

RIDE ON LA

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

YEAR ENDED DECEMBER 31, 2018

VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

**RIDE ON LA
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AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

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, 2018, and the related comparative statements of activities, 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. 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, 2018, 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 previously audited Ride On LA's 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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.

Voein, Hryn + Co.

Calabasas, California
November 15, 2019

RIDE ON LA
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 175,216	\$ 109,560
Grants and fees receivable, net of allowance	10,488	47,056
Promises to give, net of allowance	5,013	5,763
Deposits and prepaid expenses	1,220	1,220
Property and equipment, net	<u>2,784,427</u>	<u>2,868,674</u>
 Total assets	 <u><u>\$2,976,364</u></u>	 <u><u>\$3,032,273</u></u>
 LIABILITIES		
Accounts payable and accrued expenses	\$ 4,835	\$ 16,602
Accrued payroll and related liabilities	33,733	26,597
Deferred revenue	10,203	4,151
Mortgage payable	<u>642,974</u>	<u>648,657</u>
 Total liabilities	 691,745	 696,007
 COMMITMENTS AND CONTINGENCIES		
 NET ASSETS		
Without Donor Restrictions:		
Designated for operating reserve	25,000	25,000
Undesignated	2,230,619	2,229,684
With Donor Restrictions	<u>29,000</u>	<u>81,582</u>
 Total net assets	 <u><u>2,284,619</u></u>	 <u><u>2,336,266</u></u>
 Total liabilities and net assets	 <u><u>\$2,976,364</u></u>	 <u><u>\$3,032,273</u></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, 2018 AND 2017

	2018			2017		
	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT						
Fees for services	\$ 523,990	\$ -	\$ 523,990	\$ 475,572	\$ -	\$ 475,572
Contributions and grants	125,666	30,000	155,666	97,544	80,000	177,544
Fundraising events	215,009	-	215,009	275,286	-	275,286
In-kind revenue	74,000	-	74,000	89,125	-	89,125
Interest and dividend income	1,026	-	1,026	221	-	221
Realized gain(loss) on sale of investments	-	-	-	(52)	-	(52)
Other revenue	7,408	-	7,408	3,371	-	3,371
Restrictions released	82,582	(82,582)	-	79,036	(79,036)	-
Total revenue, support and restrictions released	1,029,681	(52,582)	977,099	1,020,103	964	1,021,067
EXPENSES						
Program services	890,266	-	890,266	856,265	-	856,265
Support services	65,435	-	65,435	87,200	-	87,200
Fundraising expenses	73,045	-	73,045	76,868	-	76,868
Total expenses	1,028,746	-	1,028,746	1,020,333	-	1,020,333
CHANGE IN NET ASSETS	935	(52,582)	(51,647)	(230)	964	734
NET ASSETS - beginning of year	2,254,684	81,582	2,336,266	2,254,914	80,618	2,335,532
NET ASSETS - end of year	\$ 2,255,619	\$ 29,000	\$ 2,284,619	\$ 2,254,684	\$ 81,582	\$ 2,336,266

See accompanying auditors' report and notes to financial statements.

