

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



**INDEPENDENT AUDITOR'S REPORT AND  
FINANCIAL STATEMENTS**

**DECEMBER 31, 2007 AND 2006**

**NORTHERN VIRGINIA  
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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, 2007 and 2006, 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, 2007 and 2006, 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.

*The Burdette Smith Group, P.C.*

Fairfax, Virginia  
September 30, 2008

# NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents .....	\$ 159,205	\$ 65,807
Accounts receivable .....	4,000	2,850
Promises to give.....	75,000	921
Prepaid expenses .....	27,564	7,388
<b>Total Current Assets .....</b>	<u>265,769</u>	<u>76,966</u>
<b>PROPERTY AND EQUIPMENT, AT COST .....</b>	<b>76,773</b>	<b>48,828</b>
Less: accumulated depreciation .....	<u>(35,368)</u>	<u>(28,739)</u>
	<u>41,405</u>	<u>20,089</u>
<b>OTHER ASSETS</b>		
Security deposit .....	-	1,400
Promises to give, net .....	139,456	-
Restricted cash .....	75,000	-
	<u>214,456</u>	<u>1,400</u>
	<u>\$ 521,630</u>	<u>\$ 98,455</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable .....	\$ 35,513	\$ 13,132
Accrued liabilities .....	3,000	1,869
Deferred revenue .....	6,308	9,121
<b>Total Current Liabilities .....</b>	<u>44,821</u>	<u>24,122</u>
<b>COMMITMENTS</b>		
<b>NET ASSETS</b>		
Unrestricted .....	157,396	68,531
Temporarily restricted .....	319,413	5,802
	<u>476,809</u>	<u>74,333</u>
	<u>\$ 521,630</u>	<u>\$ 98,455</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, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>UNRESTRICTED NET ASSETS</b>		
<b>REVENUE</b>		
Riding lessons .....	\$ 104,260	\$ 109,110
Donated property and equipment .....	4,300	-
Special events (net) .....	52,409	36,802
Contributions .....	184,380	42,673
Other income .....	14,217	17,140
Investment income .....	2,580	1,131
Gain (loss) on dispositions .....	(529)	1,425
	361,617	208,281
Net assets released from restrictions .....	14,482	10,961
	376,099	219,242
<b>EXPENSES</b>		
Program Services:		
Riding program .....	229,384	188,325
Support Services:		
General and administrative .....	57,850	39,017
	287,234	227,342
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b> .....	<b>88,865</b>	<b>(8,100)</b>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions .....	328,093	5,967
Net assets released from restrictions .....	(14,482)	(10,961)
<b>INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS</b> .....	<b>313,611</b>	<b>(4,994)</b>
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b> .....	<b>402,476</b>	<b>(13,094)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b> .....	<b>74,333</b>	<b>87,427</b>
<b>NET ASSETS, END OF YEAR</b> .....	<b>\$ 476,809</b>	<b>\$ 74,333</b>

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, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Increase (Decrease) in net assets.....	\$ 402,476	\$ (13,094)
Adjustments to reconcile net assets to net cash provided by (used in) operating activities:		
Depreciation .....	9,117	7,216
Donated property and equipment .....	(4,300)	-
(Gain) loss on dispositions .....	529	(1,425)
Changes in restricted cash .....	(75,000)	-
(Increase) decrease in:		
Accounts receivable .....	(1,150)	1,260
Promises to give .....	(213,535)	6,925
Prepaid expenses.....	(20,176)	475
Security deposits.....	1,400	-
Increase (decrease) in:		
Accounts payable .....	22,381	12,122
Accrued salaries and payroll taxes .....	1,131	385
Deferred revenue .....	(2,813)	4,746
	<u>(282,416)</u>	<u>31,704</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES .....</b>	<b><u>120,060</u></b>	<b><u>18,610</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Cash used to purchase property and equipment .....	(26,662)	(3,070)
Cash received from sale of property and equipment .....	-	1,500
<b>NET CASH USED IN INVESTING ACTIVITIES .....</b>	<b><u>(26,662)</u></b>	<b><u>(1,570)</u></b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS .....</b>	<b>93,398</b>	<b>17,040</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR .....</b>	<b><u>65,807</u></b>	<b><u>48,767</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR .....</b>	<b>\$ <u>159,205</u></b>	<b>\$ <u>65,807</u></b>

