

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

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

DECEMBER 31, 2005 AND 2004

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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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, 2005 and 2004, 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, 2005 and 2004, 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
August 1, 2006

The Burdette Smith Group, P.C.

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
<hr/>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 48,767	\$ 58,245
Accounts receivable	4,110	3,873
Promises to give, net	7,846	4,234
Prepaid expenses	7,863	4,719
Total Current Assets	<u>68,586</u>	<u>71,071</u>
 PROPERTY AND EQUIPMENT, AT COST	 46,058	 26,812
Less: accumulated depreciation	(21,748)	(15,896)
	<u>24,310</u>	<u>10,916</u>
 OTHER ASSETS		
Security deposit	1,400	1,400
	<u>1,400</u>	<u>1,400</u>
	 \$ <u>94,296</u>	 \$ <u>83,387</u>
 LIABILITIES AND NET ASSETS		
<hr/>		
CURRENT LIABILITIES		
Accounts payable	\$ 1,010	\$ 1,688
Accrued liabilities	1,484	4,890
Deferred revenue	4,375	1,200
Total Current Liabilities	<u>6,869</u>	<u>7,778</u>
 COMMITMENTS		
 NET ASSETS		
Unrestricted	76,631	66,375
Temporarily restricted	10,796	9,234
	<u>87,427</u>	<u>75,609</u>
	 \$ <u>94,296</u>	 \$ <u>83,387</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, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
UNRESTRICTED NET ASSETS		
<hr/>		
REVENUE		
Riding lessons	\$ 99,770	\$ 111,737
Donated property and equipment	9,000	457
Special events (net)	26,151	42,944
Contributions	34,690	36,924
Other income	16,735	17,838
Investment income	1,129	264
Gain (loss) on dispositions	-	(577)
	<hr/>	<hr/>
	187,475	209,587
Net assets released from restrictions	13,234	56,592
	<hr/>	<hr/>
	200,709	266,179
EXPENSES		
Program Services:		
Riding program	157,209	224,134
Support Services:		
General and administrative	33,244	26,997
	<hr/>	<hr/>
	190,453	251,131
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<hr/>	<hr/>
	10,256	15,048
TEMPORARILY RESTRICTED NET ASSETS		
<hr/>		
Contributions	14,796	4,234
Net assets released from restrictions	(13,234)	(56,592)
	<hr/>	<hr/>
	1,562	(52,358)
TOTAL INCREASE (DECREASE) IN NET ASSETS	11,818	(37,310)
NET ASSETS, BEGINNING OF YEAR	75,609	112,919
NET ASSETS, END OF YEAR	<hr/>	<hr/>
	\$ 87,427	\$ 75,609

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, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets.....	\$ 11,818	\$ (37,310)
Adjustments to reconcile net assets to net cash provided by (used in) operating activities:		
Depreciation	5,852	5,027
Donated property and equipment	9,000	-
(Gain) loss on dispositions	-	577
Pledge receivable bad debt	-	52,931
(Increase) decrease in:		
Accounts receivable	(237)	(3,873)
Promises to give	(3,612)	3,427
Prepaid expenses.....	(3,143)	(506)
Deposits.....	-	(400)
Increase (decrease) in:		
Accounts payable	(678)	(2,220)
Accrued salaries and payroll taxes	(3,406)	4,889
Deferred revenue	3,175	(11,614)
	<u>6,951</u>	<u>48,238</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>18,769</u>	<u>10,928</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash used to purchase property and equipment	(28,247)	(862)
NET CASH USED IN INVESTING ACTIVITIES	<u>(28,247)</u>	<u>(862)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,478)	10,066
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>58,245</u>	<u>48,179</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 48,767</u>	<u>\$ 58,245</u>

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

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

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, 2005 AND 2004

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

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

	<u>2005</u>		<u>2004</u>
United Way Campaign	\$ 7,846	\$	4,234
NVPC	52,931		52,931
	60,777		57,165
Less: allowance for doubtful collections	(52,931)		(52,931)
	\$ 7,846	\$	4,234

In 2001 the Program received a pledge from the Northern Virginia Partnership for Children ("NVPC") totaling \$52,931. The funds were 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, however, it is now uncertain that the NVPC funds will be made available when the proper site is identified. Accordingly, although management still believes it has a valid claim to the funds, an allowance for doubtful accounts has been recorded to adjust the receivable to fair value at December 31, 2005 and 2004, respectively.

NOTE 3 - Property and Equipment

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

	<u>2005</u>		<u>2004</u>
Horses	\$ 26,300	\$	17,300
Program equipment	16,013		7,513
Office equipment	595		595
Leasehold improvements	3,150		1,404
	46,058		26,812
Less accumulated depreciation	(21,748)		(15,896)
	\$ 24,310	\$	10,916

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005 AND 2004

NOTE 3 - Property and Equipment. Continued

Horses, valued at \$9,000 and \$0 were contributed and capitalized during the years ended December 31, 2005 and 2004, respectively.

Depreciation expense was \$5,852 and \$5,027 for the years ended December 31, 2005 and 2004, respectively.

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>2005</u>		<u>2004</u>
Deferred rider deposits	\$ 4,375	\$	1,200

NOTE 5 - Commitments

On December 28, 2003 the Program entered into a two-year lease, commencing January 1, 2004, on the Winfield Road property in Fairfax, Virginia. On December 20, 2005, the Program renewed this lease to extend to December 31, 2007. All other terms and conditions of the original lease agreement remained the same and apply to the new lease agreement. 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.

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

Rent expense was \$18,600 and \$19,330 for the years ended December 31, 2005 and 2004, respectively.

Future minimum lease rental payments as of December 31, 2005 are summarized as follows:

Year Ending December 31,	
2006	\$ 16,800
2007	17,640
	<u>\$ 34,440</u>

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005 AND 2004

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>2005</u>		<u>2004</u>
Revenues	\$	42,254	\$	65,625
Costs		<u>(16,103)</u>		<u>(22,681)</u>
	\$	<u>26,151</u>	\$	<u>42,944</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>2005</u>		<u>2004</u>
Horse trailer	\$	-	\$	1,500
Scholarship		2,950		2,500
Ramp		-		1,000
United Way		<u>7,846</u>		<u>4,234</u>
	\$	<u>10,796</u>	\$	<u>9,234</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, 2005

	Program Services	General and Administrative	2005 Total	2004 Total
Depreciation	\$ 5,735	\$ 117	\$ 5,852	\$ 5,027
Horse expenses	22,992	-	22,992	26,402
Insurance	15,118	-	15,118	11,505
Occupancy	16,800	1,800	18,600	19,330
Office supplies	10,301	-	10,301	6,053
Payroll costs	69,148	20,152	89,300	112,242
Printing and postage	4,531	-	4,531	1,273
Professional fees	305	11,175	11,480	8,762
Pledge receivable bad debt	-	-	-	52,931
Repairs and maintenance	10,596	-	10,596	5,198
Taxes and licenses	290	-	290	278
Telephone	1,278	-	1,278	1,823
Volunteers	115	-	115	307
	<u>\$ 157,209</u>	<u>\$ 33,244</u>	<u>\$ 190,453</u>	<u>\$ 251,131</u>

See auditors' report.