

Therapeutic Riding, Inc.
Annual Financial Statements and
Independent Auditors' Report
December 31, 2008

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Independent Auditors' Report

Management and the Board of Directors
Therapeutic Riding, Inc.
4175 E. Joy Road
Ann Arbor, MI 48105-9232

We have audited the accompanying statement of financial position of Therapeutic Riding, Inc. Therapeutic Riding, Inc. (the "Organization") as of December 31, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2007 reviewed financial statements, which were reviewed by us, and, our report dated May 6, 2008, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.

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 the Organization as of December 31, 2008, and changes in its net assets, functional expenses and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Yeo & Yeo, P.C.
Ann Arbor, Michigan

November 21, 2009

Therapeutic Riding, Inc.
Statement of Financial Position
December 31, 2008 and 2007

	2008	Restated 2007 Reviewed
Assets		
Current assets		
Cash and cash equivalents	\$ 333,458	\$ 313,458
Accounts receivable	300	-
Unconditional promises to give, net	209,767	20,500
Inventory	590	1,726
Total current assets	<u>544,115</u>	<u>335,684</u>
Property and equipment, net	<u>351,154</u>	<u>57,861</u>
Other assets		
Deposits	1,500	1,500
Unconditional promises to give, net	111,800	63,125
Restricted cash	340,198	349,330
Total other assets	<u>453,498</u>	<u>413,955</u>
Total assets	<u><u>\$ 1,348,767</u></u>	<u><u>\$ 807,500</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 3,810	\$ 18,964
Accrued payroll	5,612	-
Refundable advances	366,934	357,102
Total current liabilities	<u>376,356</u>	<u>376,066</u>
Unrestricted net assets		
Undesignated	173,150	195,701
Property and equipment	351,154	57,861
Board designated for capital campaign	10,000	5,000
Total unrestricted net assets	<u>534,304</u>	<u>258,562</u>
Temporarily restricted net assets	<u>438,107</u>	<u>172,872</u>
Total net assets	<u>972,411</u>	<u>431,434</u>
Total liabilities and net assets	<u><u>\$ 1,348,767</u></u>	<u><u>\$ 807,500</u></u>

See Accompanying Notes to Financial Statements

Therapeutic Riding, Inc.
Statement of Activities

For the Year Ended December 31, 2008 (with Comparative Totals for 2007)

	Unrestricted	Temporarily Restricted	Total	
			2008	Restated 2007 Reviewed
Revenue and support				
Contributions in kind	\$ 218,961	\$ -	\$ 218,961	\$ 53,588
Capital campaign donors	5,000	378,442	383,442	160,823
Other donations	102,839	3,063	105,902	115,911
Interest and dividend income	5,260	-	5,260	4,134
Classes	41,130	-	41,130	38,748
Sale of tack and merchandise	2,364	-	2,364	4,292
Net assets released from restrictions	116,270	(116,270)	-	-
Total revenue and support	491,824	265,235	757,059	377,496
Expenses				
Program	176,015	-	176,015	164,550
Supporting				
Administrative	23,200	-	23,200	19,934
Fundraising	16,867	-	16,867	23,543
Total expenses	216,082	-	216,082	208,027
Change in net assets	275,742	265,235	540,977	169,469
Net assets at beginning of year	258,562	172,872	431,434	261,965
Net assets at end of year	\$ 534,304	\$ 438,107	\$ 972,411	\$ 431,434

See Accompanying Notes to Financial Statements

Therapeutic Riding, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2008 (with Comparative Totals for 2007)

	Support Services			Total	
	Program	Administrative	Fundraising	2008	Restated 2007 Reviewed
Expenses					
Capital campaign	\$ -	\$ -	\$ 461	\$ 461	\$ 408
Depreciation	5,685	298	-	5,983	5,579
Dues and subscriptions	773	-	-	773	932
Fundraising costs	-	-	5,284	5,284	11,293
Insurance	6,451	1,268	364	8,083	7,830
Miscellaneous	878	461	-	1,339	9,858
Newsletter	3,150	-	-	3,150	-
Payroll taxes	5,152	966	322	6,440	6,227
Postage	147	-	-	147	263
Printing	-	-	834	834	902
Professional fees	6,576	9,688	-	16,264	10,119
Rent	45,000	1,500	1,500	48,000	48,000
Repairs and maintenance	1,533	-	-	1,533	473
Salaries	73,393	8,115	8,021	89,529	81,394
Scholarships	1,618	-	-	1,618	645
Supplies for horses	13,877	-	-	13,877	11,632
Supplies	337	527	-	864	1,776
Telephone	1,172	138	69	1,379	1,334
Travel and mileage	5,318	-	-	5,318	3,793
Utilities	4,955	239	12	5,206	5,569
	<u>\$ 176,015</u>	<u>\$ 23,200</u>	<u>\$ 16,867</u>	<u>\$ 216,082</u>	<u>\$ 208,027</u>

