

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



**INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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

**INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS**

DECEMBER 31, 2011 AND 2010

CONTENTS

	<u>Page</u>
<u>BASIC FINANCIAL STATEMENTS</u>	
Independent Auditors' Report	1
Statements of Financial Position December 31, 2011 and 2010	2
Statements of Activities For the Years Ended December 31, 2011 and 2010	3
Statements of Cash Flows For the Years Ended December 31, 2011 and 2010	4
Notes to Financial Statements	5 - 12
<u>SUPPLEMENTARY SCHEDULE</u>	
Schedule of Functional Expenses For the Year Ended December 31, 2011 (with 2010 summarized).....	13

THOMAS E. BURDETTE, CPA, PFS
JEFFREY A. SMITH, CPA
JOSEPH M. ENGLISH III, CPA, PFS
THOMAS M. CRUTCHFIELD, CPA, PFS
CHARLES A. BISH, CPA
JOHN J. HAFFEY III, CPA

Associates

REBECCA BARTHOLOMAE, CPA
ELIZABETH J. MOFFETT, CPA, MSA
DEBORAH L. HARRIS, CPA

INDEPENDENT AUDITORS' REPORT

Members

AMERICAN INSTITUTE OF CPAS
VIRGINIA SOCIETY OF CPAS

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

We have audited the accompanying statement of financial position of Northern Virginia Therapeutic Riding Program, Inc. (the Program), a not-for-profit organization, as of December 31, 2011, and the related statements of activities and cash flows for the year 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 2011 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, 2011, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Burdette Smith & Bish, LLC

Fairfax, Virginia
May 30, 2012

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 494,663	\$ 242,398
Restricted cash	350,000	-
Accounts receivable, net	10,549	13,081
Promises to give, net	268,316	210,984
Grant receivable	-	10,000
Prepaid expenses	6,281	4,736
Total Current Assets	<u>1,129,809</u>	<u>481,199</u>
PROPERTY AND EQUIPMENT, AT COST	762,572	723,083
Less: accumulated depreciation and amortization	(100,393)	(80,053)
	<u>662,179</u>	<u>643,030</u>
OTHER ASSETS		
Promises to give, net	954,114	1,053,710
Restricted cash	-	250,000
	<u>954,114</u>	<u>1,303,710</u>
	<u>\$ 2,746,102</u>	<u>\$ 2,427,939</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 5,376	\$ 3,597
Accrued liabilities	3,010	6,634
Current portion of mortgage payable	7,034	6,610
Deferred revenue	18,595	16,890
Total Current Liabilities	<u>34,015</u>	<u>33,731</u>
LONG-TERM LIABILITIES		
Mortgage payable (less current portion of \$7,034 and \$6,610, respectively)	<u>326,330</u>	<u>332,967</u>
COMMITMENTS		
NET ASSETS		
Unrestricted.....	437,654	392,547
Temporarily restricted	1,948,103	1,668,694
	<u>2,385,757</u>	<u>2,061,241</u>
	<u>\$ 2,746,102</u>	<u>\$ 2,427,939</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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
UNRESTRICTED NET ASSETS		
<hr/>		
REVENUE		
Riding lessons	\$ 166,218	\$ 125,223
Contributions	704,599	443,366
Special events (net)	9,777	24,731
Other program income	61,734	28,274
Interest income	5,021	1,717
Gain (loss) on dispositions	(2,572)	-
	<hr/>	<hr/>
	944,777	623,311
Net assets released from restrictions	115,340	127,064
	<hr/>	<hr/>
	1,060,117	750,375
EXPENSES		
Program services	959,340	666,548
General and administrative	37,670	51,072
Fundraising	18,000	20,000
	<hr/>	<hr/>
	1,015,010	737,620
INCREASE IN UNRESTRICTED NET ASSETS	<hr/>	<hr/>
	45,107	12,755
TEMPORARILY RESTRICTED NET ASSETS		
<hr/>		
Contributions	394,749	1,503,657
Net assets released from restrictions	(115,340)	(127,064)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<hr/>	<hr/>
	279,409	1,376,593
TOTAL INCREASE IN NET ASSETS	324,516	1,389,348
NET ASSETS, BEGINNING OF YEAR	2,061,241	671,893
NET ASSETS, END OF YEAR	\$ <u>2,385,757</u>	\$ <u>2,061,241</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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase in net assets	\$ 324,516	\$ 1,389,348
Adjustments to reconcile net assets to net cash provided by (used in) operating activities:		
Bad debt expense	9	13,814
Depreciation and amortization	21,768	20,319
Discount on pledges receivable	23,570	72,125
Donated property and equipment	(4,999)	(4,999)
(Gain) loss on dispositions	2,572	-
Restricted cash change	(100,000)	(199,383)
(Increase) decrease in:		
Accounts receivable	2,523	(4,576)
Grant receivable	10,000	(10,000)
Promises to give	18,694	(1,154,500)
Prepaid expenses	(1,545)	3,700
Increase (decrease) in:		
Accounts payable	1,779	(1,954)
Accrued salaries and payroll taxes	(3,624)	(17)
Deferred revenue	1,705	6,234
	<u>(27,548)</u>	<u>(1,259,237)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	296,968	130,111
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Cash used to purchase property and equipment	(38,490)	-
NET CASH USED IN INVESTING ACTIVITIES	(38,490)	-
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payments on mortgage payable.....	(6,213)	(5,803)
NET CASH USED IN FINANCING ACTIVITIES	(6,213)	(5,803)
NET INCREASE IN CASH AND CASH EQUIVALENTS	252,265	124,308
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	242,398	118,090
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 494,663	\$ 242,398
<u>SUPPLEMENTAL CASH FLOW INFORMATION</u>		
Cash paid for interest	\$ 23,047	\$ 23,457
<u>SUPPLEMENTAL NON-CASH ACTIVITIES</u>		
NON-CASH OPERATING ACTIVITIES:		
Donated property and equipment	\$ 4,999	\$ 4,999
In-kind contributions	558,862	310,112
In-kind horse supplies provided	-	(1,119)
In-kind legal services provided	(31,648)	-
In-kind volunteer program services provided	(527,214)	(308,993)
NET NON-CASH OPERATING ACTIVITIES	\$ 4,999	\$ 4,999

