

NORTHERN VIRGINIA THERAPEUTIC

RIDING PROGRAM, INC.

ACCOUNTANTS' AUDIT REPORT AND

FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

ACCOUNTANTS' AUDIT REPORT AND

FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

CONTENTS

	<u>Page</u>
<u>BASIC FINANCIAL STATEMENTS</u>	
Accountants' Audit Report	1
Statements of Financial Position as of December 31, 2002 and 2001	2
Statements of Activities for the Years Ended December 31, 2002 and 2001	3
Statements of Cash Flows for the Years Ended December 31, 2002 and 2001	4
Notes to Financial Statements	5 - 8
<u>SUPPLEMENTAL INFORMATION</u>	
Schedule of Functional Expenses for the Years Ended December 31, 2002 and 2001	9

THE BURDETTE SMITH GROUP, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
AND MANAGEMENT CONSULTANTS



Thomas E. Burdette, CPA¹
Jeffrey A. Smith, CPA
Joseph M. English III, CPA
Robert W. Stemetzki, CPA
John E. Smithers, CPA

Associates

Rebecca Bartholomae, CPA
Kathleen O. Eggers, CPA
Patricia K. Higginbotham, CPA
Christine E. Souders, CPA
William E. Wegley, CPA

Members

American Institute of CPAs
Virginia Society of CPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northern Virginia Therapeutic Riding Program, Inc.

We have audited the accompanying statements of financial position of Northern Virginia Therapeutic Riding Program, Inc., a nonprofit organization, (the Program) as of December, 31, 2002 and 2001 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Program's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern Virginia Therapeutic Riding Program, Inc. as of December 31, 2002 and 2001 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Burdette Smith Group, P.C.

Fairfax, Virginia
June 13, 2003

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2002 AND 2001

ASSETS

	<u>2002</u>	<u>2001</u>
CURRENT ASSETS		
Cash	\$ 81,359	\$ 91,777
Promises to give	56,113	57,542
Prepaid expenses	<u>3,978</u>	<u>4,267</u>
Total Current Assets	<u>141,450</u>	<u>153,586</u>
PROPERTY AND EQUIPMENT, AT COST		
	22,865	27,520
Less: accumulated depreciation	<u>(8,537)</u>	<u>(11,209)</u>
	<u>14,328</u>	<u>16,311</u>
OTHER ASSETS		
Deposits	<u>1,000</u>	<u>1,500</u>
	<u>\$ 156,778</u>	<u>\$ 171,397</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 3,660
Accrued salaries	1,730	2,307
Payroll taxes payable	<u>677</u>	<u>2,205</u>
Total Current Liabilities	<u>2,407</u>	<u>8,172</u>
COMMITMENTS		
NET ASSETS		
Unrestricted	94,258	103,102
Temporarily restricted	<u>60,113</u>	<u>60,123</u>
	<u>154,371</u>	<u>163,225</u>
	<u>\$ 156,778</u>	<u>\$ 171,397</u>

The accompanying notes are an integral part of these financial statements.

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED

DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
UNRESTRICTED NET ASSETS		
Support and revenue		
Riding lessons	\$ 48,956	\$ 21,316
Contributed services, facilities and supplies	3,000	8,000
Special event (net)	24,721	33,578
Contributions	42,547	13,973
Horse boarding	1,526	-
Miscellaneous income	73	28
Investment income	1,074	1,108
Gain (Loss) on asset disposals	<u>2,535</u>	<u>8,880</u>
	124,432	86,883
Net assets released from restrictions	<u>7,191</u>	<u>67</u>
	<u>131,623</u>	<u>86,950</u>
 Expenses		
Program services:		
Riding program	120,067	66,670
Support services:		
General and administrative	<u>20,400</u>	<u>18,218</u>
	<u>140,467</u>	<u>84,888</u>
 INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>(8,844)</u>	<u>2,062</u>
 TEMPORARILY RESTRICTED NET ASSETS		
Contributions	7,181	4,610
Net assets released from restrictions	<u>(7,191)</u>	<u>(67)</u>
 INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(10)</u>	<u>4,543</u>
 TOTAL INCREASE (DECREASE) IN NET ASSETS	(8,854)	6,605
 NET ASSETS, BEGINNING OF YEAR	<u>163,225</u>	<u>156,620</u>
 NET ASSETS, END OF YEAR	<u>\$ 154,371</u>	<u>\$ 163,225</u>

