

RIDE ON THERAPEUTIC HORSEMANSHIP
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2005

**RIDE ON THERAPEUTIC HORSEMANSHIP
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VASIN, HEYN & COMPANY

AN ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ride On Therapeutic Horsemanship (Ride On)
(A California Non-Profit Corporation)
Chatsworth, California

We have audited the accompanying statement of financial position of Ride On Therapeutic Horsemanship (Ride On) (A California Non-Profit Corporation) as of December 31, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Ride On's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Ride On's financial statements and, in our report dated May 5, 2005, we expressed an unqualified opinion on those financial statements.

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 Ride On as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Vasin, Heyn & Co.

June 5, 2006

RIDE ON THERAPEUTIC HORSEMANSHIP
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2005
(WITH COMPARATIVE TOTALS FOR 2004)

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and cash equivalents	\$ 203,626	\$ 139,409
Receivables, net:		
Pledges	12,904	27,810
Grants	14,375	16,930
Fees and other	500	675
Investments	481,179	-
Prepaid expenses and deposits	6,066	3,818
Property and equipment, net	<u>296,270</u>	<u>294,892</u>
 Total assets	 <u>\$ 1,014,920</u>	 <u>\$ 483,534</u>
 LIABILITIES		
Accounts payable	\$ 1,912	\$ -
Accrued expenses	<u>22,238</u>	<u>14,526</u>
 Total liabilities	 24,150	 14,526
 COMMITMENTS AND CONTINGENCIES		
 NET ASSETS		
Unrestricted:		
Designated for operating reserve	250,000	-
Undesignated	524,989	417,928
Temporarily restricted	<u>215,781</u>	<u>51,080</u>
 Total net assets	 <u>990,770</u>	 <u>469,008</u>
 Total liabilities and net assets	 <u>\$ 1,014,920</u>	 <u>\$ 483,534</u>

See accompanying auditors' report and
notes to financial statements.

RIDE ON THERAPEUTIC HORSEMANSHIP
(A California Non-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005
(WITH COMPARATIVE TOTALS FOR 2004)

	<u>2005</u>	<u>2004</u>
UNRESTRICTED NET ASSETS		
REVENUE		
Program service fees	\$ 207,357	\$ 167,567
Interest and dividend income	2,530	888
Gain(loss) on sale of assets	4,776	(1,625)
Other income	<u>5,879</u>	<u>3,999</u>
	220,542	170,829
SUPPORT		
Grants and contributions	442,990	331,894
Fundraising events	14,940	20,943
In-kind goods and services	<u>57,271</u>	<u>81,648</u>
	515,201	434,485
RESTRICTIONS RELEASED	<u>337,048</u>	<u>89,929</u>
Total revenue, support and restrictions released	1,072,791	695,243
EXPENSES		
Program services	592,065	523,949
Support services	67,064	46,561
Fundraising expenses	<u>56,602</u>	<u>67,145</u>
	715,731	637,655
CHANGE IN UNRESTRICTED NET ASSETS	357,060	57,588
TEMPORARILY RESTRICTED NET ASSETS		
Temporarily restricted support	501,750	56,222
Restrictions released	<u>(337,048)</u>	<u>(89,929)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>164,702</u>	<u>(33,707)</u>
CHANGE IN NET ASSETS	521,762	23,881
NET ASSETS - beginning of year	<u>469,008</u>	<u>445,127</u>
NET ASSETS - end of year	<u>\$ 990,770</u>	<u>\$ 469,008</u>

See accompanying auditors' report and
notes to financial statements.

RIDE ON THERAPEUTIC HORSEMANSHIP
(A California Non-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2005
(WITH COMPARATIVE TOTALS FOR 2004)