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

# NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006

### 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 unrestricted 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, 2007 AND 2006

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

#### Promises to Give

Unconditional promises to give that are expected to be received within one year are recorded at their face amount, which is estimated to approximate fair value. Amounts that are expected to be received in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are anticipated to be received. Amortization of the discounts is included in contribution revenue.

The Program uses the allowance method for recording bad debt expense. Under the allowance method, receivables deemed uncollectible are applied to an allowance account throughout the year to reflect the current estimate of future bad debt expense.

#### 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.

Significant estimates in the financial statements include the collectability of promises to give and the discount rates used to record net present value adjustment on long-term promises to give.

### NOTE 2 - Promises to Give

Promises to give, net of allowance for doubtful collections and discount, consist of the following at December 31:

	<u>2007</u>	<u>2006</u>
United Way Campaign .....	\$ -	\$ 921
Thomas Cline Foundation .....	225,000	-
	<u>225,000</u>	<u>921</u>
Less: allowance for doubtful collections .....	-	-
Less: adjustment to net present value.....	(10,544)	-
	<u>\$ 214,456</u>	<u>\$ 921</u>
Current portion .....	\$ 75,000	\$ 921
Long-term portion .....	139,456	-
	<u>\$ 214,456</u>	<u>\$ 921</u>

In November 2007, the Program received a restricted pledge from the Thomas L. Cline Foundation totaling \$300,000. The funds, which are to be received by the Program in annual installments of \$75,000 over four years, are restricted for the purchase of a permanent facility for the Program in Fairfax County. As of December 31, 2007, the Program received \$75,000, see Note 5. Management believes the pledge is fully collectible as a result of negotiations on a property and accordingly, no adjustment to the allowance for doubtful accounts was recorded, see Note 11.



# NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006

### NOTE 3 – Prepaid Expenses

Prepaid expenses consist of the following as of December 31:

	<u>2007</u>		<u>2006</u>
Insurance .....	\$ 4,501	\$	5,988
Occupancy costs .....	1,700		1,400
Property acquisition costs .....	21,363		-
	<u>\$ 27,564</u>	\$	<u>7,388</u>

Prepaid property acquisition costs include legal and engineering costs associated with the purchase of a permanent facility and will be capitalized as land costs upon the purchase of the property. If the property is not purchased, these costs will be expensed, see Note 11.

### NOTE 4 - Property and Equipment

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

	<u>2007</u>		<u>2006</u>
Horses .....	\$ 30,300	\$	26,000
Program equipment .....	44,132		19,083
Office equipment .....	595		595
Leasehold improvements .....	1,746		3,150
	<u>76,773</u>		<u>48,828</u>
Less accumulated depreciation .....	(35,368)		(28,739)
	<u>\$ 41,405</u>	\$	<u>20,089</u>

Depreciation expense was \$9,117 and \$7,216 for the years ended December 31, 2007 and 2006, respectively.

### NOTE 5 – Restricted Cash

In November 2007, the Program received \$75,000, representing the first of four payments of a pledge from the Thomas Cline Foundation, see Note 2. The funds are being held in an escrow account until a property transaction is closed on a permanent facility, as stipulated in the pledge agreement. As of December 31, 2007, the Program did not purchase a permanent location, however negotiations on a permanent property are in progress, see Note 11.

# NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006

### NOTE 6 - 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>2007</u>	<u>2006</u>
Deferred rider deposits .....	\$ 6,308	2,821
Deferred leasing fees .....	-	6,300
	<u>\$ 6,308</u>	<u>\$ 9,121</u>

### NOTE 7 - Concentration of Credit Risk

The Program maintains bank accounts with two credit-worthy, high quality financial institutions. Since the Federal Deposit Insurance Corporation only insures accounts up to \$100,000 per institution, there is a concentration of credit risk for the amount in excess of \$100,000 at December 31, 2007 and 2006. Amounts at risk total \$110,358 and \$0 at December 31, 2007 and 2006, respectively.

