

RIDE ON THERAPEUTIC HORSEMANSHIP
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2006

**RIDE ON THERAPEUTIC HORSEMANSHIP
TABLE OF CONTENTS**

	Page
INDEPENDENT AUDITORS' REPORT	1
STATEMENT OF FINANCIAL POSITION	2
COMPARATIVE STATEMENTS OF ACTIVITIES	3
STATEMENT OF FUNCTIONAL EXPENSES	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6

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, 2006, 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, including the comparative Statement of Activities for the year ended December 31, 2005, has been derived from the Ride On's financial statements and, in our report dated June 5, 2006, 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, 2006, 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

July 18, 2007

RIDE ON THERAPEUTIC HORSEMANSHIP
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006
(WITH COMPARATIVE TOTALS FOR 2005)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and cash equivalents	\$ 272,839	\$ 267,398
Receivables, net:		
Pledges	4,484	12,284
Grants	750	14,375
Fees and other	9,665	1,120
Investments	381,866	417,407
Prepaid expenses and deposits	10,223	6,066
Property and equipment, net	<u>328,731</u>	<u>296,270</u>
 Total assets	 <u>\$ 1,008,558</u>	 <u>\$ 1,014,920</u>
 LIABILITIES		
Accounts payable	\$ 4,088	\$ 1,912
Accrued expenses	27,413	22,238
Deferred revenue	<u>9,290</u>	<u>-</u>
 Total liabilities	 40,791	 24,150
 COMMITMENTS AND CONTINGENCIES		
 NET ASSETS		
Unrestricted:		
Designated for operating reserve	250,000	250,000
Undesignated	534,810	524,989
Temporarily restricted	<u>182,957</u>	<u>215,781</u>
 Total net assets	 <u>967,767</u>	 <u>990,770</u>
 Total liabilities and net assets	 <u>\$ 1,008,558</u>	 <u>\$ 1,014,920</u>

See accompanying auditors' report and
notes to financial statements.

RIDE ON THERAPEUTIC HORSEMANSHIP
(A California Non-Profit Corporation)
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006		2005		Total	Temporarily Restricted	Unrestricted	Temporarily Restricted	Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted					
REVENUE AND SUPPORT									
Program service fees	\$ 200,447	-	\$ 200,447	\$ 207,357	\$	-	\$ 207,357	-	\$ 207,357
Interest and dividend income	10,559	-	10,559	2,530	-	-	2,530	-	2,530
Gain(loss) on sale of assets	15,922	-	15,922	4,776	-	-	4,776	-	4,776
Other income	6,735	-	6,735	5,879	-	-	5,879	-	5,879
Grants and contributions	215,459	73,047	288,506	223,890	501,750	-	725,640	-	725,640
Fundraising events	240,831	-	240,831	234,040	-	-	234,040	-	234,040
In-kind goods and services	51,151	-	51,151	57,271	-	-	57,271	-	57,271
	<u>741,104</u>	<u>73,047</u>	<u>814,151</u>	<u>735,743</u>	<u>501,750</u>	<u>501,750</u>	<u>1,237,493</u>	<u>1,237,493</u>	<u>1,237,493</u>
RESTRICTIONS RELEASED	<u>105,871</u>	<u>(105,871)</u>	<u>-</u>	<u>337,048</u>	<u>(337,048)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue, support and restrictions released	846,975	(32,824)	814,151	1,072,791	164,702	164,702	1,237,493	1,237,493	1,237,493
EXPENSES									
Program services	658,597	-	658,597	592,065	-	-	592,065	-	592,065
Support services	83,663	-	83,663	67,064	-	-	67,064	-	67,064
Fundraising expenses	94,894	-	94,894	56,602	-	-	56,602	-	56,602
	<u>837,154</u>	<u>-</u>	<u>837,154</u>	<u>715,731</u>	<u>-</u>	<u>-</u>	<u>715,731</u>	<u>-</u>	<u>715,731</u>
CHANGE IN NET ASSETS	9,821	(32,824)	(23,003)	357,060	164,702	164,702	521,762	521,762	521,762
NET ASSETS - beginning of year	<u>774,989</u>	<u>215,781</u>	<u>990,770</u>	<u>417,929</u>	<u>51,079</u>	<u>51,079</u>	<u>469,008</u>	<u>469,008</u>	<u>469,008</u>
NET ASSETS - end of year	<u>\$ 784,810</u>	<u>\$ 182,957</u>	<u>\$ 967,767</u>	<u>\$ 774,989</u>	<u>\$ 215,781</u>	<u>\$ 215,781</u>	<u>\$ 990,770</u>	<u>\$ 990,770</u>	<u>\$ 990,770</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, 2006
(WITH COMPARATIVE TOTALS FOR 2005)