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

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

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 Program provides equine-assisted activities for children and adults with physical, cognitive and emotional challenges (including youth-at-risk and recovering military service personnel) and their families in Northern Virginia.

Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Income Recognition

Revenue from riding lessons is recognized upon the completion of each riding session. Deferred revenue represents fees collected in advance of the completion of the riding session.

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.

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.

In-Kind Support

Contributions of donated services that enhance a non-financial asset and contributed services that are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying financial statements. Contributed services represent the value of donated program volunteer services and legal services and are recorded as contributions at their estimated fair market value as of the date of the donation.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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, the discount rates used to record net present value adjustment on long-term promises to give and the estimated useful lives of property and equipment.

Reclassifications

Certain 2010 amounts have been reclassified to conform to the 2011 presentation. These reclassifications have no effect on change in net assets.

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

NOTE 1 - Summary of Significant Accounting Policies, continued

Cash Equivalents

For purposes of the statement of cash flows, the Program considers unrestricted checking, money market, savings, and certificate of deposits with maturity dates less than twelve months to be cash and cash equivalents.

Fair Value of Financial Statements

Accounting principles generally accepted in the United States established a framework for measuring fair value, clarifying the definition of fair value within that framework and expanding disclosure about fair value measurements. U.S. GAAP established a three-tiered fair value hierarchy with Level 1 representing quoted prices for identical assets or liabilities in an active market, Level 2 representing quoted prices for identical assets or liabilities in an active market that is non-active or with other than directly or indirectly observable inputs, and Level 3 representing estimate values based on unobservable inputs. Related disclosures are segregated for assets and liabilities measured at fair value based on the level used within the hierarchy to determine their fair values.

The carrying amounts for cash and cash equivalents, accounts payable, accrued liabilities and current maturities of long-term borrowing approximate fair market value because of the short maturity of these instruments. The carrying amount of long-term debt approximates fair market value because the interest rate on the instrument is consistent with rates offered for debt with similar terms and maturities.

Accounts Receivable

Accounts receivable are reported net of an estimate made for doubtful collections. The provision for doubtful accounts is based on management's annual evaluation of outstanding accounts and shall not be less than 3% of the total amount of accounts receivable that are more than 30 days in age. Accounts receivable are written off against the allowance account when collection efforts have been exhausted.

Promises to Give

Unconditional promises to give are reported net of an estimate made for doubtful pledge collections. The allowance for doubtful promises to give is based on management's evaluation of the status of existing promises to give and historical results. Pledges receivable are written off against the allowance account when collection efforts have been exhausted.

