

**RIDE ON LA**  
**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITORS' REPORT**  
**YEAR ENDED DECEMBER 31, 2011**

**RIDE ON LA  
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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statement of financial position of Ride On LA (A California Non-Profit Corporation) as of December 31, 2011, 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 LA'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, 2010, has been derived from the Ride On LA's financial statements and, in our report dated July 15, 2011 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 LA as of December 31, 2011, 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.*

August 7, 2012

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2011**  
**(WITH COMPARATIVE TOTALS FOR 2010)**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 332,255	\$ 108,083
Grants and fees receivable	488,630	406,793
Investments	5,129	6,009
Deposits and prepaid expenses	1,220	1,515
Property and equipment, net	<u>1,919,005</u>	<u>1,965,298</u>
 Total assets	 <u>\$2,746,239</u>	 <u>\$2,487,698</u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 19,100	\$ 36,791
Accrued payroll and related liabilities	20,875	11,848
Deferred revenue	1,005	-
Mortgages payable	<u>768,706</u>	<u>785,599</u>
 Total liabilities	 809,686	 834,238
 <b>COMMITMENTS AND CONTINGENCIES</b>		
 <b>NET ASSETS</b>		
Unrestricted:		
Designated for operating reserve	50,000	50,000
Undesignated	1,165,739	1,155,093
Temporarily restricted	<u>720,814</u>	<u>448,367</u>
 Total net assets	 <u>1,936,553</u>	 <u>1,653,460</u>
 Total liabilities and net assets	 <u>\$2,746,239</u>	 <u>\$2,487,698</u>

See accompanying auditors' report and  
notes to financial statements.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**COMPARATIVE STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011			2010		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>						
Fees for services	\$ 343,474	\$ -	\$ 343,474	\$ 323,081	\$ -	\$ 323,081
Contributions and grants	119,385	395,000	514,385	127,799	445,000	572,799
Fundraising events	260,309	-	260,309	299,714	-	299,714
In-kind revenue	88,399	-	88,399	73,874	-	73,874
Interest and dividend income	448	-	448	594	-	594
Realized gain(loss) on sale of investments	(25)	-	(25)	(20)	-	(20)
Unrealized gain(loss) on investments	(587)	-	(587)	212	-	212
Gain(loss) on sale of assets	(19,032)	-	(19,032)	(3,233)	-	(3,233)
Other revenue	4,463	-	4,463	5,190	-	5,190
Restrictions released	<u>122,553</u>	<u>(122,553)</u>	<u>-</u>	<u>153,527</u>	<u>(153,527)</u>	<u>-</u>
 Total revenue and restrictions released	 919,387	 272,447	 1,191,834	 980,738	 291,473	 1,272,211
 <b>EXPENSES</b>						
Program services	778,823	-	778,823	762,876	-	762,876
Support services	61,317	-	61,317	57,277	-	57,277
Fundraising expenses	<u>68,601</u>	<u>-</u>	<u>68,601</u>	<u>109,419</u>	<u>-</u>	<u>109,419</u>
	<u>908,741</u>	<u>-</u>	<u>908,741</u>	<u>929,572</u>	<u>-</u>	<u>929,572</u>
 <b>CHANGE IN NET ASSETS</b>	 10,646	 272,447	 283,093	 51,166	 291,473	 342,639
 <b>NET ASSETS - beginning of year</b>	 <u>1,205,093</u>	 <u>448,367</u>	 <u>1,653,460</u>	 <u>1,153,927</u>	 <u>156,894</u>	 <u>1,310,821</u>
 <b>NET ASSETS - end of year</b>	 <u>\$ 1,215,739</u>	 <u>\$ 720,814</u>	 <u>\$ 1,936,553</u>	 <u>\$ 1,205,093</u>	 <u>\$ 448,367</u>	 <u>\$ 1,653,460</u>

See accompanying auditors' report and  
notes to financial statements.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(WITH COMPARATIVE TOTALS FOR 2010)**