RIDE ON LA
(A California Non-Profit Corporation)
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Program Services	Support Services	Fund- raising	2018 Total Expenses	Program Services	Support Services	Fund- raising	2017 Total Expenses
Expenses								
Accounting	\$ -	\$ 11,975	\$ -	\$ 11,975	\$ -	\$ 21,365	\$ -	\$ 21,365
Auto	4,642	-	-	4,642	3,995	-	-	3,995
Bad debts	6,145	-	-	6,145	2,468	-	-	2,468
Dues and fees	475	106	-	581	2,024	11,509	-	13,533
Education and training	9,803	-	-	9,803	13,339	-	-	13,339
Equipment rental and maintenance	-	-	14,834	14,834	-	-	8,472	8,472
Feed	88,688	-	-	88,688	68,117	-	-	68,117
Financial aid	41,041	-	-	41,041	39,889	-	-	39,889
In-kind, repairs and maintenance	2,000	-	-	2,000	-	-	-	-
In-kind, professional services	12,000	-	-	12,000	15,425	-	-	15,425
In-kind rent	60,000	-	-	60,000	60,000	-	-	60,000
Insurance	25,535	-	-	25,535	25,092	-	-	25,092
Interest	27,726	-	-	27,726	22,395	-	-	22,395
Leased employees	326,357	35,665	29,090	391,112	310,912	43,509	33,830	388,251
Office expense	25,690	14,642	-	40,332	30,652	6,111	-	36,763
Outside services	-	-	16,162	16,162	-	386	18,788	19,174
Postage	427	219	-	646	526	126	13	665
Printing	-	-	9,339	9,339	-	-	11,997	11,997
Professional fees	2,313	-	-	2,313	3,918	-	-	3,918
Program development	2,490	-	-	2,490	1,910	-	-	1,910
Public relations	3,085	-	-	3,085	5,113	-	-	5,113
Recognition	704	-	-	704	1,238	-	-	1,238
Rent	21,795	-	-	21,795	20,815	-	-	20,815
Repairs and maintenance	39,431	-	-	39,431	44,009	-	-	44,009
Shoeing, tack and equipment	15,105	-	-	15,105	19,776	-	-	19,776
Supplies	17,043	1,913	3,620	22,576	10,431	2,234	3,768	16,433
Taxes	472	-	-	472	288	-	-	288
Telephone	6,022	915	-	6,937	7,999	1,960	-	9,959
Utilities	30,031	-	-	30,031	26,661	-	-	26,661
Veterinary expense	8,314	-	-	8,314	4,058	-	-	4,058
Volunteer expense	3,493	-	-	3,493	3,725	-	-	3,725
	<u>780,827</u>	<u>65,435</u>	<u>73,045</u>	<u>919,307</u>	<u>744,775</u>	<u>87,200</u>	<u>76,868</u>	<u>908,843</u>
Depreciation and amortization	<u>109,439</u>	<u>-</u>	<u>-</u>	<u>109,439</u>	<u>111,490</u>	<u>-</u>	<u>-</u>	<u>111,490</u>
Total Expenses	<u>\$ 890,266</u>	<u>\$ 65,435</u>	<u>\$ 73,045</u>	<u>\$ 1,028,746</u>	<u>\$ 856,265</u>	<u>\$ 87,200</u>	<u>\$ 76,868</u>	<u>\$ 1,020,333</u>

See accompanying auditors' report and notes to financial statements.

RIDE ON LA
(A California Non-Profit Corporation)
STATEMENT OF CASH FLOWS
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (51,647)	\$ 734
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	109,439	111,490
Provision for bad debt	6,145	2,468
In-kind building improvements	-	(13,700)
Realized and unrealized (gain) loss on investments, net	-	52
(Increase) decrease in:		
Grants and fees receivable, net of allowance	30,423	1,263
Promises to give, net of allowance	750	4,000
Increase (decrease) in:		
Accounts payable and accrued expenses	(11,767)	(13,672)
Accrued payroll and related liabilities	7,136	(900)
Deferred revenue	6,052	1,515
	<u>148,178</u>	<u>92,516</u>
Net Cash Provided (Used) by Operating Activities	96,531	93,250
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposition of investments	-	11,606
Purchase of investments	-	(9,151)
Donated property and equipment	-	13,700
	<u>-</u>	<u>13,700</u>
Net Cash Provided (Used) by Investing Activities	-	16,155
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for purchases of property and equipment	(25,192)	(64,852)
Proceeds from borrowings of mortgage payable	650,000	-
Repayments of mortgage payable	(655,683)	(21,589)
	<u>(30,875)</u>	<u>(86,441)</u>
Net Cash Provided (Used) by Financing Activities	(30,875)	(86,441)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	65,656	22,964
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>109,560</u>	<u>86,596</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 175,216</u>	<u>\$ 109,560</u>
Supplemental disclosures:		
In-kind contributions	<u>\$ 74,000</u>	<u>\$ 89,125</u>
Interest expense	<u>\$ 27,726</u>	<u>\$ 22,395</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, 2018