The accompanying notes are an integral part of these financial statements.

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED

DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (8,854)	\$ 6,605
Adjustments to reconcile change in net assets provided by (used in) operating activities:		
Depreciation	3,213	4,378
Net (Gain)Loss on disposal of assets	(2,535)	(8,880)
Decrease (Increase) in:		
Promises to give	1,429	66
Prepaid expenses	289	(3,249)
Deposits	500	(1,500)
Increase (Decrease) in:		
Accounts payable	(3,660)	1,160
Accrued payroll expenses	<u>(2,105)</u>	<u>2,388</u>
Net Cash Provided By (Used In) Operating Activities	<u>(11,723)</u>	<u>968</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(3,595)	(7,970)
Donation of property and equipment	(3,000)	(8,000)
Net proceeds from sale of property and equipment	7,900	3,001
Net proceeds from purchase and sale of farm property	-	82,857
Deposits and improvements on farm property	<u>-</u>	<u>(3,459)</u>
Net Cash Provided By (Used In) Investing Activities	<u>1,305</u>	<u>66,429</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,418)	67,397
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>91,777</u>	<u>24,380</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 81,359</u>	<u>\$ 91,777</u>

The accompanying notes are an integral part of these financial statements.

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

NOTE 1 - Nature of Activities and Significant Accounting PoliciesNature of Activities

The Northern Virginia Therapeutic Riding Program, Inc. (the Program) is a nonprofit organization formed under the laws of the Commonwealth of Virginia on March 9, 1998. The purpose of the Program is to enrich the lives of physically, mentally and emotionally challenged residents of Northern Virginia through equestrian-centered activities. The Program provides therapeutic, social and recreational services and activities delivered by certified, professional staff.

Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Program reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Program reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Program reports expirations of donor restrictions when the donated or acquired long-lived asset are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Contributed Services, Facilities, Supplies and Equipment

The Program values all contributions as support at their estimated fair value at the date of the contribution.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

NOTE 1 - Nature of Activities and Significant Accounting Policies.
ContinuedProperty and Equipment

Horses, equipment and leasehold improvements are stated at cost and are being depreciated on a straight-line basis over the estimated useful lives of the assets. Estimated useful lives range from 3 to 20 years.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Program reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Program reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Program considers checking and money market accounts to be cash equivalents.

Income Taxes

The Program is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and classified as other than a private foundation. However, income from certain activities not directly related to the Program's tax-exempt purpose may be subject to taxation as unrelated business income.

NOTE 2 - Investment Income

Interest earned on checking and money market accounts totaled \$1,074 and \$1,108 for the years ended December 31, 2002 and 2001, respectively.

NOTE 3 - Property and Equipment

	<u>2002</u>	<u>2001</u>
Horses	\$ 15,500	\$ 13,700
Horse equipment	-	3,135
Office equipment	1,395	4,715
Leasehold improvements	<u>5,970</u>	<u>5,970</u>
	22,865	27,520
Less accumulated depreciation	<u>(8,537)</u>	<u>(11,209)</u>
	<u>\$ 14,328</u>	<u>\$ 16,311</u>

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

NOTE 3 - Property and Equipment, continued

Leasehold improvements consist of costs incurred to build a horse ring at the Chapel Road property and are being amortized on the straight-line basis using an estimated useful life of ten years (Note 3).

