

**NORTHERN VIRGINIA  
THERAPEUTIC RIDING  
PROGRAM, INC.**

**ACCOUNTANTS' AUDIT REPORT AND  
FINANCIAL STATEMENTS**

**DECEMBER 31, 2003 AND 2002**

**NORTHERN VIRGINIA  
THERAPEUTIC RIDING PROGRAM, INC.**

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# THE BURDETTE SMITH GROUP, P.C.

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Northern Virginia Therapeutic Riding Program, Inc. (the Program), a not-for-profit organization, as of December 31, 2003 and 2002, 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, 2003 and 2002, and the changes in 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 is presented for purposes of additional analysis and is not a required part of the 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.

Fairfax, Virginia  
July 23, 2004

*The Burdette Smith Group, P.C.*

**NORTHERN VIRGINIA  
THERAPEUTIC RIDING PROGRAM, INC.**

**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2003 AND 2002**

**ASSETS**

	<u>2003</u>	<u>2002</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents .....	\$ 48,179	\$ 81,359
Promises to give .....	60,592	56,113
Prepaid expenses .....	4,213	3,978
<b>Total Current Assets</b> .....	<b>112,984</b>	<b>141,450</b>
<b>PROPERTY AND EQUIPMENT, AT COST</b> .....	26,749	22,865
Less: accumulated depreciation .....	(11,092)	(8,537)
	15,657	14,328
<b>OTHER ASSETS</b>		
Security deposit .....	1,000	1,000
	\$ 129,641	\$ 156,778

**LIABILITIES AND NET ASSETS**

	<u>2003</u>	<u>2002</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable .....	\$ 3,908	-
Accrued salaries and payroll taxes .....	-	2,407
Deferred revenue .....	12,814	-
<b>Total Current Liabilities</b> .....	<b>16,722</b>	<b>2,407</b>
<b>COMMITMENTS</b>		
<b>NET ASSETS</b>		
Unrestricted .....	51,327	94,258
Temporarily restricted .....	61,592	60,113
	112,919	154,371
	\$ 129,641	\$ 156,778

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, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>UNRESTRICTED NET ASSETS</b>		
<b>REVENUE</b>		
Riding lessons .....	\$ 74,088	\$ 48,956
Contributed services, facilities and supplies.....	1,500	3,000
Special events (net) .....	27,654	24,721
Contributions .....	37,923	42,547
Other income .....	-	1,599
Investment income .....	452	1,074
Gain (loss) on dispositions .....	-	2,535
	<u>141,617</u>	<u>124,432</u>
Net assets released from restrictions .....	<u>3,181</u>	<u>7,191</u>
	<u>144,798</u>	<u>131,623</u>
<b>EXPENSES</b>		
Program Services:		
Riding program .....	158,054	121,267
Support Services:		
General and administrative .....	<u>29,675</u>	<u>19,200</u>
	<u>187,729</u>	<u>140,467</u>
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS .....</b>	<u>(42,931)</u>	<u>(8,844)</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions .....	4,660	7,181
Net assets released from restrictions .....	<u>(3,181)</u>	<u>(7,191)</u>
	<u>1,479</u>	<u>(10)</u>
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS.....</b>	<u>(41,452)</u>	<u>(8,854)</u>
<b>NET ASSETS, BEGINNING OF YEAR.....</b>	154,371	163,225
<b>NET ASSETS, END OF YEAR.....</b>	<u>\$ 112,919</u>	<u>\$ 154,371</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, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in net assets.....	\$ (41,452)	\$ (8,854)
Adjustments to reconcile net assets to net cash provided by (used in) operating activities:		
Depreciation .....	8,525	3,213
Donated property and equipment .....	(1,500)	(3,000)
(Gain) loss on dispositions .....	-	(2,535)
(Increase) decrease in:		
Promises to give .....	(4,479)	1,429
Prepaid expenses.....	(235)	289
Deposits.....	-	500
Increase (decrease) in:		
Accounts payable .....	3,908	(3,660)
Accrued salaries and payroll taxes .....	(2,407)	(2,105)
Deferred revenue.....	12,814	-
	<u>16,626</u>	<u>(5,869)</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES .....</b>	<u>(24,826)</u>	<u>(14,723)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash used to purchase property and equipment.....	(8,354)	(3,595)
Proceeds from dispositions .....	-	7,900
<b>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES .....</b>	<u>(8,354)</u>	<u>4,305</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS .....</b>	(33,180)	(10,418)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR .....</b>	<u>81,359</u>	<u>91,777</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR .....</b>	<u>\$ 48,179</u>	<u>\$ 81,359</u>

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

**NORTHERN VIRGINIA  
THERAPEUTIC RIDING PROGRAM, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**NOTE 1 - Summary of Significant Accounting Policies**

The Northern Virginia Therapeutic Riding Program (the Program) is a not-for-profit organization incorporated 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.

**Tax Exempt Status**

The Program has been granted exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended 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.

**Property and Equipment**

Property and equipment (including major renewals, replacements and betterments) are capitalized and stated at cost. Expenditures for ordinary maintenance and repair items are charged to operations as incurred. Upon the sale or other disposition of property, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the changes in net assets. Depreciation is provided for principally under the straight-line method. Asset useful lives are from three to twenty years. Leasehold improvements are amortized under the straight-line method over the lease term.