	Program Services	Support Services	Fund- raising	2011 Total Expenses	Program Services	Support Services	Fund- raising	2010 Total Expenses
<b>Expenses</b>								
Accounting	\$ -	\$ 13,750	\$ -	\$ 13,750	\$ -	\$ 15,745	\$ -	\$ 15,745
Auto	3,187	-	-	3,187	3,598	-	-	3,598
Bad debts	7,535	-	-	7,535	5,462	-	-	5,462
Dues and fees	3,546	186	-	3,732	4,261	491	-	4,752
Education and training	11,385	-	-	11,385	13,729	-	-	13,729
Feed	72,974	-	-	72,974	50,165	-	-	50,165
Financial aid	2,472	-	-	2,472	-	-	-	-
In-kind materials and supplies	12,819	-	-	12,819	5,250	-	-	5,250
In-kind rent	53,000	-	-	53,000	40,000	-	-	40,000
Insurance	18,679	-	-	18,679	12,263	-	-	12,263
Interest	32,490	-	-	32,490	27,053	-	-	27,053
Leased employees	350,066	33,260	30,590	413,916	396,307	28,953	41,468	466,728
Office expense	5,494	10,257	-	15,751	4,773	7,206	-	11,979
Postage	451	1,962	1,408	3,821	1,825	2,750	264	4,839
Printing	-	-	-	-	552	-	1,188	1,740
Program development	10,632	-	-	10,632	1,997	-	-	1,997
Public relations	1,096	-	-	1,096	1,458	-	-	1,458
Recognition	4,463	-	-	4,463	3,451	-	-	3,451
Rent	18,680	-	-	18,680	18,400	-	-	18,400
Repairs and maintenance	25,972	-	-	25,972	19,637	-	-	19,637
Shoeing, tack and equipment	15,425	-	-	15,425	15,421	-	-	15,421
Special events expenses	-	-	35,281	35,281	-	-	63,874	63,874
Supplies	9,925	1,902	1,322	13,149	16,917	2,132	-	19,049
Taxes	849	-	-	849	4,756	-	-	4,756
Telephone	4,514	-	-	4,514	7,407	-	-	7,407
Utilities	25,474	-	-	25,474	25,846	-	-	25,846
Veterinary expense	3,247	-	-	3,247	3,113	-	-	3,113
Volunteer expense	4,594	-	-	4,594	4,014	-	-	4,014
	<u>698,969</u>	<u>61,317</u>	<u>68,601</u>	<u>828,887</u>	<u>687,655</u>	<u>57,277</u>	<u>106,794</u>	<u>851,726</u>
Depreciation and amortization	<u>79,854</u>	<u>-</u>	<u>-</u>	<u>79,854</u>	<u>77,846</u>	<u>-</u>	<u>-</u>	<u>77,846</u>
	<u>\$ 778,823</u>	<u>\$ 61,317</u>	<u>\$ 68,601</u>	<u>\$ 908,741</u>	<u>\$ 765,501</u>	<u>\$ 57,277</u>	<u>\$ 106,794</u>	<u>\$ 929,572</u>

See accompanying auditors' report and  
notes to financial statements.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(WITH COMPARATIVE TOTALS FOR 2010)**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 283,093	\$ 342,639
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	79,854	77,846
Write off uncollectible receivables	7,535	-
In-kind donations	(14,775)	(28,584)
Realized and unrealized (gain) loss on investments	612	(192)
(Gain) loss on disposition of property	19,032	3,233
(Increase) decrease in:		
Grants receivable	(89,372)	(406,793)
Deposits and prepaid expenses	295	(295)
Increase (decrease) in:		
Accounts payable and accrued expenses	(17,691)	20,565
Accrued expenses	-	(6,316)
Accrued payroll and related liabilities	9,027	(1,674)
Deferred revenue	<u>1,005</u>	<u>-</u>
Total adjustments	<u>(4,478)</u>	<u>(342,210)</u>
Net Cash Provided (Used) by Operating Activities	278,615	429
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from disposition of investments	268	208
Purchases of property and equipment	<u>(37,818)</u>	<u>(226,077)</u>
Net Cash Provided (Used) by Investing Activities	(37,550)	(225,869)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments related to the acquisition of capital assets	<u>(16,893)</u>	<u>(14,320)</u>
Net Cash Provided (Used) by Financing Activities	<u>(16,893)</u>	<u>(14,320)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	224,172	(239,760)
<b>CASH AT BEGINNING OF YEAR</b>	<u>108,083</u>	<u>347,843</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 332,255</u>	<u>\$ 108,083</u>

See accompanying auditors' report and notes to financial statements.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**1. ORGANIZATION**

Ride On LA 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 LA was organized to promote the welfare of children and adults with any type of disability or mental illness and “at risk” youth by means of therapeutic horseback riding, Hippotherapy (physical/occupational/speech therapy using the movement of the horse to improve specific medical conditions) and by instruction in related social, vocational and recreational activities.

Ride On LA’s program serves over 150 riders each week at two ranches in Los Angeles and Ventura Counties. The program is nationally accredited by PATH International, and the teaching staff includes 7 certified instructors and 6 licensed therapists assisted by 30 horses. Ride On LA remains the only nationally-accredited program in LA or Ventura county which brings a Physical Therapist to a ranch to use the horses’ movement to improve specific medical conditions. In its 17-year history, Ride On has given over 63,000 lessons and physical therapy treatments to children as young as 2 and adults over the age of 80.

During the year ended December 31, 2011, Ride On LA gave over 5,300 lessons and treatments benefitting from the work of over 200 volunteers who donated over 13,000 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 LA operates three facilities: two small ranches in Chatsworth comprising 5-acres total, and a 13-acre park site in Newbury Park operated in partnership with the Conejo Recreation and Park District.

