

Therapeutic Riding, Inc.
Annual Financial Statements and
Accountants' Report
December 31, 2009

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Accountants' Report

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

We have reviewed the accompanying statement of financial position of Therapeutic Riding, Inc. (the "Organization") as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the Board of Directors and the Organization's management.

A review consists principally of inquiries of the Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The prior year summarized comparative information has been derived from the Organization's 2008 financial statements, which were audited by us. We expressed an unqualified opinion on them in our report dated November 21, 2009, but we have not performed any auditing procedures since that date.

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

May 3, 2010

Therapeutic Riding, Inc.
Statement of Financial Position
December 31, 2009 and 2008

	2009	2008
	Unaudited	Audited
Assets		
Current assets		
Cash and cash equivalents	\$ 499,370	\$ 333,458
Accounts receivable	4,635	300
Unconditional promises to give, net	94,000	209,767
Inventory	1,855	590
Total current assets	<u>599,860</u>	<u>544,115</u>
Property and equipment, net	<u>392,425</u>	<u>351,154</u>
Other assets		
Deposits	1,500	1,500
Unconditional promises to give, net	34,250	111,800
Restricted cash	369,228	340,198
Total other assets	<u>404,978</u>	<u>453,498</u>
Total assets	<u><u>\$ 1,397,263</u></u>	<u><u>\$ 1,348,767</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 4,294	\$ 3,810
Accrued payroll	-	5,612
Refundable advances	369,302	366,934
Total current liabilities	<u>373,596</u>	<u>376,356</u>
Unrestricted net assets		
Undesignated	194,607	173,150
Property and equipment	392,425	351,154
Board designated for capital campaign	46,200	10,000
Total unrestricted net assets	<u>633,232</u>	<u>534,304</u>
Temporarily restricted net assets	<u>390,435</u>	<u>438,107</u>
Total net assets	<u>1,023,667</u>	<u>972,411</u>
Total liabilities and net assets	<u><u>\$ 1,397,263</u></u>	<u><u>\$ 1,348,767</u></u>

See Accompanying Notes and Accountants' Report

Therapeutic Riding, Inc.
Statement of Activities

For the Year Ended December 31, 2009 (with Comparative Totals for 2008)

	Unrestricted	Temporarily Restricted	Total	
			2009 Unaudited	2008 Audited
Revenue and support				
Contributions in kind	\$ 51,022	\$ -	\$ 51,022	\$ 218,961
Capital campaign donors	36,200	-	36,200	383,442
Other donations	107,368	8,476	115,844	105,902
Classes	52,135	-	52,135	41,130
Sale of tack and merchandise	3,200	-	3,200	2,364
Interest and dividend income	160	-	160	5,260
Net assets released from restrictions	56,148	(56,148)	-	-
Total revenue and support	306,233	(47,672)	258,561	757,059
Expenses				
Program	164,207	-	164,207	176,015
Supporting				
Administrative	27,191	-	27,191	23,200
Fundraising	15,907	-	15,907	16,867
Total expenses	207,305	-	207,305	216,082
Change in net assets	98,928	(47,672)	51,256	540,977
Net assets at beginning of year	534,304	438,107	972,411	431,434
Net assets at end of year	\$ 633,232	\$ 390,435	\$ 1,023,667	\$ 972,411

See Accompanying Notes and Accountants' Report

Therapeutic Riding, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2009 (with Comparative Totals for 2008)

	Support Services			Total	
	Program	Administrative	Fundraising	2009 Unaudited	2008 Audited
Expenses					
Capital campaign	\$ -	\$ -	\$ 223	\$ 223	\$ 461
Depreciation	3,902	975	-	4,877	5,983
Dues and subscriptions	825	-	-	825	773
Fundraising costs	-	-	4,325	4,325	5,284
Insurance	6,325	1,261	356	7,942	8,083
Miscellaneous	465	800	-	1,265	1,339
Newsletter	1,652	-	-	1,652	3,150
Payroll taxes	5,984	748	748	7,480	6,440
Postage	-	193	-	193	147
Printing	-	536	-	536	834
Professional fees	5,282	11,650	270	17,202	16,264
Rent	45,000	1,500	1,500	48,000	48,000
Repairs and maintenance	1,235	-	-	1,235	1,533
Salaries	67,521	8,409	8,399	84,329	89,529
Scholarships	2,890	-	-	2,890	1,618
Supplies for horses	10,279	-	-	10,279	13,877
Supplies	402	708	-	1,110	864
Telephone	1,237	145	73	1,455	1,379
Travel and mileage	6,131	-	-	6,131	5,318
Utilities	5,077	266	13	5,356	5,206
Total	\$ 164,207	\$ 27,191	\$ 15,907	\$ 207,305	\$ 216,082