	<u>Program Services</u>	<u>Support Services</u>	<u>Fund- raising</u>	<u>2005 Total Expenses</u>	<u>2004 Total Expenses</u>
Salaries and related expenses					
Salaries	\$257,886	\$ 50,528	\$ 35,858	\$344,272	\$ 305,878
Payroll taxes	31,053	3,865	2,743	37,661	28,143
Employee benefits	<u>32,436</u>	<u>983</u>	<u>719</u>	<u>34,138</u>	<u>29,334</u>
	321,375	55,376	39,320	416,071	363,355
Other expenses (Includes In-kind)					
Accounting	-	7,575	-	7,575	7,498
Annual appeal expenses	-	-	686	686	1,013
Auto	5,690	-	-	5,690	4,399
Feed	41,425	-	-	41,425	34,287
Insurance	11,046	-	-	11,046	8,650
Office expense	1,967	3,427	131	5,525	7,056
Miscellaneous	2,083	-	-	2,083	2,043
Postage	4,090	60	1,561	5,711	4,668
Printing	4,030	-	-	4,030	5,823
Program development	14,175	-	-	14,175	9,615
Public relations	1,299	-	-	1,299	2,695
Recognition	4,713	-	-	4,713	3,016
Rent	56,265	-	-	56,265	55,940
Repairs and maintenance	18,587	-	-	18,587	10,690
Shoeing	9,495	-	-	9,495	8,765
Special events expenses	-	-	14,904	14,904	15,322
Staff and volunteer development	7,345	-	-	7,345	10,219
Supplies	18,794	264	-	19,058	15,420
Tack and equipment	1,255	-	-	1,255	8,663
Telephone	7,074	362	-	7,436	4,932
Utilities	17,956	-	-	17,956	15,720
Veterinary expense	3,886	-	-	3,886	3,427
Workshops	<u>6,288</u>	<u>-</u>	<u>-</u>	<u>6,288</u>	<u>6,182</u>
	558,838	67,064	56,602	682,504	609,398
Depreciation and amortization	<u>33,227</u>	<u>-</u>	<u>-</u>	<u>33,227</u>	<u>28,257</u>
	<u>\$592,065</u>	<u>\$ 67,064</u>	<u>\$ 56,602</u>	<u>\$715,731</u>	<u>\$ 637,655</u>

See accompanying auditors' report and
notes to financial statements.

RIDE ON THERAPEUTIC HORSEMANSHIP
(A California Non-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005
(WITH COMPARATIVE TOTALS FOR 2004)

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 521,762	\$ 23,881
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	33,227	28,257
(Gain) loss on disposition of property	(950)	1,625
(Increase) decrease in contracts and fees receivable	175	3,700
(Increase) decrease in pledges receivable	14,906	9,530
(Increase) decrease in grants receivable	2,555	21,070
(Increase) decrease in prepaid expenses and deposit	(2,248)	80
Increase (decrease) in accounts payable	1,912	(6,081)
Increase (decrease) in accrued expenses	<u>7,712</u>	<u>2,176</u>
 Total adjustments	 <u>57,289</u>	 <u>60,357</u>
 Net Cash Provided (Used) by Operating Activities	 579,051	 84,238
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposition of property	5,000	2,000
Purchases of fixed assets	(38,655)	(75,017)
Net purchase of investments	<u>(481,179)</u>	<u>-</u>
 Net Cash Provided (Used) by Investing Activities	 (514,834)	 (73,017)
 CASH FLOWS FROM FINANCING ACTIVITIES:		
 NET INCREASE (DECREASE) IN CASH	 64,217	 11,221
 CASH AT BEGINNING OF YEAR	 <u>139,409</u>	 <u>128,188</u>
 CASH AT END OF YEAR	 <u>\$ 203,626</u>	 <u>\$ 139,409</u>

See accompanying auditors' report and
notes to financial statements.

**RIDE ON THERAPEUTIC HORSEMANSHIP
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ride On Therapeutic Horsemanship (Ride On) was founded in 1994 pursuant to the California Non-Profit Public Benefit Corporation laws and conducts its activities exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the U.S. Internal Revenue Code of 1954 under which it is qualified as a tax-exempt organization.

Ride On was organized to promote the welfare of “at risk” youth, and people with any type of disability or mental illness, by means of therapeutic horseback riding, and by instruction in related social, vocational and recreational activities.

Ride On’s program serves over 135 riders each week at two ranches in Los Angeles and Ventura Counties. The program is nationally accredited by NARHA, the North American Riding for the Handicapped Association, and the teaching staff includes 9 certified instructors and 5 licensed therapists assisted by 27 horses. Ride On remains the only nationally-accredited program in LA or Ventura counties which brings a Physical Therapist to a ranch to use the horses' movement to improve specific medical conditions.

During the year ended December 31, 2005, Ride On gave 5,140 lessons using an average of 130 volunteers per month who donated over 14,905 hours of service. About half of the riders have physical disabilities and half are mentally disabled; many have multiple handicaps requiring extensive staff and volunteer support. Over seventy-five percent of the riders are children. Ride On operates two facilities, a two-acre ranch in Chatsworth, and a 13-acre park site in Newbury Park operated in partnership with the Conejo Recreation and Park District.