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 approximately 240 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 9 certified instructors and 6 licensed therapists assisted by over 30 horses. Ride On LA remains the only nationally-accredited program in Ventura county and the only such program which brings a Physical Therapist to a ranch to use the horses’ movement to improve specific medical conditions. In its 24-year history, Ride On LA has given over 114,000 lessons and physical therapy treatments to children as young as 2 and adults over the age of 80.

During the year ended December 31, 2018, Ride On LA gave over 7,800 lessons and treatments benefitting from the work of over 290 volunteers who donated over 14,400 hours of service. About half of the riders have physical disabilities and half are intellectually disabled; many have multiple handicaps requiring extensive staff and volunteer support. About 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.

RIDE ON LA
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)

2. GRANTS AND FEES RECEIVABLE, NET OF ALLOWANCE

Grants and fees receivable at December 31, 2018 consist of the following:

Fees receivable	\$ 17,246
Total fees receivable	<u>17,246</u>
Less allowance for uncollectible fees receivable	<u>(6,758)</u>
Net grants and fees receivable at December 31, 2018	<u>\$ 10,488</u>

Ride On LA completed construction of an Education and Therapy Building in June of 2016 partially funded by two grants from the City of Los Angeles. These grants provide for a right of recapture should Ride On LA cease to furnish continuous service for a 6-year period following completion of the related building project. The recapture right is evidenced by a secured promissory note, which was executed on September 16, 2015 and November 4, 2015. These notes, in the amounts of \$400,000 and \$250,000 respectively, will be reduced over a six year period as Ride On LA delivers service as required under the terms of the grant from the City of Los Angeles. The \$650,000 promissory note will be reduced ratably over the next 26 calendar quarters. Each quarter Ride On LA submits documentation to the City satisfying its service payback requirement. Management estimates that Ride On LA's failure to meet the Service Payback provisions of the grant is remote. By December 31, 2018 Ride On LA had submitted ten quarterly reports of the 26 required.

Note due City of LA	\$ 650,000
Service Payback through 12/31/2018	<u>(250,000)</u>
Balance Service Payback as of 12/31/2018	<u>\$ 400,000</u>

3. PROMISES TO GIVE, NET OF ALLOWANCE

Unconditional promises to give are measured as Level 1 inputs using market prices and are stated at fair value. Promises to give at December 31, 2018 are as follows:

Receivable in less than one year	\$ 5,250
Receivable in one to five years	<u>-</u>
Total unconditional promises to give	5,250
Less allowance for uncollectible promises to give	(27)
Less unamortized discount at 4%	<u>(210)</u>
Net unconditional promises to give at December 31, 2018	<u>\$ 5,013</u>

The promises to give were discounted, using an interest rate of 4%, to reflect net present value. The unamortized discount is based on a risk free rate and additional market risk factor.

RIDE ON LA
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)

4. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at December 31, 2018:

Buildings	\$ 2,192,892
Horses	54,760
Land	859,661
Leasehold Improvements	468,436
Machinery and Equipment	<u>297,679</u>
	3,873,428
Accumulated Depreciation	<u>(1,089,001)</u>
Total Property and Equipment, net	<u>\$ 2,784,427</u>

Total depreciation expense for the year ended December 31, 2018 is \$109,439.

5. 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 was refinanced in April 2018 in the amount of \$650,000 with interest fixed at 5.18% and monthly payments of \$3,904 per month for a period of 10 years. Interest costs incurred during the year end December 31, 2018 were \$27,726. The balance owed at December 31, 2018 was \$642,974.

