

RIDE ON LA
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2012

**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

Report on the Financial Statements

We have audited the accompanying financial statements of Ride On LA (A California Non-Profit Corporation) which comprise the statement of financial position as of December 31, 2012, and the related comparative statement of activities, statements of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (Continued)

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, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Ride On LA's 2011 financial statements, and our report dated August 7, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The summary financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Ride On LA.

Vorwin, Hryn + Co.

Calabasas, California
December 19, 2013

RIDE ON LA
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 231,632	\$ 332,255
Grants and fees receivable	355,489	488,630
Investments	4,899	5,129
Deposits and prepaid expenses	1,220	1,220
Property and equipment, net	<u>1,997,263</u>	<u>1,919,005</u>
Total assets	<u>\$2,590,503</u>	<u>\$2,746,239</u>
LIABILITIES		
Accounts payable	\$ 26,362	\$ 19,100
Accrued payroll and related liabilities	21,838	20,875
Deferred revenue	-	1,005
Mortgages payable	<u>749,964</u>	<u>768,706</u>
Total liabilities	798,164	809,686
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted:		
Designated for operating reserve	50,000	50,000
Undesignated	1,317,936	1,165,739
Temporarily restricted	<u>424,403</u>	<u>720,814</u>
Total net assets	<u>1,792,339</u>	<u>1,936,553</u>
Total liabilities and net assets	<u>\$2,590,503</u>	<u>\$2,746,239</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, 2012 AND 2011

	2012			2011		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT						
Fees for services	\$ 388,944	\$ -	\$ 388,944	\$ 343,474	\$ -	\$ 343,474
Contributions and grants	94,147	10,000	104,147	119,385	395,000	514,385
Fundraising events	258,873	-	258,873	260,309	-	260,309
In-kind revenue	100,571	-	100,571	88,399	-	88,399
Interest and dividend income	416	-	416	448	-	448
Realized gain(loss) on sale of investments	(19)	-	(19)	(25)	-	(25)
Unrealized gain(loss) on investments	(12)	-	(12)	(587)	-	(587)
Gain(loss) on sale of assets	1,770	-	1,770	(19,032)	-	(19,032)
Other revenue	5,451	-	5,451	4,463	-	4,463
Restrictions released	<u>306,411</u>	<u>(306,411)</u>	<u>-</u>	<u>122,553</u>	<u>(122,553)</u>	<u>-</u>
Total revenue and restrictions released	1,156,552	(296,411)	860,141	919,387	272,447	1,191,834
EXPENSES						
Program services	833,331	-	833,331	778,823	-	778,823
Support services	70,039	-	70,039	61,317	-	61,317
Fundraising expenses	<u>100,985</u>	<u>-</u>	<u>100,985</u>	<u>68,601</u>	<u>-</u>	<u>68,601</u>
	<u>1,004,355</u>	<u>-</u>	<u>1,004,355</u>	<u>908,741</u>	<u>-</u>	<u>908,741</u>
CHANGE IN NET ASSETS	152,197	(296,411)	(144,214)	10,646	272,447	283,093
NET ASSETS - beginning of year	<u>1,215,739</u>	<u>720,814</u>	<u>1,936,553</u>	<u>1,215,739</u>	<u>720,814</u>	<u>1,653,460</u>
NET ASSETS - end of year	<u>\$ 1,367,936</u>	<u>\$ 424,403</u>	<u>\$ 1,792,339</u>	<u>\$ 1,226,385</u>	<u>\$ 993,261</u>	<u>\$ 1,936,553</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, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	<u>Program</u> <u>Services</u>	<u>Support</u> <u>Services</u>	<u>Fund-</u> <u>raising</u>	<u>2012 Total</u> <u>Expenses</u>	<u>Program</u> <u>Services</u>	<u>Support</u> <u>Services</u>	<u>Fund-</u> <u>raising</u>	<u>2011 Total</u> <u>Expenses</u>