### NOTE 8 - 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>2007</u>	<u>2006</u>
Revenues .....	\$ 89,513	\$ 60,110
Costs .....	(37,104)	(23,308)
	<u>\$ 52,409</u>	<u>\$ 36,802</u>

### NOTE 9 - 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>2007</u>	<u>2006</u>
Equipment .....	\$ 21,586	\$ 2,381
Scholarship .....	-	2,500
United Way .....	-	921
Property acquisition funds received and promised .....	289,456	-
Veteran program .....	6,621	-
Instructors' certification .....	1,750	-
	<u>\$ 319,413</u>	<u>\$ 5,802</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.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006

### NOTE 10 - Commitments

On December 20, 2005 the Program renewed a lease on the Winfield Road property in Fairfax, Virginia through December 31, 2007. Either party can terminate the lease without cause upon six months prior written notice to the other party. Lease payments totaled \$1,400 per month. In July 2007, a fire occurred on the Winfield Road property which rendered the property unusable. The horses were relocated to two temporary locations where riding sessions resumed through December 31, 2007. Rent expense at the temporary location totaled \$4,800. Subsequent to year end, the Program entered into a lease on a property which is intended to become its permanent long-term location, see Note 11.

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

Rent expense was \$19,760 and \$19,245 for the years ended December 31, 2007 and 2006, respectively.

### NOTE 11 - Subsequent Events

On January 1, 2008, the Program entered into a lease, with a purchase option, agreement with Full Cry Farm in Clifton, Virginia, certain terms of which were amended in June 2008. The base rent is \$1,400 per month. The lease is in effect until December 2008.

The Program has a purchase option agreement on the property. In June 2008, the Program placed a \$25,000 deposit with a title company and is in the process of attempting to secure appropriate financing in accordance with the terms of the agreement. The Program has until the end of October 2008 to give the landlord notice that appropriate financing has been fulfilled or waived, or provide reasonable evidence that the financing will be fulfilled by January 2009 and increase the deposit to \$45,000. If the Program is not able to secure financing, a negative notice to the landlord is required and the Program will lose the right to purchase the property. The deposit will be returned. The Program then has the option to extend the lease to March 2009.

In the event of a negative notice, monthly rent will increase to \$2,700 and be retroactive to the period from April 2008 through March 2009.

As part of the lease with Full Cry Farm, the Program entered into an equipment rental on January 1, 2008 with Junior Equitation School (JES) which is owned by the owner of Full Cry Farm. Monthly rental is \$300. In exchange, the Program agreed to manage and operate JES's horse boarding operations.

## NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

### SCHEDULE OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2007

	Program Services	General and Administrative	2007 Total	2006 Total
Depreciation .....	\$ 9,048	\$ 69	\$ 9,117	\$ 7,216
Education and training expenses ..	2,424	-	2,424	3,773
Horse expenses .....	37,812	-	37,812	36,727
Rebuild program .....	11,780	-	11,780	-
Insurance .....	18,941	7,639	26,580	20,010
Marketing and promotional.....	6,521	-	6,521	1,130
Occupancy .....	17,960	1,800	19,760	19,245
Payroll costs .....	93,238	36,880	130,118	108,848
Printing and postage .....	2,909	-	2,909	2,552
Program supplies and expense .....	13,530	-	13,530	8,342
Professional fees .....	-	11,175	11,175	11,175
Repairs and maintenance .....	11,985	-	11,985	5,401
Taxes and licenses .....	373	-	373	926
Telephone .....	2,579	287	2,866	1,717
Volunteers .....	284	-	284	280
	<u>\$ 229,384</u>	<u>\$ 57,850</u>	<u>\$ 287,234</u>	<u>\$ 227,342</u>

See auditors' report.