,169	5,105	18,274	103,515
Advertising and promotion	-	95,275	873	6,437	102,585	-	-	-	102,585
Utilities and telephone	36,391	12,626	11,391	3,885	64,293	3,457	5,875	9,332	73,625
Contract labor	13,680	20,522	555	12,300	47,057	15,765	6,482	22,247	69,304
Other program expenses	25,501	29,611	4,267	549	59,928	-	-	-	59,928
Insurance	26,113	27,444	-	-	53,557	1,536	3,072	4,608	58,165
Cost of sales - printing	-	55,323	-	-	55,323	-	-	-	55,323
Repairs and maintenance	29,481	17,417	6,210	-	53,108	-	-	-	53,108
Printing and supplies	4,892	23,950	9,599	-	38,441	2,671	7,425	10,096	48,537
Cost of sales - shipping	-	41,063	-	4,562	45,625	-	-	-	45,625
Conference expenses	-	38,473	-	-	38,473	-	-	-	38,473
Medical	38,375	-	-	-	38,375	-	-	-	38,375
Event costs	-	-	-	-	-	-	37,189	37,189	37,189
Credit card and bank fees	-	24,680	8,605	3,801	37,086	-	-	-	37,086
Transportation	14,391	15,940	-	-	30,331	-	-	-	30,331
Mental health	29,723	-	-	-	29,723	-	-	-	29,723
Stipends	28,650	-	-	-	28,650	-	-	-	28,650
Bad debt expense	-	-	-	-	-	26,022	-	26,022	26,022
Dues, licenses and fees	2,232	12,550	4,462	-	19,244	-	-	-	19,244
Food and household supplies	13,293	-	-	-	13,293	-	-	-	13,293
Clothing and grooming	9,776	-	-	-	9,776	-	-	-	9,776
Education and outreach	4,477	753	133	-	5,363	275	-	275	5,638
Loss on fixed asset disposal	3,258	-	-	-	3,258	-	-	-	3,258
Interest	1,348	-	-	-	1,348	-	-	-	1,348
	<u>\$ 660,652</u>	<u>\$ 1,804,377</u>	<u>\$ 436,893</u>	<u>\$ 203,834</u>	<u>\$ 3,105,756</u>	<u>\$ 258,892</u>	<u>\$ 134,530</u>	<u>\$ 393,422</u>	<u>\$ 3,499,178</u>

See accompanying notes to consolidated financial statements.



**THISTLE FARMS, INC. AND SUBSIDIARY**  
**(FORMERLY MAGDALENE, INC. AND SUBSIDIARY)**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2014**