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

2019	\$ 46,853
2020	46,853
2021	46,853
2022	46,853
2023	46,853
Thereafter	<u>408,709</u>
Total	<u>\$ 642,974</u>

RIDE ON LA
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)

6. SOURCES OF SUPPORT

Sources of contributions received are as follows for the year ending December 31, 2018:

Without Donor Restrictions:

Corporations	\$ 9,900
Foundations	4,000
Individuals	<u>111,766</u>
Total Sources of Support Without Donor Restrictions	<u>\$ 125,666</u>

With Donor Restrictions:

Corporations	\$ -
Foundations	30,000
Individuals	<u>-</u>
Total Sources of Support With Donor Restrictions	<u>\$ 30,000</u>

7. FUNDRAISING EVENTS

Ride On LA conducted various special events and formalized its capital fundraising activities during the year. The revenue and expenses for these fund development activities for the year ended December 31, 2018 were as follows:

	<u>Revenue</u>	<u>Expenses</u>	<u>Net Revenue</u>
Capital Campaign	\$ 1,500	\$ -	\$ 1,500
Special Events	<u>215,009</u>	<u>(40,961)</u>	<u>174,048</u>
Total	<u>\$ 216,509</u>	<u>\$ (40,961)</u>	<u>\$ 175,548</u>

8. IN-KIND CONTRIBUTIONS

For the year ended December 31, 2018, Ride On LA recorded total in-kind contributions of \$74,000.

In-kind contributions are recorded at their fair market value; at December 31, 2018 consist of the following:

Ranch repairs/maintenance	\$ 2,000
Professional IT services	12,000
Rent – CRPD Walnut Grove Equestrian Ctr.	<u>60,000</u>
Total In-Kind Contributions	<u>\$ 74,000</u>

RIDE ON LA
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 consist of amounts restricted by donor-imposed stipulations, and are available for the following purposes:

Funding Source	Balance at 12/31/17	Income	Expenditures	Balance at 12/31/18
Capital Campaign	\$ 9,000	\$ -	\$ -	\$ 9,000
City of Thousand Oaks	25,000	-	(25,000)	-
Conejo Recreation and Park District	16,082	-	(16,082)	-
County of Ventura	9,000	-	(5,000)	4,000
Samuelsson Foundation	17,500	-	(17,500)	-
Variety – the Children’s Charity	-	15,000	(4,000)	11,000
Sherwood Cares Foundation	5,000	15,000	(15,000)	5,000
Total	<u>\$ 81,582</u>	<u>\$ 30,000</u>	<u>\$ (82,582)</u>	<u>\$ 29,000</u>

Expenditures of donor-restricted net assets during the year ended December 31, 2018 were:

Grant	Expense Purpose	Amount
City of Ventura	Ventura Scholarships	\$ 5,000
City of Thousand Oaks	Capital Improvements	25,000
Conejo Recreation and Park District	Capital Improvements	16,082
Samuelsson Foundation	Scholarships – Ventura County	17,500
Sherwood Cares Foundation	Scholarships for Ventura County Children	15,000
Variety – the Children’s Charity	Scholarships for Youth	4,000
Total Expenditures		<u>\$ 82,582</u>

RIDE ON LA
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)

10. COMMITMENTS

Ride On LA is obligated under one equipment, and two operating, facility leases. The equipment lease for two copiers is for \$398 a month and will expire in March 2024. The Chatsworth facility lease, for a two-acre ranch where it has operated since 1994, expires in October 2022. In February 2018, Ride On LA renewed this lease for an additional five year period with an annual cancellation provision after October 31, 2019. 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 \$60,000 annually.

Minimum annual anticipated payments under the facility leases are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2019	\$ 22,250
2020	22,670
2021	23,090
2022	23,510
2023	19,890
Thereafter	680
Total	<u>\$ 112,090</u>

Total rental expense, including in-kind, for the year ended December 31, 2018 was \$81,795.

