

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



**INDEPENDENT AUDITORS' REPORT AND  
FINANCIAL STATEMENTS**

**DECEMBER 31, 2008 AND 2007**

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

## **INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS**

**DECEMBER 31, 2008 AND 2007**

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# THE BURDETTE SMITH GROUP, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
AND MANAGEMENT CONSULTANTS

FOUNDED 1978



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## INDEPENDENT AUDITORS' 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, 2008 and 2007, 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, 2008 and 2007, and the changes in its net assets and 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  
November 1, 2009

# NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<hr/>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents .....	\$ 112,938	\$ 159,205
Accounts receivable .....	11,372	4,000
Promises to give .....	105,667	75,000
Prepaid expenses .....	51,853	27,564
Total Current Assets .....	<u>281,830</u>	<u>265,769</u>
PROPERTY AND EQUIPMENT, AT COST .....	103,371	76,773
Less: accumulated depreciation .....	<u>(50,246)</u>	<u>(35,368)</u>
	<u>53,125</u>	<u>41,405</u>
<b>OTHER ASSETS</b>		
Promises to give, net .....	130,589	139,456
Restricted cash .....	<u>175,000</u>	<u>75,000</u>
	<u>305,589</u>	<u>214,456</u>
	\$ <u>640,544</u>	\$ <u>521,630</u>
<b>LIABILITIES AND NET ASSETS</b>		
<hr/>		
<b>CURRENT LIABILITIES</b>		
Accounts payable .....	\$ 11,765	\$ 35,513
Accrued liabilities .....	4,436	3,000
Deferred revenue .....	<u>11,173</u>	<u>6,308</u>
Total Current Liabilities .....	<u>27,374</u>	<u>44,821</u>
<b>COMMITMENTS</b>		
<b>NET ASSETS</b>		
Unrestricted .....	197,094	157,396
Temporarily restricted .....	<u>416,076</u>	<u>319,413</u>
	<u>613,170</u>	<u>476,809</u>
	\$ <u>640,544</u>	\$ <u>521,630</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, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>UNRESTRICTED NET ASSETS</b>		
<b>REVENUE</b>		
Riding lessons .....	\$ 112,225	\$ 104,260
Donated property and equipment .....	-	4,300
Special events (net) .....	25,214	52,409
Contributions .....	254,734	184,380
Other program income .....	29,283	14,217
Investment income .....	4,233	2,580
Gain (loss) on dispositions .....	-	(529)
	425,689	361,617
Net assets released from restrictions .....	27,185	14,482
	452,874	376,099
<b>EXPENSES</b>		
Program services .....	388,017	229,384
General and administrative .....	25,159	57,850
	413,176	287,234
 INCREASE IN UNRESTRICTED NET ASSETS .....	 39,698	 88,865
 <b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions .....	123,848	328,093
Net assets released from restrictions .....	(27,185)	(14,482)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS .....	96,663	313,611
 TOTAL INCREASE IN NET ASSETS .....	 136,361	 402,476
NET ASSETS, BEGINNING OF YEAR .....	476,809	74,333
NET ASSETS, END OF YEAR .....	\$ 613,170	\$ 476,809

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, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Increase (Decrease) in net assets .....	\$ <u>136,361</u>	\$ <u>402,476</u>
Adjustments to reconcile net assets to net cash provided by (used in) operating activities:		
Depreciation .....	14,878	9,117
Donated property and equipment .....	-	(4,300)
(Gain) loss on dispositions .....	-	529
Changes in restricted cash .....	(100,000)	(75,000)
(Increase) decrease in:		
Accounts receivable .....	(7,372)	(1,150)
Promises to give .....	(21,800)	(213,535)
Prepaid expenses .....	(24,289)	(20,176)
Security deposits .....	-	1,400
Increase (decrease) in:		
Accounts payable .....	(23,748)	22,381
Accrued salaries and payroll taxes .....	1,436	1,131
Deferred revenue .....	4,865	(2,813)
	<u>(156,030)</u>	<u>(282,416)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES .....</b>	<b><u>(19,669)</u></b>	<b><u>120,060</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Cash used to purchase property and equipment .....	<u>(26,598)</u>	<u>(26,662)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES .....</b>	<b><u>(26,598)</u></b>	<b><u>(26,662)</u></b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS .....</b>	<b>(46,267)</b>	<b>93,398</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR .....</b>	<b><u>159,205</u></b>	<b><u>65,807</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR .....</b>	<b><u>\$ 112,938</u></b>	<b><u>\$ 159,205</u></b>
<b><u>SUPPLEMENTAL NON-CASH OPERATING ACTIVITIES</u></b>		
IN-KIND CONTRIBUTIONS.....	\$ 104,747	\$ -
IN-KIND LEGAL SERVICES PROVIDED.....	(104,747)	-
<b>NET NON-CASH OPERATING ACTIVITIES .....</b>	<b><u>\$ -</u></b>	<b><u>\$ -</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, 2008 AND 2007

### 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 seven 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 savings accounts to be cash and cash equivalents.

# NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

### 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 discount 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 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 and the discount rates used to record net present value adjustment on long-term promises to give.

### NOTE 2 – Concentration of Credit Risk

The Program maintains bank accounts with credit-worthy, high quality financial institutions. 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, 2008 and 2007.