	Program Services				Supporting Services			Total Expenses
	Women's Sanctuary and Rehabilitation	Thistle Farms	Thistle Stop Café	Program Services	Management and General	Fundraising	Supporting Services	
Salaries, taxes and benefits	\$ 285,419	\$ 545,795	\$ 143,257	\$ 974,471	\$ 99,799	\$ 38,090	\$ 137,889	\$ 1,112,360
Cost of sales - materials	-	298,613	166,499	465,112	-	-	-	465,112
Cost of sales - labor	-	144,860	-	144,860	-	-	-	144,860
Depreciation	57,724	23,227	24,010	104,961	8,866	8,746	17,612	122,573
Legal and professional	4,889	27,247	22,650	54,786	47,749	-	47,749	102,535
Utilities and telephone	42,311	19,815	9,706	71,832	2,864	4,602	7,466	79,298
Insurance	31,592	30,914	3,684	66,190	1,858	3,717	5,575	71,765
Advertising and promotion	-	69,593	524	70,117	-	-	-	70,117
Contract labor	6,900	33,990	11,937	52,827	347	3,948	4,295	57,122
Cost of sales - printing	-	49,478	-	49,478	-	-	-	49,478
Repairs and maintenance	29,731	8,692	9,132	47,555	-	-	-	47,555
Mental health	45,877	-	-	45,877	-	-	-	45,877
Miscellaneous	7,916	19,562	7,175	34,653	4,440	6,339	10,779	45,432
Event costs	-	-	-	-	-	40,043	40,043	40,043
Printing and supplies	4,273	24,426	7,251	35,950	1,245	517	1,762	37,712
Medical	33,593	-	-	33,593	-	-	-	33,593
Other program expenses	6,654	24,816	1,405	32,875	-	-	-	32,875
Conference expenses	-	32,218	-	32,218	-	-	-	32,218
Education and outreach	22,246	6,996	125	29,367	1,302	-	1,302	30,669
Credit card and bank fees	199	21,969	7,082	29,250	-	-	-	29,250
Transportation	12,748	15,631	-	28,379	-	-	-	28,379
Stipends	26,902	-	-	26,902	-	-	-	26,902
Dues, licenses and fees	2,457	16,732	2,399	21,588	-	-	-	21,588
Cost of sales - shipping	-	20,694	-	20,694	-	-	-	20,694
Bad debt expense	-	-	-	-	9,399	-	9,399	9,399
Food and household supplies	9,116	-	-	9,116	-	-	-	9,116
Clothing and grooming	9,003	-	-	9,003	-	-	-	9,003
Newsletter	4,042	-	-	4,042	2,358	2,020	4,378	8,420
Interest	1,548	-	-	1,548	-	-	-	1,548
	<u>\$ 645,140</u>	<u>\$ 1,435,268</u>	<u>\$ 416,836</u>	<u>\$ 2,497,244</u>	<u>\$ 180,227</u>	<u>\$ 108,022</u>	<u>\$ 288,249</u>	<u>\$ 2,785,493</u>

See accompanying notes to consolidated financial statements.

**THISTLE FARMS, INC. AND SUBSIDIARY**  
**(FORMERLY MAGDALENE, INC. AND SUBSIDIARY)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 330,062	\$ 118,720
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	124,040	122,573
Change in beneficial interest in assets	1,824	(5,328)
Loss (gain) on disposal of fixed assets	3,258	(44,932)
Provision for bad debts	26,022	9,399
Change in operating assets and liabilities:		
Accounts receivable	(16,736)	(8,320)
Unconditional promises to give	(33,584)	46,641
Inventory	(87,777)	(24,920)
Other current assets	3,146	(1,793)
Accounts payable and accrued expenses	37,836	21,970
Nurse practitioner payable	4,878	(17,774)
Net cash provided by operating activities	<u>392,969</u>	<u>216,236</u>
Cash flows from investing activities:		
Purchases of property and equipment	(524,583)	(262,745)
Proceeds from disposal of fixed assets	<u>-</u>	<u>124,043</u>
Net cash used in investing activities	<u>(524,583)</u>	<u>(138,702)</u>
Cash flows from financing activities:		
Proceeds from issuance of notes payable	500,000	-
Principal payments on note payable	<u>(8,707)</u>	<u>(15,641)</u>
Net cash provided by (used in) financing activities	<u>491,293</u>	<u>(15,641)</u>
Net increase in cash and cash equivalents	359,679	61,893
Cash and cash equivalents, beginning of year	<u>482,057</u>	<u>420,164</u>
Cash and cash equivalents, end of year	<u>\$ 841,736</u>	<u>\$ 482,057</u>
Supplemental schedule of cash flow information:		
Interest paid	<u>\$ 1,348</u>	<u>\$ 1,548</u>

See accompanying notes to consolidated financial statements.

**THISTLE FARMS, INC. AND SUBSIDIARY  
(FORMERLY MAGDALENE, INC. AND SUBSIDIARY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

Thistle Farms, Inc. and subsidiary (formerly Magdalene, Inc. and subsidiary) (the “Organization”) is a nonprofit corporation, organized in the state of Tennessee in 1993. Its mission is to provide sanctuary, instruction, treatment and employment for women with a history of prostitution and addiction.