	<u>Program Services</u>	<u>Support Services</u>	<u>Fund- raising</u>	<u>2006 Total Expenses</u>	<u>2005 Total Expenses</u>
Salaries and related expenses					
Salaries	\$ 62,368	\$ 16,414	\$ 9,793	\$ 88,575	\$ 344,272
Payroll taxes	7,988	1,256	749	9,993	37,661
Employee benefits	<u>15,476</u>	<u>1,207</u>	<u>734</u>	<u>17,417</u>	<u>34,138</u>
	85,832	18,877	11,276	115,985	416,071
Other expenses (Includes In-kind)					
Accounting	-	9,863	-	9,863	7,575
Annual appeal expenses	-	-	965	965	686
Auto	3,272	-	-	3,272	5,690
Feed	35,285	-	-	35,285	41,425
Insurance	10,273	-	-	10,273	11,046
Leased employees	290,117	50,116	28,933	369,166	-
Miscellaneous	639	-	-	639	2,083
Office expense	1,230	3,514	712	5,456	5,525
Postage	3,936	78	3,222	7,236	5,711
Printing	4,715	-	-	4,715	4,030
Program development	8,493	-	-	8,493	14,175
Public relations	2,385	-	-	2,385	1,299
Recognition	4,092	-	-	4,092	4,713
Rent	56,720	-	-	56,720	56,265
Repairs and maintenance	14,840	-	-	14,840	18,587
Shoeing	10,530	-	-	10,530	9,495
Special events expenses	-	-	49,786	49,786	14,904
Staff and volunteer development	16,650	-	-	16,650	7,345
Supplies	26,146	691	-	26,837	19,058
Tack and equipment	1,308	-	-	1,308	1,255
Telephone	5,453	524	-	5,977	7,436
Utilities	24,919	-	-	24,919	17,956
Veterinary expense	7,019	-	-	7,019	3,886
Workshops	<u>7,101</u>	<u>-</u>	<u>-</u>	<u>7,101</u>	<u>6,288</u>
	620,955	83,663	94,894	799,512	682,504
Depreciation and amortization	<u>37,642</u>	<u>-</u>	<u>-</u>	<u>37,642</u>	<u>33,227</u>
	<u>\$ 658,597</u>	<u>\$ 83,663</u>	<u>\$ 94,894</u>	<u>\$ 837,154</u>	<u>\$ 715,731</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, 2006
(WITH COMPARATIVE TOTALS FOR 2005)

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (23,003)	\$ 521,762
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	37,642	33,227
Unrealized (gain) loss on investments	(20,677)	-
Securities received	(1,863)	-
(Gain) loss on disposition of property	4,755	(950)
(Increase) decrease in pledges receivable	7,800	14,906
(Increase) decrease in grants receivable	13,625	2,555
(Increase) decrease in fees and other receivable	(8,545)	175
(Increase) decrease in prepaid expenses and deposits	(4,157)	(2,248)
Increase (decrease) in accounts payable	2,176	1,912
Increase (decrease) in accrued expenses	5,175	7,712
Increase (decrease) in deferred revenue	<u>9,290</u>	<u>-</u>
 Total adjustments	 <u>45,221</u>	 <u>57,289</u>
 Net Cash Provided (Used) by Operating Activities	 22,218	 579,051
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposition of property	1,700	5,000
Proceeds from disposition of investments	58,081	-
Purchases of property and equipment	(76,558)	(38,655)
Net purchase of investments	<u>-</u>	<u>(417,407)</u>
 Net Cash Provided (Used) by Investing Activities	 (16,777)	 (451,062)
 NET INCREASE (DECREASE) IN CASH	 5,441	 127,989
 CASH AT BEGINNING OF YEAR	 <u>267,398</u>	 <u>139,409</u>
 CASH AT END OF YEAR	 <u>\$ 272,839</u>	 <u>\$ 267,398</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, 2006

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 175 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, 2006, Ride On gave 6,070 lessons using an average of 150 volunteers per month who donated over 16,000 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, 2006 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, 2006**

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.

Salaries, Related Expenses and Leased Employees

Salaries, payroll taxes and employee benefits are reported as Leased employees beginning April 2006. Ride On's employees became leased employees to improve employee benefits, while reducing costs and administration. Total salaries, related expenses and leased employees were \$485,151 and \$416,071 for 2006 and 2005 respectively.

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 2005 financial statement totals were reclassified to conform with the 2006 reporting format.

Comparative Totals

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Ride On's financial statements for the year ended December 31, 2005, from which the summarized information was derived.

**RIDE ON THERAPEUTIC HORSEMANSHIP
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2006:

Equipment	\$ 161,366
Horses	43,200
Mobile Buildings/Stalls	126,177
Leasehold Improvements	<u>165,726</u>
	496,469
Accumulated depreciation	<u>(167,738)</u>
	<u>\$ 328,731</u>

3. SOURCES OF SUPPORT

Sources of contributions received are as follows:

	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
Unrestricted:		
Corporations	\$ 86,884	\$ 67,372
Foundations	21,520	11,100
Individuals	<u>107,055</u>	<u>145,418</u>
	<u>\$ 215,459</u>	<u>\$ 223,890</u>
Temporarily restricted:		
Corporations	\$ 8,000	\$ 39,750
Foundations	10,000	42,000
Individuals	<u>55,047</u>	<u>420,000</u>
	<u>\$ 73,047</u>	<u>\$ 501,750</u>

RIDE ON THERAPEUTIC HORSEMANSHIP
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

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 provided for monthly payments of \$130 through 2006.

Minimum annual anticipated payments under these leases are as follows:

2007	\$ 17,070
2008	\$ 14,640
2009	\$ 40
2010	\$ -
Thereafter	\$ 1,280

Total rental expense, including in-kind, for the year ended December 31, 2006 was \$56,720.

5. PENSION PLAN

Ride On provided a non-contributory 403(b)(7) pension plan to all employees over age 21 after 90 days of employment through March of 2006. Thereafter, Ride On provided a 401(k) pension plan with an employer match of 3%.

6. PLEDGES

Pledges (promises to give) consist of:

Amounts due in:

Less than one year	\$ 3,050
One to five years	<u>1,434</u>
	<u>\$ 4,484</u>

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