Expenses								
Accounting	\$ -	\$ 12,723	\$ -	\$ 12,723	\$ -	\$ 13,750	\$ -	\$ 13,750
Auto	3,080	-	-	3,080	3,187	-	-	3,187
Bad debts	6,908	2,088	-	8,996	7,535	-	-	7,535
Dues and fees	6,147	20	-	6,167	3,546	186	-	3,732
Education and training	15,158	-	-	15,158	11,385	-	-	11,385
Feed	75,806	-	-	75,806	72,974	-	-	72,974
Financial aid	17,025	-	-	17,025	2,472	-	-	2,472
In-kind materials and supplies	10,500	-	-	10,500	12,819	-	-	12,819
In-kind rent	53,000	-	-	53,000	53,000	-	-	53,000
Insurance	13,999	-	-	13,999	18,679	-	-	18,679
Interest	29,651	-	-	29,651	32,490	-	-	32,490
Leased employees	374,756	46,536	57,629	478,921	350,066	33,260	30,590	413,916
Office expense	8,033	7,666	-	15,699	5,494	10,257	-	15,751
Postage	645	180	586	1,411	451	1,962	1,408	3,821
Program development	7,827	-	-	7,827	10,632	-	-	10,632
Public relations	6,912	-	-	6,912	1,096	-	-	1,096
Recognition	1,034	-	-	1,034	4,463	-	-	4,463
Rent	19,310	-	-	19,310	18,680	-	-	18,680
Repairs and maintenance	35,242	-	-	35,242	25,972	-	-	25,972
Shoeing, tack and equipment	18,001	-	-	18,001	15,425	-	-	15,425
Special events expenses	-	-	42,597	42,597	-	-	35,281	35,281
Supplies	10,284	826	173	11,283	9,925	1,902	1,322	13,149
Taxes	1,049	-	-	1,049	849	-	-	849
Telephone	2,017	-	-	2,017	4,514	-	-	4,514
Utilities	23,159	-	-	23,159	25,474	-	-	25,474
Veterinary expense	8,281	-	-	8,281	3,247	-	-	3,247
Volunteer expense	4,886	-	-	4,886	4,594	-	-	4,594
	<u>752,710</u>	<u>70,039</u>	<u>100,985</u>	<u>923,734</u>	<u>698,969</u>	<u>61,317</u>	<u>68,601</u>	<u>828,887</u>
Depreciation and amortization	<u>80,621</u>	<u>-</u>	<u>-</u>	<u>80,621</u>	<u>79,854</u>	<u>-</u>	<u>-</u>	<u>79,854</u>
	<u>\$ 833,331</u>	<u>\$ 70,039</u>	<u>\$ 100,985</u>	<u>\$ 1,004,355</u>	<u>\$ 778,823</u>	<u>\$ 61,317</u>	<u>\$ 68,601</u>	<u>\$ 908,741</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, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (144,214)	\$ 283,093
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	80,621	79,854
Provision for bad debt	(8,996)	7,535
In-kind horse	(6,000)	(14,775)
In-kind leasehold improvement	(29,982)	-
In-kind buildings	(1,089)	-
Realized and unrealized (gain) loss on investments	31	612
(Gain) loss on disposition of property	(1,770)	19,032
(Increase) decrease in:		
Grants and fees receivable	142,137	(89,372)
Deposits and prepaid expenses	-	295
Increase (decrease) in:		
Accounts payable	7,262	(17,691)
Accrued payroll and related liabilities	963	9,027
Deferred revenue	(1,005)	1,005
 Total adjustments	 <u>182,172</u>	 <u>(4,478)</u>
 Net Cash Provided (Used) by Operating Activities	 37,958	 278,615
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposition of investments	199	268
Proceeds from sale of property and equipment	5,000	-
Payments related to the acquisition of property and equipment	<u>(125,038)</u>	<u>(37,818)</u>
 Net Cash Provided (Used) by Investing Activities	 (119,839)	 (37,550)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on mortgage payable	<u>(18,742)</u>	<u>(16,893)</u>
 Net Cash Provided (Used) by Financing Activities	 <u>(18,742)</u>	 <u>(16,893)</u>
 NET INCREASE (DECREASE) IN CASH	 (100,623)	 224,172
 CASH AT BEGINNING OF YEAR	 <u>332,255</u>	 <u>108,083</u>
 CASH AT END OF YEAR	 <u>\$ 231,632</u>	 <u>\$ 332,255</u>
Supplemental disclosures:		
In-kind contributions	<u>\$ 100,571</u>	<u>\$ 88,399</u>
 Interest expense	 <u>\$ 29,651</u>	 <u>\$ 32,490</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, 2012