The Organization operates from facilities located in Nashville, Tennessee and attracts its participants and its support primarily from the Middle Tennessee area. The Organization is supported primarily by contributions from the general public, Thistle Farms product sales, Café sales, Shared Trade sales, fees for rehabilitation services provided for the men who are arrested for first offense soliciting in conjunction with the local court system, and fundraising events.

The following program services are provided by the Organization:

*Women’s sanctuary and rehabilitation* – A two-year residential community that provides housing and education for women with a criminal history of addiction and prostitution.

*Thistle Farms* – A program that requires all participants to assist in manufacturing and selling selected domestic home items, such as candles, skin and lip balms and bath salts under the brand name of Thistle Farms. The program assists the participants in acquiring and developing life skills needed to assimilate into the workplace at the completion of the program.

*Thistle Stop Café* – Program graduates and residents sell Nashville-based and fair-trade coffees, teas and healthy catered foods.

*Shared Trade* – A global marketplace to bridge the gap and bring women together in a movement for economic freedom.

The Organization has established a wholly-owned subsidiary, Magdalene Homes, LLC, to construct residential housing for graduates of its program.

**Principles of Consolidation**

The consolidated financial statements include the accounts and activities of Thistle Farms, Inc. and Magdalene Homes, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation. Magdalene Homes, LLC was dormant during the years ended June 30, 2015 and 2014.

**THISTLE FARMS, INC. AND SUBSIDIARY  
(FORMERLY MAGDALENE, INC. AND SUBSIDIARY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
June 30, 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. 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 consolidated statements of activities as net assets released from restrictions.

*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 and any related investments for general or specific purposes.

**Cash and Cash Equivalents**

For purposes of the consolidated statements of cash flows, the Organization considers all cash and related short-term investments with original maturities of three months or less to be cash equivalents.

**Unconditional Promises to Give**

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 restrictions 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. The Organization uses the allowance method to determine uncollectible unconditional promises to give.

**Accounts Receivable**

Accounts receivable represent amounts due for sales of products to retailers. Management believes accounts receivable are fully collectible. Accordingly, no allowance for doubtful accounts is considered necessary.

**THISTLE FARMS, INC. AND SUBSIDIARY  
(FORMERLY MAGDALENE, INC. AND SUBSIDIARY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
June 30, 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Inventory**

Inventory consisting of bath and home products and related raw materials is stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

**Property and Equipment**

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is provided using the straight-line basis over the estimated useful lives of the respective assets, which range from three to thirty-nine years. Expenditures for repairs and maintenance are charged to expense as incurred.

**Income Taxes**

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Therefore, no provision for income taxes has been made.

The Organization follows guidance that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying consolidated financial statements. Tax years that remain open for examination include the years ended June 30, 2012 through June 30, 2015. The Organization had no uncertain tax positions at June 30, 2015 or 2014.

**Functional Allocation of Expenses**

The costs of providing programs and supporting services have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon management's estimate.

**THISTLE FARMS, INC. AND SUBSIDIARY  
(FORMERLY MAGDALENE, INC. AND SUBSIDIARY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
June 30, 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Advertising Costs**

The cost of advertising expenditures is expensed when incurred. Advertising expense amounted to \$102,585 and \$70,117 during the years ended June 30, 2015 and 2014, respectively.

**Endowment Funds**

Accounting principles generally accepted in the United States of America state that a nonprofit organization should classify the portion of a donor-restricted endowment fund that is not permanently restricted by the donor or by law as temporarily restricted net assets (time restricted) until it is appropriated for expenditure and donor-imposed purpose restrictions, if any, are met. When the purpose restrictions, if any, on the portion of donor-restricted endowment funds are met and the appropriation has occurred, temporarily restricted net assets are reclassified to unrestricted net assets. The guidance also requires additional disclosures applicable to all nonprofit organizations. Those disclosures provide: a) a description of the organization's policies for making appropriations for expenditures from endowment funds (i.e. the organization's endowment spending policies), b) a description of the organization's investment policies for endowment funds, c) a description of the organization's endowment by net asset class at the end of the period in total and by type of endowment fund, d) a reconciliation of the beginning and ending balances of endowment funds in total and by net asset class, and e) a description of the organization's interpretation of the laws underlying the net asset classification of donor-restricted endowment funds.