**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 the 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 activities 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 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 assets are placed in service.

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

**Cash Equivalents**

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

**NORTHERN VIRGINIA  
THERAPEUTIC RIDING PROGRAM, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**NOTE 1 - Summary of Significant Accounting Policies, continued**

*Use of Estimates*

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

**NOTE 2 – Promises to Give**

The Program received a pledge 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 developing and/or constructing property to be used as a permanent home for the Program. While the Program does not have a property purchase pending, management is committed to that goal, and they are confident that the NVPC funds will be made available when the proper site is identified.

**NOTE 3 - Property and Equipment**

Property and equipment and the related accumulated depreciation as of December 31 are summarized as follows:

	<u>2003</u>	<u>2002</u>
Horses .....	\$ 17,000	\$ 15,500
Program equipment .....	7,750	800
Office equipment .....	595	595
Leasehold improvements .....	1,404	5,970
	<u>26,749</u>	<u>22,865</u>
Less accumulated depreciation .....	<u>(11,092)</u>	<u>(8,537)</u>
	<u>\$ 15,657</u>	<u>\$ 14,328</u>

On December 31, 2003, unamortized leasehold improvements, consisting of \$4,482 of costs incurred to build a horse ring at the Chapel Road property, were expensed to depreciation when the lease at the property ended. During 2003 costs to construct a fence on a new property were capitalized as leasehold improvements and are being amortized over the two-year term of the lease.

Horses, valued at \$1,500 and \$3,000 were contributed and capitalized during the years ended December 31, 2003 and 2002, respectively.

Depreciation expense was \$8,525 and \$3,213 for the years ended December 31, 2003 and 2002, respectively.



**NORTHERN VIRGINIA  
THERAPEUTIC RIDING PROGRAM, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**NOTE 4 - Deferred Revenue**

Deferred revenue consists of amounts received in advance for riding programs and leasing fees. The following summarizes the balance in the deferred revenue accounts as of December 31:

	<u>2003</u>	<u>2002</u>
Deferred rider deposits .....	\$ 11,914	\$ -
Deferred leasing fees .....	900	-
	\$ 12,814	\$ -

**NOTE 5 - Commitments**

On June 15, 2001 the Program entered into a six-month renewable rental agreement on the Chapel Road property in Fairfax Station, Virginia. Monthly lease payments were \$1,000 and a \$1,000 security deposit was paid upon signing the lease. The lease was extended on a month-to-month basis, through December 31, 2003 at which time it was terminated. Monthly lease payments increased to \$1,400 per month effective July 1, 2003.

On December 28, 2003 the Program entered into a two-year lease, commencing January 1, 2004, on the Winfield Road property in Fairfax, Virginia. Either party may terminate the lease without cause upon six months prior written notice to the other party. At the end of the lease term the lease will automatically be converted to month-to-month if written notice is not received thirty days prior to the end of the lease. Monthly lease payments are \$1,400.

The Program also pays \$150 per month to lease space for general and administrative activities.

Rent expense was \$16,050 and \$13,000 for the years ended December 31, 2003 and 2002, respectively.

Future minimum rental payments are summarized as follows:

	<u>2003</u>
2004 .....	\$ 16,800
2005 .....	16,800
	\$ 33,600

**NORTHERN VIRGINIA  
THERAPEUTIC RIDING PROGRAM, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**NOTE 6 – Special Events**

Special fundraising events are reflected net of costs in the statement of activities. Gross revenues and costs for the years ended December 31 are as follows:

	<u>2003</u>	<u>2002</u>
Revenues .....	\$ 41,060	\$ 31,609
Costs .....	(13,406)	(6,888)
	<u>\$ 27,654</u>	<u>\$ 24,721</u>

**NOTE 7 – 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, which the asset may be used by not transferring the asset immediately. Temporarily restricted net assets consist of the following at December 31:

	<u>2003</u>	<u>2002</u>
Horse trailer .....	\$ 1,500	\$ 1,500
Scholarship .....	2,500	2,500
Ramp .....	2,000	-
United Way .....	2,661	3,182
Property acquisition .....	52,931	52,931
	<u>\$ 61,592</u>	<u>\$ 60,113</u>

When a donor restriction expires, that is, when a stipulated time restriction 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 YEAR ENDED DECEMBER 31, 2003**

	Program Services	General and Administrative	2003 Total	2002 Total
Depreciation .....	\$ 8,406	\$ 119	\$ 8,525	\$ 3,213
Horse expenses .....	15,575	-	15,575	13,775
Insurance .....	13,592	-	13,592	8,852
Occupancy .....	14,400	1,650	16,050	13,000
Office supplies .....	5,156	-	5,156	7,467
Payroll costs .....	70,538	9,382	79,920	45,023
Printing and postage .....	1,892	-	1,892	860
Professional fees .....	19,679	18,524	38,203	38,690
Property improvements .....	-	-	-	2,197
Repairs and maintenance .....	6,125	-	6,125	5,357
Taxes and licenses .....	570	-	570	-
Telephone .....	1,917	-	1,917	1,546
Volunteers .....	204	-	204	477
	<u>\$ 158,054</u>	<u>\$ 29,675</u>	<u>\$ 187,729</u>	<u>\$ 140,457</u>