### NOTE 3 – 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>2008</u>	<u>2007</u>
Receivable in one year or less .....	\$ 105,667	\$ 75,000
Receivable in two to five years .....	138,333	150,000
	<u>244,000</u>	<u>225,000</u>
Less: allowance for doubtful collections .....	-	-
Less: adjustment to net present value .....	(7,744)	(10,544)
	<u>\$ 236,256</u>	<u>\$ 214,456</u>
Current portion .....	\$ 105,667	\$ 75,000
Long-term portion .....	130,589	139,456
	<u>\$ 236,256</u>	<u>\$ 214,456</u>

Management believes pledges are fully collectible at December 31, 2008 and 2007.



# NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

### NOTE 4 – Prepaid Expenses

Prepaid expenses consist of the following as of December 31:

	<u>2008</u>		<u>2007</u>
Insurance .....	\$ 6,673	\$	4,501
Occupancy costs .....	1,700		1,700
Property acquisition costs .....	43,480		21,363
	<u>\$ 51,853</u>	<u>\$</u>	<u>27,564</u>

Prepaid property acquisition costs include legal and engineering costs associated with the purchase of a permanent facility. Subsequent to year end, a property was purchased. Accordingly, these costs will be transferred to Property and Equipment in 2009. See Note 11.

### NOTE 5 - Property and Equipment

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

	<u>2008</u>		<u>2007</u>
Horses .....	\$ 30,300	\$	30,300
Program equipment .....	48,394		44,132
Office equipment .....	595		595
Leasehold improvements .....	1,746		1,746
Vehicles .....	22,336		-
	<u>103,371</u>		<u>76,773</u>
Less: accumulated depreciation .....	<u>(50,246)</u>		<u>(35,368)</u>
	<u>\$ 53,125</u>	<u>\$</u>	<u>41,405</u>

Depreciation expense was \$14,878 and \$9,117 for the years ended December 31, 2008 and 2007, respectively.

### NOTE 6 – Restricted Cash

Restricted cash represents restricted proceeds being held in escrow accounts until a permanent facility is acquired. Subsequent to year end, the Program used these funds to purchase a permanent location. See Note 11.

# NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

### NOTE 7 - 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>2008</u>	<u>2007</u>
Deferred rider deposits .....	\$ 0	\$ 6,308
Deferred leasing fees .....	7,643	-
	<u>\$ 7,643</u>	<u>\$ 6,308</u>

### 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>2008</u>	<u>2007</u>
Revenues .....	\$ 57,571	\$ 89,513
Costs .....	(32,357)	(37,104)
	<u>\$ 25,214</u>	<u>\$ 52,409</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. 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 consist of the following at December 31:

	<u>2008</u>	<u>2007</u>
Equipment .....	\$ -	\$ 21,586
Horse Stall .....	48,070	-
Property acquisition .....	365,111	289,456
Veteran program .....	2,895	6,621
Instructors' certification .....	-	1,750
	<u>\$ 416,076</u>	<u>\$ 319,413</u>

# NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

### NOTE 10 - Commitments

The Program had a lease agreement in Fairfax, Virginia through December 31, 2007. Lease payments totaled \$1,400 per month. In July 2007, a fire occurred on the 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.

On January 1, 2008, the Program entered into a lease with a purchase option with Full Cry Farm in Clifton, Virginia. The base rent is \$1,400 per month. The lease is in effect until December 2008. Subsequent to year end, the Program exercised its purchase option and acquired this property as its permanent long-term location, see Note 11.

As part of the lease with Full Cry Farm, the Program entered into an equipment rental agreement 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. Equipment rent expense totaled \$3,600 for the year ended December 31, 2008.

Rent expense was \$16,800 and \$19,760 for the years ended December 31, 2008 and 2007, respectively.

### NOTE 11 – Subsequent Events

In February 2009, the Program purchased a 5.5 acre property from Full Cry Farm located in Fairfax County. To finance this transaction, the Program entered into a \$350,000 loan with a local bank. Interest on the bank loan is payable monthly at 6.75%. Monthly principal and interest payment is \$2,438. The loan matures in February 2014. The loan is secured by a First Deed of Trust on the property.

# NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2008 (WITH 2007 SUMMARIZED)

	Program Services	General and Administrative	2008 Total	2007 Total
Depreciation .....	\$ 14,878	\$ -	\$ 14,878	\$ 9,117
Education and training expenses .....	2,866	-	2,866	2,424
Horse expenses .....	33,938	-	33,938	37,812
In-kind legal services.....	104,747	-	104,747	-
Insurance .....	26,686	2,155	28,841	26,580
Marketing and promotional .....	1,378	-	1,378	6,521
Miscellaneous.....	290	-	290	-
Occupancy .....	16,800	-	16,800	19,760
Payroll costs .....	136,393	9,417	145,810	130,118
Printing and postage .....	938	-	938	2,909
Program supplies and expense .....	16,343	-	16,343	13,530
Professional fees .....	-	13,175	13,175	11,175
Rebuild program .....	174	-	174	11,780
Relocation .....	12,697	-	12,697	-
Repairs and maintenance .....	13,436	-	13,436	11,985
Taxes and licenses .....	1,241	-	1,241	373
Telephone .....	3,706	412	4,118	2,866
Utilities .....	946	-	946	-
Volunteers .....	560	-	560	284
	<u>\$ 388,017</u>	<u>\$ 25,159</u>	<u>\$ 413,176</u>	<u>\$ 287,234</u>

See auditors' report.