In May 2008 Ride On LA purchased a 3-acre operating facility in Chatsworth, California. Chatsworth operations were transferred to this new facility in March 2010. This 3-acre ranch is now providing a permanent and expanded base of service to the San Fernando Valley.

**2. GRANT RECEIVABLE**

Grants receivable includes a \$400,000 building grant from the City of Los Angeles which provides for a right of recapture should Ride On cease to furnish continuous service for a 4-year period following completion of the related building project which is reduced ratably on an annual basis each year. The recapture right is evidenced by a secured promissory note. As of December 31, 2011 no funds were released by the City of Los Angeles and no promissory note was issued.



**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

**3. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2011:

Buildings	\$ 940,962
Horses	66,800
Land	859,661
Leasehold Improvements	272,415
Machinery and Equipment	<u>245,574</u>
	2,385,412
Accumulated Depreciation	<u>(466,407)</u>
	<u>\$ 1,919,005</u>

Total depreciation expense for the year ended December 31, 2011 is \$79,854.

**4. SOURCES OF SUPPORT**

Sources of contributions received are as follows for the year ending December 31, 2011:

Unrestricted:	
Corporations	\$ 44,207
Foundations	27,056
Individuals	<u>48,122</u>
	<u>\$ 119,385</u>
Temporarily restricted:	
Corporations	\$ 85,000
Foundations	310,000
Individuals	<u>-</u>
	<u>\$ 395,000</u>

**5. PENSION PLAN**

Ride On LA 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 LA provided a 401(k) pension plan with an employer match of 3%.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

**6. COMMITMENTS**

Ride On LA is obligated under two operating facility leases. The Chatsworth lease, for a two-acre ranch where it has operated since 1994, expires in October 2013 but contains an annual cancellation provision after October 31, 2009. 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 \$53,000 annually.

Minimum annual anticipated payments under these leases are as follows:

2012	\$ 19,310
2013	\$ 16,390
2014	\$ 40
2015	\$ 40
2016	\$ 40
Thereafter	\$ 40

Total rental expense, including in-kind, for the year ended December 31, 2011 was \$71,680.

**7. MORTGAGE PAYABLE**

In April 2008 Ride On LA purchased an operating facility in Chatsworth, California for \$1,113,001 and obtained a related mortgage of \$824,250. This mortgage adjusts annually in July and is amortized over 30 years but due in May 2018. Interest costs incurred during the year end December 31, 2011 were \$32,490.

Minimum annual anticipated principal payments under the mortgage payable of \$768,706 at December 31, 2011 are as follows:

2012	\$ 18,600
2013	\$ 18,600
2014	\$ 19,300
2015	\$ 20,000
2016	\$ 20,900
2017	\$ 21,800
Thereafter	\$ 649,506

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

**8. RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2011, are available for the following purposes:

Patricia McQueeney Program	\$ 22,419
LA84 Foundation Program	10,000
Ahmanson Foundation Program	168,395
Baxter International Foundation Program	85,000
Weingart Foundation Program	35,000
City of Los Angeles - Neighborhood Improvement Program	<u>400,000</u>
	<u>\$ 720,814</u>

**9. FINANCIAL AID**

Ride On LA has adopted a policy of providing ridership services to certain designated individuals at no cost to them. The related billed receivables are forgiven, upon approval, and recognized as Financial Aid expense in the Statement of Functional Expenses. During 2011, 17% of all lessons, approximately 886 treatments and lessons, were given financial aid.

**10. INVESTMENTS**

Investments consist of the following at December 31, 2011:

	<u>Fair Value</u>
Securities	<u>\$ 5,129</u>
Total investments	<u>\$ 5,129</u>

As discussed in Note 14 to these financial statements, Ride On LA is required to report its fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to Ride On LA's valuation techniques. Level 1, the most observable level of inputs, is for investments measured at quoted prices in active markets for identical investments as of the December 31, 2011. Level 2 is for investments measured using inputs such as quoted prices for similar assets, quoted prices for the identical asset in inactive markets, and for investments measured at net asset value that can be redeemed in the near term. Level 3 is for investments measured using inputs that are unobservable, and is used in situations for which there is little, if any, market activity for the investment.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**10. INVESTMENTS - Continued**

	Total	Level 1
Securities	\$ 5,129	\$ 5,129
	<u>\$ 5,129</u>	<u>\$ 5,129</u>

At December 31, 2011, Ride On LA does not have any investments measured using level 2 or level 3 inputs.