See Accompanying Notes to Financial Statements

Therapeutic Riding, Inc.
Statement of Cash Flows
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>Restated 2007 Reviewed</u>
Cash flows from operating activities		
Change in net assets	\$ 540,977	\$ 169,469
Items not requiring cash		
Depreciation	5,983	5,579
In kind donations	(163,290)	-
Changes in operating assets and liabilities		
Accounts receivable	(300)	-
Restricted cash	9,132	(8,221)
Unconditional promises to give	(237,942)	(82,693)
Deposit	-	
Inventory	1,136	1,122
Accounts payable	(15,154)	18,964
Accrued payroll	5,612	-
Refundable advances	9,832	15,993
	<u>155,986</u>	<u>120,213</u>
Cash flows from investing activities		
Cash used for purchases of fixed assets	<u>(135,986)</u>	<u>(29,662)</u>
Net change in cash and cash equivalents	20,000	90,551
Cash and cash equivalents - beginning of year	<u>313,458</u>	<u>222,907</u>
Cash and cash equivalents - end of year	<u><u>\$ 333,458</u></u>	<u><u>\$ 313,458</u></u>

See Accompanying Notes to Financial Statements

Therapeutic Riding, Inc.
Notes to Financial Statements
December 31, 2008

Note 1 – Organization

Therapeutic Riding, Inc. (the "Organization"), incorporated on March 14, 1984, is a volunteer based, non-profit 501(c)(3) organization that provides the opportunity for personal growth through the horseback riding experience to Washtenaw County area youth and adults with disabilities. The Organization's mission is to develop physical, cognitive, and emotional capabilities and to enhance self-esteem through therapeutic riding.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and in accordance with the Audit and Accounting Guide for Not-for-Profit Organizations issued by the American Institute of Certified Public Accountants.

The Organization's net assets are categorized and reported as follows:

Unrestricted Net Assets

These net assets are available for general operations and are not subject to donor-imposed restrictions.

Temporarily Restricted

These net assets are limited to uses specified by donor-imposed restrictions. When donor restrictions expire or the nature and purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted

These net assets would include the principal amount accepted by the Organization with the donor's stipulation that the principal be maintained in perpetuity.

Revenue Recognition

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support. Investment income that is limited to specific uses by donor restrictions is reported as unrestricted if the restrictions are met in the same reporting period as the income is recognized.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Therapeutic Riding, Inc.
Notes to Financial Statements
December 31, 2008

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. For the purpose of the statement of cash flows, cash and cash equivalents does not include restricted cash because it is not available for operations.

Restricted Cash

Restricted cash consists of funds received as a conditional promise to give. These funds will be recognized as revenue when the stipulations are met at a later date as discussed in Note 10.

Unconditional Promises to Give

Unconditional promises to give are presented at their estimated collectable amount net of a present value discount. Management has determined that contributions receivable are substantially collectable and as such, no provision has been made for doubtful accounts.

Fixed Assets

Acquisitions or donations of property and equipment costing or valued over \$500, and with an estimated useful life of more than one year, are capitalized at cost or estimated market value at date of donation. Depreciation of fixed assets is recorded on a straight-line basis or an accelerated basis over estimated useful lives ranging from three to seven years.

Planned Major Maintenance

The Organization uses the direct expensing method to account for planned major maintenance activities.

Functional Allocation of Expenses

Expenses are accumulated and reported by function, for program services or supporting purposes. Program services are activities that fulfill the Organization mission of providing physically, emotionally and developmentally disabled individuals with exercise through therapeutic horseback riding. Supporting services of administrative and fundraising activities include governance, record-keeping, budgeting and administration other than for direct conduct of program services. Expenses, including wages and salaries, payroll taxes and benefits, as well as office and facility costs are allocated among the functional classifications based on the functional use of staff time, and the direct or indirect effect on activities.

Donated goods and services

Significant services are donated to the organization. Donated services are recorded at fair market value at the date of donation, and have been included in revenue and expenses.