The Program recorded the contributions of horses valued at \$3,000 and \$8,000 during the years ended December 31, 2002 and 2001, respectively. In addition, the Program realized net gains/(losses) on the disposal of horses totaling \$2,535 and (\$1,794) for the years ended December 31, 2002 and 2001, respectively. The Program realized a net gain of \$10,674 on the sale of property during the year ended December 31, 2001.

Depreciation expense totaled \$3,213 and \$4,378, for the years ended December 31, 2002 and 2001, respectively.

NOTE 4 - Lease Commitments

On June 15, 2001, the Program entered into a six-month renewable rental agreement on the Chapel Road property in Fairfax Station, Virginia. A \$1,000 security deposit was paid upon the signing of the lease. Monthly lease payments are \$1,000.

The Program is currently negotiating a new lease on the Chapel Road property to take effect July 1, 2003. The lease is intended to be for a two year term expiring on June 30, 2005, and requires monthly rental payments of \$1,800. Either party will be able to terminate the lease with six months written notice. As of the date of this report, the lease has not been executed. Until the new lease is finalized, the Program will operate under the terms of the existing lease which expires December 31, 2003.

Effective May 1, 2002 the Program also began paying \$150 monthly rental payments related to space used for general and administrative activities.

Rent expense for the years ended December 31, 2002 and 2001 was \$13,000 and \$9,550, respectively.

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

NOTE 4 - Lease Commitments, continued

Future minimum rent payments at December 31, 2002 total \$12,000 to be paid during 2003.

NOTE 5 - Promises to Give

The Program has a pledge receivable from the Northern Virginia Partnership for Children ("NVPC") totaling \$52,931. The funds are to be released to the Program upon achieving certain milestones related to purchasing and/or constructing a facility to be used as a permanent home for the Program. NVPC restricted the funds for the benefit of the Program through December 31, 2003. If a permanent home is not located for the Program by this date, the NVPC has the right to withdraw this offering. While there is no property purchase pending, the goal of the Program is still to own property. Therefore, the Program is currently in discussions with NVPC to obtain an extension on this deadline.

NOTE 6 - Temporarily Restricted Net Assets

All unconditional promises to give are recorded as temporarily restricted net assets and income at the time the promise is communicated. Promises to give are inherently time-restricted because the donor is restricting the time period in which the assets may be used by not transferring the assets immediately. Temporarily restricted net assets consist of the following at December 31:

	<u>2002</u>	<u>2001</u>
Horse trailer fund	\$ 1,500	\$ -
Scholarship fund	2,500	-
TRW - volunteer gift awards	-	914
Tree fund	-	1,667
United Way	3,182	4,611
Northern Virginia Partnership for Children	<u>52,931</u>	<u>52,931</u>
	<u>\$ 60,113</u>	<u>\$ 60,123</u>

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	Program	General and	2002	2001
	<u>Services</u>	<u>Administrative</u>	<u>Total</u>	<u>Total</u>
			<u>Expenses</u>	<u>Expenses</u>
Contract labor	\$ 17,632	\$ 8,615	\$ 26,247	\$ -
Depreciation	3,123	90	3,213	4,378
Horse expense	13,775	-	13,775	9,777
Insurance	8,852	-	8,852	5,520
Occupancy	11,800	1,200	13,000	9,550
Office supplies	7,467	-	7,467	2,909
Payroll costs	45,023	-	45,023	28,355
Printing & postage	860	-	860	397
Professional fees	1,948	10,495	12,443	6,913
Property improvements	2,197	-	2,197	7,861
Repairs & maintenance	5,367	-	5,367	5,919
Taxes & licenses	-	-	-	624
Telephone	1,546	-	1,546	1,223
Utilities	-	-	-	1,275
Volunteers	477	-	477	187
	<u>\$ 120,067</u>	<u>\$ 20,400</u>	<u>\$ 140,467</u>	<u>\$ 84,888</u>

See Accountants' Report.