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 to be received in a future period are discounted to their net present value at the time the revenue is recorded. 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. Discount rates were 1.6% and 1.8% for the years ended December 31, 2011 and 2010, respectively. Amortization of the discount is included in contribution revenue.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying supplemental schedule of functional expenses. Accordingly, certain costs have been allocated among the programs, fundraising and management and general activities benefitted based on level of effort.

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

NOTE 1 - Summary of Significant Accounting Policies, continued

Property and Equipment

Property and equipment (including major renewals, replacements and betterments), with a cost of \$500 or more, 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 forty years. Leasehold improvements are amortized under the straight-line method over the lease term.

Classes of Assets

To ensure the observance of limitations and restrictions placed on the use of resources available to the Program, resources for various purposes are classified for accounting purposes into classes established according to their nature and purpose as follows:

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations and includes Board designated funds, i.e.: funds that have been segregated by the Board to be spent only on specific purposes.

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Program pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

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.

Management has evaluated the Program's tax positions and concluded that the Program had taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, the Program is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years prior to 2008.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs were \$1,831 and \$1,900 for the years ended December 31, 2011 and 2010, respectively.

Subsequent Events

In preparing the accompanying financial statements, the Program has evaluated events and transactions for potential recognition or disclosure through May 30, 2012, the date the financial statements were available for issuance. See Note 16.

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

NOTE 2 – Concentration of Credit Risk

The Program maintains bank accounts with a credit-worthy, high quality financial institution. Since the Federal Deposit Insurance Corporation only insures accounts up to \$250,000 per institution, there is a concentration of credit risk for the amount in excess of \$250,000 at December 31, 2011 and 2010.

NOTE 3 – Accounts Receivable

Accounts receivable, net of allowance for doubtful collections, is comprised of the following at December 31:

	<u>2011</u>		<u>2010</u>
Accounts Receivable.....	\$ 10,954	\$	13,486
Less: allowance for doubtful collections	(405)		(405)
	<u>\$ 10,549</u>	<u>\$</u>	<u>13,081</u>

Bad debt expense recognized on accounts receivable totaled \$9 and \$3,814 during the years ended December 31, 2011 and 2010, respectively.

NOTE 4 – Promises to Give

The Program's promises to give, net of allowance for doubtful collections and discount, consist of the following at December 31:

	<u>2011</u>		<u>2010</u>
Receivable in one year or less	\$ 268,316	\$	210,984
Receivable in two to eight years	1,016,834		1,140,000
	<u>1,285,150</u>		<u>1,350,984</u>
Less: allowance for doubtful collections	(10,000)		(10,000)
Less: adjustment to net present value	(52,720)		(76,290)
	<u>\$ 1,222,430</u>	<u>\$</u>	<u>1,264,694</u>
Current portion	\$ 268,316	\$	210,984
Long-term portion	954,114		1,053,710
	<u>\$ 1,222,430</u>	<u>\$</u>	<u>1,264,694</u>

Bad debt expense recognized on pledges receivable totaled \$0 and \$10,000 during the years ended December 31, 2011 and 2010, respectively. See Note 11.

NOTE 5 – Prepaid Expenses

Prepaid expenses consist of the following as of December 31:

	<u>2011</u>		<u>2010</u>
Insurance	\$ 3,381	\$	2,736
Training	1,500		-
Occupancy costs	1,400		2,000
	<u>\$ 6,281</u>	<u>\$</u>	<u>4,736</u>

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

NOTE 6 – Grant Receivable

During the year ended December 31, 2010, the Program recorded a \$20,000 grant for general operating purposes, of which \$10,000 was received. The remaining \$10,000 balance was collected during the year ended December 31, 2011.

NOTE 7 – Restricted Cash

Restricted cash at December 31, 2011 and 2010 represents donor restricted proceeds being held for the completion of the purchase of the property. See Note 16.

NOTE 8 - Property and Equipment

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

	<u>2011</u>		<u>2010</u>
Permanent facility	\$ 550,000	\$	550,000
Permanent facility acquisition costs	82,472		58,913
Horses	53,866		47,499
Program equipment	42,517		41,994
Office equipment	595		595
Software	1,000		-
Leasehold improvements	9,786		1,746
Vehicles	22,336		22,336
	<u>762,572</u>		<u>723,083</u>
Less: accumulated depreciation and amortization	(100,393)		(80,053)
	<u>\$ 662,179</u>	\$	<u>643,030</u>

Depreciation and amortization expense was \$21,768 and \$20,319 for the years ended December 31, 2011 and 2010, respectively.