**Subsequent Events**

The Organization evaluated subsequent events through October 19, 2015 when these consolidated financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the consolidated statement of financial position date but prior to the filing of this report that would have a material impact on the consolidated financial statements.

**THISTLE FARMS, INC. AND SUBSIDIARY**  
**(FORMERLY MAGDALENE, INC. AND SUBSIDIARY)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**June 30, 2015 and 2014**

**NOTE 2 – UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Unconditional promises to give	\$ 320,333	\$ 307,656
Less: allowance for uncollectible contributions	(63,545)	(58,303)
Less: discount to net present value	<u>(427)</u>	<u>(554)</u>
Net unconditional promises to give	256,361	248,799
Less: amounts receivable in less than one year, net	<u>(169,984)</u>	<u>(117,247)</u>
 Receivable in one to five years, net	 <u>\$ 86,377</u>	 <u>\$ 131,552</u>

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment at June 30, consists of the following:

	<u>2015</u>	<u>2014</u>
Land and buildings	\$ 3,072,303	\$ 2,557,888
Furniture, fixtures and equipment	145,619	149,178
Vehicle	17,490	17,490
Leasehold improvements	<u>-</u>	<u>8,853</u>
	3,235,412	2,733,409
Less: accumulated depreciation	<u>(744,909)</u>	<u>(640,191)</u>
	<u>\$ 2,490,503</u>	<u>\$ 2,093,218</u>

**NOTE 4 – NOTES PAYABLE**

	<u>2015</u>	<u>2014</u>
Note payable to bank secured by a first deed of trust on certain property with a net book value of \$25,578 at June 30, 2015, bearing interest at 7.27%, payable in monthly installments of \$731, maturing March 2017.	\$ 14,290	\$ 21,709
 Note payable to retailer, secured by certain equipment with a net book value of \$359 at June 30, 2015, bearing interest at 5%, payable in monthly installments of \$648, matured September 2014.	 -	 1,288

**THISTLE FARMS, INC. AND SUBSIDIARY**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**June 30, 2015 and 2014**

**NOTE 4 – NOTES PAYABLE (Continued)**

	<u>2015</u>	<u>2014</u>
Note payable to bank, secured by a first deed of trust on certain property with a net book value of \$505,745 at June 30, 2015, bearing interest at prime (3.25% at June 30, 2015, principal and interest due June 2016.	<u>500,000</u>	<u>-</u>
	<u>\$ 514,290</u>	<u>\$ 22,997</u>

Scheduled maturities of the notes payable are as follows for the year ending June 30:

2016	\$ 508,028
2017	<u>6,262</u>
	<u>\$ 514,290</u>

**NOTE 5 – NET ASSETS**

Temporarily restricted net assets consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Unconditional promises to give due in future periods	\$ 256,361	\$ 248,799
Earnings on endowment funds	12,889	14,713
Donations for women's healthcare and nurse practitioner	<u>6,717</u>	<u>3,709</u>
	<u>\$ 275,967</u>	<u>\$ 267,221</u>

**NOTE 6 – DONATED MATERIALS AND SERVICES**

The Organization received in-kind contributions as follows during the years ended June 30:

	<u>2015</u>	<u>2014</u>
Legal and professional	\$ 93,000	\$ 73,500
Event costs	6,500	4,000
Other	5,000	23,000
Advertising and promotion	2,500	4,500
Contract labor	<u>-</u>	<u>10,000</u>
	<u>\$ 107,000</u>	<u>\$ 115,000</u>



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**NOTE 7 – MAGDALENE HOMES, LLC**

Magdalene Homes, LLC, was organized on April 1, 2004 as a Tennessee limited liability company and is owned 100% by Thistle Farms, Inc. (formerly Magdalene, Inc.) for the purpose of purchasing real estate and building residential homes for graduates of its program. During the year ended June 30, 2008, the construction of two homes was completed and the homes were sold to former Magdalene residents. The sales price of the two homes included unearned revenue for third mortgages of \$20,000. Unearned revenue on third mortgages represents the non-interest bearing third mortgage loans held by the Organization related to these homes. The homeowners were required to sign a third mortgage for the difference between the estimated fair market value of the home, and the balance of other mortgages at the transfer date. The Organization does not foresee collection of the third mortgage loans except in the event of sale, refinance, or other transfer of the home by the owner.