11. LIQUIDITY AND AVAILABILITY

Ride On LA has a liquidity policy to maintain current financial assets (cash, investments, receivables) at a minimum of 60 days average operating expenses and has a policy to target a year-end balance of reserves of net assets at 60 to 90 days of expected cash expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually. Net assets with donor restrictions in the amount of \$29,000 at December 31, 2018 are expected to be released within 12 months. Board Designated Reserves of \$25,000 can be released on a majority vote of the Board of Directors. Both are included in net financial assets available to fund expenditures within one year. During the year ended December 31, 2018 the level of liquidity and reserves were managed within the policy requirements.

RIDE ON LA
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)

12. 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 over 1,700 lessons or treatments, about 25% of all lessons. Twenty-eight individuals and one foundation donated over \$64,000 directly to support these vital scholarships. Total estimated scholarship expense for the year ending December 31, 2018 is \$41,041.

13. CONCENTRATION RISK

The majority of Ride On LA's contributions and grants are received from corporations, foundations, 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.

14. SUBSEQUENT EVENTS

Ride On LA has evaluated events subsequent to December 31, 2018, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through November 15, 2019, 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, 2018
(CONTINUED)

15. 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 two classes of net assets – with donor restrictions and without donor restrictions – 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 two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- *Net assets without donor restrictions.* Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions 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.
- *Net assets with donor restrictions.* Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period or are limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. 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 net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as donor-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.

RIDE ON LA
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

15. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

All revenues and net gains are reported as increases in net assets without donor restriction in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions.

Cash and Cash Equivalents

Cash and 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.

Investment purchases and sales are accounted for on a trade-date basis. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations or by law. Ride On LA had no investments at December 31, 2018.

Grants and Fees Receivable, Net of Allowance

Receivables consist of grants from the City of Thousand Oaks, the Conejo Recreation and Park District, and fees receivable due from riding lessons. Any amount that is denied for reimbursement is written off when the Institute receives notification from the grantor agency. 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, 2018, Ride On LA has made a provision of \$6,758 for possible uncollectible or disallowed revenues.

Promises to Give, Net of Allowance

Promises to give were recognized at fair value of the promise. Management provides for probable uncollectible amounts through a provision for an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. In management's opinion, all promises to give were collectible at year-end. As of December 31, 2018, Ride On LA has made a provision of \$27 for possible uncollectible promises to give.

RIDE ON LA
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

15. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deposits and Prepaid Expenses

Prepaid deposits and other costs are expensed ratably over their respective terms of agreement.

Property and Equipment, Net

Land, buildings, building improvements, property, and equipment consist of the cost of fixed assets which are depreciated on the straight-line method over their estimated useful lives. Fully depreciated assets are retained in the accounts until their retirement. Purchases of small items are expensed as acquired. All land, buildings, and property are capitalized. Equipment with an estimated life that exceeds one year and with a cost greater than \$1,000 must be capitalized.

The estimated useful lives of the assets are as follows:

Buildings	30 to 39 years
Horses	5 to 10 years
Leasehold improvements	15 years
Machinery and equipment	5 to 10 years

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.

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
6 -10 years	Three Weeks
11+ years	Four Weeks

Unused vacation leave will be paid at the time of termination. Total accrued vacation at December 31, 2018, was \$23,258.

Deferred Revenue

Deferred revenue represents revenues collected but not earned as of December 31, 2018.

RIDE ON LA
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NOTES TO FINANCIAL STATEMENTS
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15. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. Written, multi-year promises to give are recognized at full value in the year received with discounts for net present value and bad debt. All contributions are reported as increases in net assets without donor restrictions 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 net assets with donor restrictions, 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 with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year. 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.

Salaries, Related Expenses and Leased Employees

Since April 2006, salaries, payroll taxes and employee benefits are reported as Leased employees. 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 \$391,112 for the year ended December 31, 2018.

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.

RIDE ON LA
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

15. 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, 2018, 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 each of the tax years ended December 31; 2017, 2016, and 2015, 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.

Reclassifications

Certain amounts in the 2017 comparative totals have been reclassified to conform with the 2018 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, 2017, from which the summarized information was derived.

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

Fair Value Measurement

Ride On LA reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. 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.

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