NOTE 9 – Mortgage Payable

Mortgage payable consists of the following at December 31:

	<u>2011</u>		<u>2010</u>
Mortgage note, commitment of \$350,000, payable in monthly principal and interest installments of \$2,438, fixed annual interest rate 6.75%, balloon payment due February 2014 to include all unpaid principal and interest, secured by First Deed of Trust on the property	\$ 333,364	\$	339,577
	<u>333,364</u>		<u>339,577</u>
Current maturities	\$ 7,034	\$	6,610
Long-term maturities	326,330		332,967
	<u>\$ 333,364</u>	\$	<u>339,577</u>

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

NOTE 9 – Mortgage Payable, continued

Long-term debt maturities for years ending December 31 are as follows:

2013	\$	7,523
2014		318,807
	\$	<u>326,330</u>

Interest expense for the years ended December 31, 2011 and 2010 totaled \$23,047 and \$23,457, respectively.

Subsequent to year end, management renegotiated this mortgage payable in conjunction with obtaining additional financing for the purchase of the remaining 12 acres of property. See Note 16.

NOTE 10- Deferred Revenue

Deferred revenue consists of amounts received in advance for riding programs and leasing fees and is summarized as follows at December 31:

	<u>2011</u>		<u>2010</u>
Deferred rider deposits	\$ 12,835	\$	12,835
Deferred leasing fees	5,760		4,055
	<u>\$ 18,595</u>	<u>\$</u>	<u>16,890</u>

NOTE 11 - 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. The promises are considered temporarily restricted because the donor is restricting the time period in which the assets may be used by not transferring them immediately. Funds received that have a donor restriction on the use are also recorded as temporarily restricted net assets. When a 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.

Temporarily restricted net assets are restricted for the following purpose at December 31:

	<u>2011</u>		<u>2010</u>
Property acquisition	\$ 1,384,146	\$	1,135,374
Indoor riding arena construction	495,200		489,200
Scholarships	50,500		30,560
Community outreach.....	11,094		10,000
Equipment	5,109		-
Veteran program	1,740		1,740
Other	314		1,820
	<u>\$ 1,948,103</u>	<u>\$</u>	<u>1,668,694</u>

Temporarily restricted property acquisition funds include a \$1,000,000 pledge receivable from a Foundation which is contingent upon the Program purchasing and closing on the sale of a piece of real estate not later than December 31, 2012. See Notes 4 & 16.

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

NOTE 12 - Commitments

The Program held a lease that included a purchase option with Full Cry Farm in Clifton, Virginia. The base rent is \$1,400 per month. In 2009, the Program purchased a portion of this property (see Notes 8 & 9) and amended this lease to include a new purchase option for the remainder of the property (see Note 16). The lease is in effect until January 31, 2012. Rent expense on the property was \$16,800 and \$16,800 for the years ended December 31, 2011 and 2010, respectively.

As part of the lease amendment with Full Cry Farm, the Program renewed an equipment rental agreement in February 2009 with Junior Equitation School (JES) which is owned by the owner of Full Cry Farm. Monthly rental is \$600. In exchange, the Program agreed to manage and operate JES's horse boarding operations. Equipment rent expense totaled \$7,200 and \$7,200 for the years ended December 31, 2011 and 2010, respectively.

NOTE 13 - Contributed Services

Patrons of the Program donate their time and talents for program and administrative activities and events that demonstrate to the community what the Program has to offer. Volunteers are required to attend specially-tailored training for therapeutic riding to assist in riding lessons as side walkers and horse leaders as well as horse care and barn management. The Program adopted a policy to objectively measure the value of volunteer services. Accordingly, the accompanying statements include a value for volunteer program-related services provided to the Program, excluding time contributed by members of the Board of Governors, for the years ended December 31, 2011 and 2010.

The accompanying statements also include contributed legal services provided to the Program for the years ended December 31, 2011 and 2010, as measured based on the fair value of those services.

Contribution revenue and corresponding expense are comprised of the following at December 31:

	<u>2011</u>		<u>2010</u>
Volunteer program-related services	\$ 527,214	\$	308,993
Legal services	31,648		-
	<u>\$ 558,862</u>	<u>\$</u>	<u>308,993</u>

NOTE 14- 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>2011</u>		<u>2010</u>
Revenues	\$ 27,783	\$	47,420
Costs	(18,006)		(22,689)
	<u>\$ 9,777</u>	<u>\$</u>	<u>24,731</u>

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

NOTE 15 – Unrestricted, Board Designated Net Assets

During the year ended December 31, 2011, the Board of Directors segregated certain fundraising funds to be spent only for capital campaign purposes. Designated net assets as of December 31, 2011 and 2010 totaled \$29,428 and \$7,880, respectively.