Income tax status

The Organization, is classified as a Section 501(c)(3) organization under the Federal Internal Revenue Code, and is exempt from federal and state income taxes.

Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation.

Therapeutic Riding, Inc.
Notes to Financial Statements
December 31, 2008

Long-Lived Assets

The Organization evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America.

Comparative Financial Statements

The amounts shown for the year ended December 31, 2007, in the accompanying financial statements are included to provide a basis for comparison with 2008 and present summarized totals only. Accordingly, the 2007 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

Recent Accounting Pronouncements

FASB Interpretation No. FIN 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements based on the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns and whether those tax positions are "more-likely-than-not" to be sustained by the applicable tax authority. FASB Staff Position No. FIN 48-3 permits nonpublic enterprises to, and management has elected to, defer the effective date of Interpretation 48 until fiscal years beginning after December 15, 2008.

The Organization presently recognizes income tax positions based on management's estimate of whether it is reasonably possible that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement No. 5, *Accounting for Contingencies*.

Note 3 - Unconditional Promises To Give

Unconditional promises to give consist of the following at December 31, 2008 and 2007, respectively:

	<u>2008</u>	<u>2007</u>
Unconditional promises to give	\$ 329,267	\$ 93,500
Less: discount for present value	(7,700)	(9,875)
Total	<u>\$ 321,567</u>	<u>\$ 83,625</u>

The contributions receivable are due as follows as of December 31, 2008:

Less than one year	\$ 209,767
One to five years	111,800
Total unconditional promises to give	<u>\$ 321,567</u>

Therapeutic Riding, Inc.
Notes to Financial Statements
December 31, 2008

Capital campaign contributions receivable with due dates extending beyond one year for the years ended December 31, 2008 and 2007, are discounted using a 3% and 5% annual rate of interest, respectively. The capital campaign contributions receivable are restricted in use for costs and expenses of land and a new facility, and the capital campaign itself.

Note 4 - Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157 "Fair Value Measurements" in order to establish a single definition of fair value and a framework for measuring fair value in accounting principles generally accepted in the United States of America, that is intended to result in increased consistency and comparability in fair value measurements. SFAS No. 157 also expands disclosures about fair value measurements. SFAS No. 157 was originally effective for financial statements issued for fiscal years beginning after November 15, 2007.

In early 2008, the FASB issued Staff Position (FSP) FAS-157-2, "Effective Date of FASB Statement No. 157," which delays by one year, the effective date of SFAS No. 157 for the majority of non-financial assets and non-financial liabilities. The delay pertains to items including, but not limited to, non-financial assets (such as real estate or donations in kind) recorded at fair value at the time of donation.

The Organization adopted the portion of SFAS No. 157 that has not been delayed by FSP FAS-157-2 as of the beginning of its 2008 fiscal year, and plans to adopt the balance of its provisions as of the beginning of its 2009 fiscal year. Items carried at fair value on a non-recurring basis (to which SFAS No. 157 will apply in 2009) generally consist of real estate received as an in-kind contribution. The Organization also uses fair value concepts to test various long-lived assets for impairment. The Organization is continuing to evaluate the impact the standard will have on the determination of fair value related to non-financial assets and non-financial liabilities in post-2008 years.

FASB 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB 157 are described below:

Basis of Fair Value Measurement

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Therapeutic Riding, Inc.
Notes to Financial Statements
December 31, 2008

The following tables present by level, within the fair value hierarchy, the Organization's assets at fair value, as of December 31, 2008. As required by FASB 157, assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

Fair Value Measurements at Reporting Date Using

<u>December 31, 2008</u>	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Multi-year promises to give	\$ 255,300			\$ 255,300

Total assets at fair value classified within level 3 were \$255,300, as of December 31, 2008, which consists of the multi-year unconditional promises to give. Such amounts were approximately 19% of total assets on the Organization's statement of net assets available as of December 31, 2008.

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended December 31, 2008.

<u>Description</u>	<u>Fair Value Measurements Using Significant Unobservable Inputs (Level 3)</u>	
Balance at December 31, 2007	\$	81,625
New multi-year promises to give		250,000
Less collected multi-year promises to give		(78,500)
Change in estimate of uncollectible promises to give		-
Change in fair value adjustment		2,175
Balance at December 31, 2008	\$	255,300

Therapeutic Riding, Inc.
Notes to Financial Statements
December 31, 2008

Note 5 - Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2008</u>	<u>2007</u>
Computer equipment	\$ 5,783	\$ 5,783
Equipment and tack	28,497	28,497
Horses	29,815	31,315
Leasehold improvements	32,820	32,820
Land	210,541	-
Construction in progress	112,897	26,662
	<u>420,353</u>	<u>125,077</u>
Less accumulated depreciation	<u>(69,199)</u>	<u>(67,216)</u>
Total	<u>\$ 351,154</u>	<u>\$ 57,861</u>

Depreciation expense for the years ended December 31, 2008 and 2007, was \$5,983 and \$5,579, respectively.