The composition of the investment return reported in the statement of activities as follows:

	Fair Value
Interest and dividends	\$ 448
Realized gain(loss) on sale of investments	(25)
Unrealized gain(loss) on investments	<u>(587)</u>
Total investment return	<u>\$ (164)</u>

**11. CONCENTRATION RISK**

The majority of Ride On LA's contributions and grants are received from corporations, Ride On LA's, and individuals located in the greater Los Angeles metropolitan area and from agencies of the state of California. As such, Ride On LA's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of California. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for Ride On LA's services.

Ride On LA's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to Ride On LA's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

**12. SUBSEQUENT EVENTS**

Ride On LA has evaluated events subsequent to December 31, 2011, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through August 7, 2012, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

**13. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Ride On LA prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America for NFPs. The significant accounting and reporting policies used by Ride On LA are described below to enhance the usefulness and understandability of the financial statements.

*Financial Statement Presentation*

The financial statements are presented based on Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. ASC Topic 958, Sections 210 and 225 requires classification of Ride On LA's net assets, revenues as well as expenses based on the existence or absence of donor-imposed restrictions. The statement requires presentation of the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – in the statement of financial position and the amounts of change in each of those classes of net assets in the statement of activities.

*Net Assets*

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- *Unrestricted net assets.* Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting for the nature of Ride On LA, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
- *Temporarily restricted net assets.* Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Ride On LA's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by Ride On LA, unless the donor provides more specific directions about the period of its use.
- *Permanently restricted net assets.* Permanently restricted net assets are resources whose use by Ride On LA is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time.

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses are reported as decreases in unrestricted net assets.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**13. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*Cash Equivalents*

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature. At year-end, and throughout the year, Ride On LA's cash balances, deposited in one bank, exceeded federally insured limits. Management believes Ride On LA is not exposed to any significant credit risk on cash and cash equivalents.

*Investments*

Investments in marketable securities with readily redeemable fair values and all investments in debt securities are carried at their fair market values in the statement of financial position. Unrealized gains and losses are included in the change in restricted net assets in the accompanying statement of activities.

*Receivables*

Receivables are primarily unsecured amounts due from grantors on cost reimbursement or performance grants. Receivables are stated at the amount management expects to collect from outstanding balances.

*Accounting for Contributions*

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

*Contributed Goods and Services*

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**13. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*Government Revenue*

Government revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Government revenue from federal agencies is subject to independent audit under the Office of Management and Budget Circular A-133 and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, Ride On LA's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of Ride On LA.

*Salaries, Related Expenses and Leased Employees*

Salaries, payroll taxes and employee benefits are reported as Leased employees beginning April 2006. Ride On LA's employees became leased employees to improve employee benefits, while reducing costs and administration. Total salaries, related expenses and leased employees were \$413,916 for the year ending December 31, 2011.

*Vacation Policy*

Accrued vacation benefits are accrued on a monthly basis. Full-time employees accrue vacation time based upon years of service to Ride On LA as follows:

<u>Years Employed</u>	<u>Annualized Accrual</u>
0 - 5 years	Two Weeks
5+ -14 years	Three Weeks
15+ years	Four Weeks

Unused vacation leave will be paid at the time of termination. Total accrued vacation at December 31, 2011, was \$12,114.

*Property and Equipment*

Property and equipment 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. All assets with an estimated life that exceeds one year and with a cost greater than \$1,000 must be capitalized.

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**13. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*New Accounting Standards*

Ride On LA measures fair value in accordance with FASB ASC 820-10. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels; Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs, other than the quoted prices in active markets, are observable either directly or indirectly, and Level 3 unobservable inputs in which there is little or no market data, which requires Ride On LA to develop its own assumptions. Ride On LA uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Ride On LA measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. All assets reported at fair value at December 31, 2011, are Level 1 inputs.

*Income Taxes*

Ride On LA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. Ride On LA is also exempt from federal unemployment tax. The IRS classified the organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

Ride On LA has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended December 31, 2011, Ride On LA had no material unrecognized tax benefits, tax penalties or interest. Ride On LA's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2010, 2009, 2008, are subject to examination by the IRS, generally for 3 years after they were filed.

*Use of Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, Ride On LA's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Ride On LA's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.



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**13. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*Expense Recognition and Allocation*

The cost of providing Ride On LA's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of Ride On LA.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. Ride On LA generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

*Reclassifications*

Certain amounts in the 2010 comparative totals have been reclassified to conform with the 2011 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 Ride On LA's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

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**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

**14. FAIR VALUE MEASUREMENTS**

Ride On LA reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1* - Quoted prices for identical assets or liabilities in active markets to which the Institute has access at the measurement date.
- *Level 2* - Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets in markets that are not active;
  - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
  - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3* - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The carrying amounts of cash and cash equivalents and accounts receivable approximate fair value because of the terms and relatively short maturity of these financial instruments.

The carrying amounts of liabilities, approximate fair value because of the relatively short maturity of these financial instruments.

When available, Ride On LA measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value.