NOTE 16 – Subsequent Events

On January 5, 2012, the Program purchased the remaining 11.5 acres of Full Cry Farm (see Note 12). The purchase was facilitated by a \$1,450,000 mortgage note which replaced the \$350,000 note payable (see Note 9). Under the terms of this note, the entire note will be due and payable with interest on January 5, 2013, subject to an automatic extension given that no default has occurred. In that case, the extended maturity date will be January 5, 2020. Interest rate will be fixed at 5.125% per annum from January 2012 to January 2014. If extended, interest rate will increase to 5.25% per annum from January 2014 to January 2020. Monthly payments will be interest-only payments on principal balance. In addition, the Program is required to make \$100,000 in principal payment annually from January 2012 to January 2020. The note is secured by first priority lien and Deed of Trust on the property, in addition to all assets of the Program. The Program also assigned first priority security interest in the \$1,000,000 pledge (See Note 11) and opened an Interest Reserve Account in the amount of \$74,313 which equals approximately one year of debt service required under the note.

In connection with this purchase, the lease and purchase option with Full Cry Farm and equipment rental agreement with Junior Equitation School are terminated on January 5, 2012 (See Note 12).

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

SCHEDULE OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2011 (WITH 2010 SUMMARIZED)

	Program Services	General and Administrative	Fundraising	2011 Total	2010 Total
Bad debt expense	\$ 9	\$ -	\$ -	\$ 9	\$ 13,814
Depreciation and amortization	21,768	-	-	21,768	20,319
Education and training expenses	1,594	-	-	1,594	123
Horse expenses	52,768	-	-	52,768	45,326
Interest expense	23,047	-	-	23,047	23,457
In-kind contributed services	558,862	-	-	558,862	308,993
Insurance	29,739	2,302	-	32,041	32,596
Marketing and promotional	1,831	-	-	1,831	1,900
Occupancy	16,800	-	-	16,800	16,800
Payroll costs	180,656	14,617	-	195,273	179,538
Printing and postage	877	-	-	877	1,399
Program supplies and expense	23,434	-	-	23,434	21,434
Professional fees	-	15,675	-	15,675	15,675
Therapists	11,475	-	-	11,475	-
Capital campaign	-	4,671	18,000	22,671	22,202
Repairs and maintenance	22,322	-	-	22,322	21,694
Taxes and licenses	6,680	-	-	6,680	6,662
Telephone	3,640	405	-	4,045	4,029
Utilities	2,130	-	-	2,130	1,099
Volunteers	1,708	-	-	1,708	560
	<u>\$ 959,340</u>	<u>\$ 37,670</u>	<u>\$ 18,000</u>	<u>\$ 1,015,010</u>	<u>\$ 737,620</u>

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

SCHEDULE OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2011 (WITH 2010 SUMMARIZED)

	Program Services	General and Administrative	Fundraising	2011 Total	2010 Total
Bad debt expense	\$ 9	\$ -	\$ -	\$ 9	\$ 13,814
Depreciation and amortization	21,768	-	-	21,768	20,319
Education and training expenses	1,594	-	-	1,594	123
Horse expenses	52,768	-	-	52,768	45,326
Interest expense	23,047	-	-	23,047	23,457
In-kind contributed services	558,862	-	-	558,862	308,993
Insurance	29,739	2,302	-	32,041	32,596
Marketing and promotional	1,831	-	-	1,831	1,900
Occupancy	16,800	-	-	16,800	16,800
Payroll costs	180,656	14,617	-	195,273	179,538
Printing and postage	877	-	-	877	1,399
Program supplies and expense	23,434	-	-	23,434	21,434
Professional fees	-	15,675	-	15,675	15,675
Therapists	11,475	-	-	11,475	-
Capital campaign	-	4,671	18,000	22,671	22,202
Repairs and maintenance	22,322	-	-	22,322	21,694
Taxes and licenses	6,680	-	-	6,680	6,662
Telephone	3,640	405	-	4,045	4,029
Utilities	2,130	-	-	2,130	1,099
Volunteers	1,708	-	-	1,708	560
	<u>\$ 959,340</u>	<u>\$ 37,670</u>	<u>\$ 18,000</u>	<u>\$ 1,015,010</u>	<u>\$ 737,620</u>

See auditors' report.