Contributions

Contributions received in cash from corporations, foundations and individuals for support of current activities are recorded as support in the period received and classified as unrestricted, temporarily restricted or permanently restricted increases in net assets based on donor specifications. Pledges receivable at December 31, 2005 are collectible through ending 2007.

Contributed Equipment and Services

Contributions (In-Kind) of fixed assets and qualifying services are reflected as contributions in the accompanying statements at their estimated values at the date of receipt and are classified as unrestricted, temporarily restricted or permanently restricted increases in net assets based on donor specifications. In addition to In-Kind rent (Note 4) volunteers have contributed services related to improvements and maintenance of the primary operating facilities.

Functional Expense Allocations

The costs of providing services of Ride On have been summarized on a functional basis in the statement of functional expenses. Certain costs have been allocated among the program and supporting services based upon time studies and estimates made by Ride On’s management.

RIDE ON THERAPEUTIC HORSEMANSHIP
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents and Concentrations

Cash and cash equivalents consist of cash held in checking and money market accounts with maturities of less than 90 days. At year-end, and throughout the year, Ride On's cash balances, deposited in one bank, exceeded federally insured limits. Management believes Ride On is not exposed to any significant credit risk on cash and cash equivalents.

Property

Property consists of the cost of fixed assets which are depreciated on the straight-line method over their estimated useful lives ranging from five to ten years, for equipment and horses, to fifteen years for leasehold improvements. Fully depreciated assets are retained in the accounts until their retirement. Purchases of small items are expensed as acquired.

Estimates

Pursuant to U.S. generally accepted accounting principles, management uses estimates and assumptions in preparing financial statements. Those required estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Reclassifications

Certain amounts in the 2004 financial statement totals were reclassified to conform with the 2005 reporting format.

2. PROPERTY

Property consists of the following at December 31, 2005:

Equipment	\$ 106,432
Horses	47,100
Mobile Buildings/Stalls	120,149
Leasehold Improvements	<u>156,326</u>
	430,007
Accumulated depreciation	<u>(133,737)</u>
	<u>\$ 296,270</u>

RIDE ON THERAPEUTIC HORSEMANSHIP
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

3. SOURCES OF SUPPORT

Sources of contributions received are as follows:

	<u>December 31,</u>	
	<u>2005</u>	<u>2004</u>
Unrestricted:		
Corporations	\$ 67,372	\$ 66,021
Foundations	11,100	62,515
Individuals	364,518	203,358
In-kind	<u>57,271</u>	<u>81,648</u>
	<u>\$ 500,261</u>	<u>\$ 413,542</u>
Temporarily restricted:		
Corporations	\$ 39,750	\$ 13,472
Foundations	42,000	42,750
Individuals	420,000	-
In-kind	<u>-</u>	<u>-</u>
	<u>\$ 501,750</u>	<u>\$ 56,222</u>

4. COMMITMENTS

Ride On is obligated under two operating facility leases. The Chatsworth lease, for a two-acre ranch where it has operated for 8 years, expires in October 2008 but contains an annual cancellation provision after October 31, 2004. The Thousand Oaks lease is for exclusive use of a thirteen-acre park site owned by Conejo Recreation and Park District. This lease cost is \$40 per year for a 40-year period expiring in July 2040 but is renewable annually. Management estimates the fair value of this contributed lease at \$40,000 annually.

An equipment operating lease provides for monthly payments of \$130 through 2006.

Minimum annual anticipated payments under these leases are as follows:

2006	\$ 16,720
2007	\$ 17,070
2008	\$ 14,640
2009	\$ 40
Thereafter	\$ 1,280

Total rental expense, excluding in-kind, for the year ended December 31, 2005 was \$56,265.

RIDE ON THERAPEUTIC HORSEMANSHIP
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

5. PENSION PLAN

Ride On provides a non-contributory 403(b)(7) pension plan to all employees over age 21 after 90 days of employment.

6. PLEDGES

Pledges (promises to give) consist of:

Unrestricted promises to give	\$ 28,950
Less: unamortized discount	(46)
Less: allowance for doubtful collectibility	<u>(16,000)</u>
Net unrestricted promises to give	<u>\$ 12,904</u>

Amounts due in:

Less than one year	\$ 9,900
One to five years	<u>3,050</u>
	<u>\$ 12,950</u>

Reflected at the present value of estimated future cash flows using a discount rate of 5%.