**NOTE 8 – CONCENTRATIONS**

The Organization maintains its cash in bank accounts that at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"). Management believes the Organization is not exposed to any significant credit risk on cash. Uninsured balances at June 30, 2015 and 2014 totaled \$362,389 and \$68,919, respectively.

**NOTE 9 – ENDOWMENT**

Permanently restricted net assets consist of contributions whose principal is to be held in perpetuity in accordance with terms prescribed by the donors. The income from permanently restricted contributions is expendable to provide maintenance on a resident home. Permanently restricted net assets totaled \$100,000 at June 30, 2015 and 2014.

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring that the Organization classify as permanently restricted net assets a) the original value of donor-restricted gifts to the permanent endowment, b) the original value of subsequent donor-restricted gifts to the permanent endowment, and c) accumulations (interest, dividends, capital gain/loss) to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are approved 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:

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**June 30, 2015 and 2014**

**NOTE 9 – ENDOWMENT (Continued)**

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Endowment net asset composition by type of fund at June 30, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 12,889	\$ 100,000	\$ 112,889
Total funds	<u>\$ -</u>	<u>\$ 12,889</u>	<u>\$ 100,000</u>	<u>\$ 112,889</u>

Changes in endowment net assets for the year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 14,713	\$ 100,000	\$ 114,713
Investment return	<u>-</u>	<u>(1,824)</u>	<u>-</u>	<u>(1,824)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 12,889</u>	<u>\$ 100,000</u>	<u>\$ 112,889</u>

Endowment net asset composition by type of fund at June 30, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 14,713	\$ 100,000	\$ 114,713
Total funds	<u>\$ -</u>	<u>\$ 14,713</u>	<u>\$ 100,000</u>	<u>\$ 114,713</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**June 30, 2015 and 2014**

**NOTE 9 – ENDOWMENT (Continued)**

Changes in endowment net assets for the year ended June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 9,385	\$ 100,000	\$ 109,385
Investment return	<u>-</u>	<u>5,328</u>	<u>-</u>	<u>5,328</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 14,713</u>	<u>\$ 100,000</u>	<u>\$ 114,713</u>

The Organization has contributed approximately \$47,000 of its endowment assets to be held at the Community Foundation of Middle Tennessee. The remainder of the endowment assets is comprised of cash held by the Organization. The Organization does not have a formal investment and spending policy for its endowment assets. At June 30, 2015, the Organization's endowment was comprised of approximately 51% cash and cash equivalents, 27% equity funds, 16% fixed income funds, and 6% in alternative investments.

**NOTE 10 – PNP COLLABORATIVE**

The Organization serves as the fiscal agent for a Psychiatric Nurse Practitioner (PNP) Collaborative (the "Collaborative") which consisted of four agencies as of June 30, 2015. The Collaborative provides assessment, medication management and treatment for residents in its programs and for staff consultation at each agency. The Collaborative is funded by grants and allocated amongst the agencies, with the Organization receiving approximately 24% of the benefits during the year ended June 30, 2015. The Organization maintains an escrow account in which grant awards are deposited and from which expenditures are paid.

**NOTE 11 – RELATED PARTY TRANSACTIONS**

At June 30, 2015 and 2014, the Organization owed notes payable totaling \$514,290 and \$21,709 respectively, to a financial institution associated with a member of the Organization's board of directors.

The Organization receives voluntary contributions, gift-in-kind donations, and volunteer labor from various board members and their companies throughout the year.