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 170 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 8 certified instructors and 8 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 18-year history, Ride On LA has given over 69,000 lessons and physical therapy treatments to children as young as 2 and adults over the age of 80.

During the year ended December 31, 2012, Ride On LA gave over 6,400 lessons and treatments benefitting from the work of over 270 volunteers who donated over 13,800 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.

Program Services delivered increased 20.8% over the prior year while program expenses increased 7.7%, disclosure of percentages is not required by Generally Accepted Account Principles.

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 \$352,211 building grant from the City of Los Angeles which provides for a right of recapture should Ride On LA 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, which will be executed once the project is complete. As of December 31, 2012, the promissory note has not been executed.

RIDE ON LA
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2012:

Buildings	\$ 1,057,778
Horses	70,760
Land	859,661
Leasehold Improvements	315,675
Machinery and Equipment	<u>237,377</u>
	2,541,251
Accumulated Depreciation	<u>(543,988)</u>
	<u>\$ 1,997,263</u>

Total depreciation expense for the year ended December 31, 2012 is \$80,621.

4. SOURCES OF SUPPORT

Sources of contributions received are as follows for the year ending December 31, 2012:

Unrestricted:	
Corporations	\$ 10,202
Foundations	48,922
Individuals	<u>35,023</u>
	<u>\$ 94,147</u>
Temporarily restricted:	
Corporations	\$ -
Foundations	10,000
Individuals	<u>-</u>
	<u>\$ 10,000</u>

RIDE ON LA
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

5. RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2012 are:

Grant	Balance 12/31/11	Income	Expenditures	Balance 12/31/12
Patricia McQueeney	\$ 22,419	\$ -	\$ (22,419)	\$ -
LA84 Foundation	10,000	-	(10,000)	-
Ahmason Foundation	168,395	-	(92,754)	75,641
Baxter International Foundation	85,000	-	(61,558)	23,442
Weingart Foundation	35,000	-	(35,000)	-
Samuelsson Foundation	-	10,000	(10,000)	-
City of Los Angeles - Neighborhood Improvement	<u>400,000</u>	<u>-</u>	<u>(74,680)</u>	<u>325,320</u>
	<u>\$ 720,814</u>	<u>\$ 10,000</u>	<u>\$ (306,411)</u>	<u>\$ 424,403</u>

Expenditures of temporarily restricted net assets during the year ended December 31, 2012 were:

Grant	Expense Purpose	Amount
Patricia McQueeney	Scholarships and Operations	\$ 22,419
LA84 Foundation	Program Equipment	10,000
Ahmason Foundation	Education Building/Topanga Capital Improvements	92,754
Baxter International Foundation	Hippotherapy Program Expansion	61,558
Weingart Foundation	Scholarships and Operations	35,000
Samuelsson Foundation	Scholarships and Operations	10,000
City of Los Angeles - Neighborhood Improvement	Education Building/Topanga Capital Improvements	<u>74,680</u>
		<u>\$ 306,411</u>

6. IN-KIND CONTRIBUTIONS

For the year ended December 31, 2012, Ride On LA recorded total in-kind contributions of \$100,571.

In-kind contributions are recorded at their fair market value, at December 31, 2012 consist of the following:

Capitalized Assets:

Horses	\$ 6,000
Leasehold Improvements	29,982
Buildings	1,089
Materials and Supplies	10,500
Rent	<u>53,000</u>
	<u>\$ 100,571</u>

RIDE ON LA
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

7. 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 2018 but contains an annual cancellation provision after October 31, 2014. 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:

2013	\$ 19,730
2014	20,150
2015	20,570
2016	20,990
2017	21,410
Thereafter	19,020

Total rental expense, including in-kind, for the year ended December 31, 2012 was \$72,310.

8. SPECIAL EVENTS EXPENSE

Ride On LA conducted various special events and fundraising activities during the year, which generated fundraising revenue of \$258,873 and incurred expenses of \$42,597. The natural categories for the special event expenses for the year ended December 31, 2012 are as follows:

Auction Expense	\$ 2,250
Catering	23,799
Mailing	1,765
Printing	8,061
Rentals	2,351
Supplies/Decorations	<u>4,371</u>
	<u>\$ 42,597</u>

RIDE ON LA
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

9. 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, 2012 were \$29,651. The balance owed at December 31, 2012 was \$749,964.

Minimum annual anticipated principal payments under the mortgage payable at December 31 are as follows:

2013	\$ 18,600
2014	19,300
2015	20,000
2016	20,900
2017	21,800
2018	<u>649,364</u>
Mortgage payable	<u>\$ 749,964</u>

10. 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. Beyond that, Ride On LA gave scholarships ranging from free lessons to ½ price for 1,442 lessons or treatments, about 23% of all lessons. Nine individuals and one foundation donated over \$65,000 directly to support these vital scholarships. Total related financial aid expense for the year ended December 31, 2012 was \$17,025.

RIDE ON LA
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

11. INVESTMENTS

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, 2012, are Level 1 inputs.

Investments consist of the following at December 31, 2012:

	Fair Value
Government Securities	\$ 4,899
Total investments	<u>\$ 4,899</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, 2012. 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.

	Total	Level 1
Government Securities	\$ 4,899	\$ 4,899
	<u>\$ 4,899</u>	<u>\$ 4,899</u>

At December 31, 2012, 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:

Interest and dividend income	\$ 416
Realized gain(loss) on sale of investments	(19)
Unrealized gain(loss) on investments	<u>(12)</u>
Total investment return	<u>\$ 385</u>

RIDE ON LA
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

12. 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.

13. SUBSEQUENT EVENTS

Ride On LA has evaluated events subsequent to December 31, 2012, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 19, 2013, 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.

14. 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. 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.

RIDE ON LA
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

14. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 the Foundation 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. The portion of Ride On LA's donor-restricted endowment funds that must be maintained in perpetuity are classified in this net asset class. Ride On LA did not have any permanently restricted net assets at December 31, 2012.

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 other than losses on endowment investments are reported as decreases in unrestricted net assets.

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.

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NOTES TO FINANCIAL STATEMENTS
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14. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. Management provides for probable uncollectible amounts through a provision for bad debt and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. As of December 31, 2012, Ride On LA has made a provision of \$8,210 for possible uncollectible or disallowed revenues.

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
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NOTES TO FINANCIAL STATEMENTS
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14. 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 \$478,921 for the year ending December 31, 2012.

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, 2012, was \$14,848.

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
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

14. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2012, 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 2011, 2010, 2009, 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.

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.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

14. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reclassifications

Certain amounts in the 2011 comparative totals have been reclassified to conform with the 2012 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, 2011, from which the summarized information was derived.

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 Ride On LA 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. The government securities are valued at level 1 inputs, which represent the net asset value of shares held by Ride On LA at year end.

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