The Organization's land is subject to a perpetual conservation easement in accordance with the Michigan Conservation and Historic Preservation Easement Act, MCL Sec. 324.2140, in order to preserve the character of the property in its scenic, agricultural, and open space condition. This land, which was partially purchased and partially donated, was recorded at fair value on the date of acquisition.

Note 6 - Net Assets

Temporarily restricted net assets are available for the following purposes as of December 31 2008:

	<u>2008</u>	<u>2007</u>
Horse acquisition fund	\$ 6,878	\$ 9,235
Wolfram Scholarship Program	1,895	856
Horse care and volunteer stipend	10,000	20,000
Capital campaign	419,334	142,781
Total	<u>\$ 438,107</u>	<u>\$ 172,872</u>

Therapeutic Riding, Inc.
Notes to Financial Statements
December 31, 2008

Note 7 - Contributions in Kind

The Organization, received donated goods and services during the years ended December 31, 2008 and 2007 as follows:

	2008	2007
Use of facilities	\$ 48,000	\$ 48,000
Donation of land	163,290	-
Veterinary	2,038	2,358
Professional service providers other than vet	4,903	64
Goods and services	730	3,166
Total	\$ 218,961	\$ 53,588

Note 8 - Leases

The lease of real estate used for the Organization's offices, stables, and riding operations is held by Domino's Farms Holdings on a month-to-month basis, has no set termination, and is held and kept at all times for the faithful performance of the lease by a security deposit of \$1,500. The Organization pays \$1 a year for the lease, and the estimated fair value of the lease, \$48,000 annually, is recognized as revenue and expense in the statement of activities.

Note 9 - Capital Campaign

The Organization has begun a capital campaign to raise money for the purchase of land and the construction of new facilities. During 2006, the Organization received a conditional promise to give of \$1,000,000 towards this project, as discussed in Note 10.

Note 10 - Conditional Promises to Give

During 2006 the Organization received a conditional promise to give totaling \$1,000,000 that contains donor conditions. Of this, \$341,109 was received in 2006. The terms of this donation state that approximately \$873,000 will be used for the construction of facilities and \$127,000 will be used for the purchase of land. The conditions of the donation also state that (a) The Organization is expected to raise an additional \$500,000; (b) ground breaking is to start within 30 days of purchasing the land, obtaining all required permits and approvals from any governing agencies, and securing funds for the total cost of the project, and (c) that the new facilities will be completed and operational within one year of ground-breaking.

Since these donations represent conditional promises to give, they are not recorded as contribution revenue until donor conditions are met. Initial funds received from the donor in advance of the conditions being met totaled \$341,109; are recorded as refundable advances; and will subsequently be recognized as contribution revenue when donor conditions are met.

As part of the Organization's custody of the funds, any interest income earned subsequent to the \$341,109 received is to be included as refundable advances. Refundable advances at December 31, 2008 and 2007, was \$366,934 and \$357,102, respectively.

Therapeutic Riding, Inc.
Notes to Financial Statements
December 31, 2008

Note 11 - Prior Period Adjustments

In 2008, the Organization determined that the interest income previously recognized on the restricted cash account had not yet been earned by the Organization, and instead should be added to the refundable advance balance until the conditions on the conditional promise to give, as detailed in Note 10, have been met. Therefore, the interest previously recognized, in the amount of \$15,993, is being reclassified to the refundable advance liability.

	December 31, 2007	
	As previously reported	Restated
Refundable advances	\$ 341,109	\$ 357,102
Interest and dividend income	20,127	4,134
Change in net assets	185,462	169,469
Net assets - end of year	447,427	431,434

In addition, the Organization realized that certain permits and costs totaling \$18,964 related to acquiring the land, and planning for construction of a new facility, that should have been accrued as of December 31, 2007, had not been. This adjustment does not impact revenues, expenses, or net assets.

	December 31, 2007	
	As previously reported	Restated
Construction in progress	\$ 7,698	\$ 26,662
Accounts payable	-	18,964