See Accompanying Notes and Accountants' Report

Therapeutic Riding, Inc.
Statement of Cash Flows
For the Years Ended December 31, 2009 and 2008

	2009	2008
	Unaudited	Audited
Cash flows from operating activities		
Change in net assets	\$ 51,256	\$ 540,977
Items not requiring cash		
Depreciation	4,877	5,983
In kind donations	-	(163,290)
Changes in operating assets and liabilities		
Accounts receivable	(4,335)	(300)
Restricted cash	(29,030)	9,132
Unconditional promises to give	193,317	(237,942)
Inventory	(1,265)	1,136
Accounts payable	484	(15,154)
Accrued payroll	(5,612)	5,612
Refundable advances	2,368	9,832
	212,060	155,986
Cash flows from investing activities		
Cash used for purchases of fixed assets	(46,148)	(135,986)
	165,912	20,000
Net change in cash and cash equivalents		
Cash and cash equivalents - beginning of year	333,458	313,458
Cash and cash equivalents - end of year	\$ 499,370	\$ 333,458

See Accompanying Notes and Accountants' Report

Therapeutic Riding, Inc.
Notes to Financial Statements
December 31, 2009

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, 2009

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. The Organization had un-insured cash of \$15,558 as of December 31, 2009.

Restricted Cash

Restricted cash consists of funds received as a conditional promise to give and related earnings. These funds will be recognized as revenue when the stipulations are met at a later date as discussed in Note 9.

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 promises to give are substantially collectable and as such, no provision has been made for doubtful accounts.

Property and Equipment

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. The Organization files informational returns in the U.S. federal jurisdiction. The statute of limitations is generally three years for federal returns.

Therapeutic Riding, Inc.
Notes to Financial Statements
December 31, 2009

Reclassification

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

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, 2008, in the accompanying financial statements are included to provide a basis for comparison with 2009 and present summarized totals only. Accordingly, the 2008 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, 2008, from which the summarized information was derived.

Note 3 - Unconditional Promises To Give

Unconditional promises to give consist of the following at December 31, 2009 and 2008, respectively:

	<u>2009</u>	<u>2008</u>
Unconditional promises to give	\$ 129,000	\$ 329,267
Less: discount for present value	(750)	(7,700)
Total	<u>\$ 128,250</u>	<u>\$ 321,567</u>

Unconditional promises to give are due as follows as of December 31, 2009:

Less than one year	\$ 94,000
One to five years	34,250
Total unconditional promises to give	<u>\$ 128,250</u>

Unconditional promises to give with due dates extending beyond one year for the years ended December 31, 2009 and 2008, are discounted using a 2% and 5% annual rate of interest, respectively.

Note 4 - Fair Value Measurements

In September 2006, the FASB issued a new standard titled "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. This standard also expands disclosures about fair value measurements. This statement was originally

Therapeutic Riding, Inc.
Notes to Financial Statements
December 31, 2009

effective for financial statements issued for fiscal years beginning after November 15, 2007.

The FASB also permitted entities to delay by one year, the implementation of this fair value standard 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 this statement, except for the provisions that were allowed to be delayed, as of the beginning of its 2008 fiscal year. Items carried at fair value on a non-recurring basis 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 adopted the balance of the provisions as of the beginning of its 2009 fiscal year.

This new standard 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 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, 2009

The following tables present by level, within the fair value hierarchy, the Organization's assets at fair value, as of December 31, 2009 and 2008. 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			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2009				
Multi-year promises to give	\$ 34,250	\$ -	\$ -	\$ 34,250
December 31, 2008				
Multi-year promises to give	\$ 111,800	\$ -	\$ -	\$ 111,800

Total assets at fair value classified within level 3 were \$34,250, as of December 31, 2009, which consists of the multi-year unconditional promises to give. Such amounts were approximately 3% and 8% of total assets on the Organization's statement of net assets available as of December 31, 2009 and 2008, respectively.

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, 2009:

Description	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	2009	2008
Balance at January 1	\$ 111,800	\$ 63,125
New multi-year promises to give	-	80,000
Less collected multi-year promises to give and amount moved from long-term to current	(84,500)	(33,500)
Change in estimate of uncollectible promises to give	-	-
Change in fair value adjustment	6,950	2,175
Balance at December 31	\$ 34,250	\$ 111,800

Therapeutic Riding, Inc.
Notes to Financial Statements
December 31, 2009

Note 5 - Property and Equipment

Property and equipment consist of the following at December 31:

	2009	2008
Computer equipment	\$ 5,783	\$ 5,783
Equipment and tack	28,497	28,497
Horses	29,815	29,815
Leasehold improvements	32,820	32,820
Land	210,541	210,541
Construction in progress	159,045	112,897
	<u>466,501</u>	<u>420,353</u>
Less accumulated depreciation	(74,076)	(69,199)
Total	<u>\$ 392,425</u>	<u>\$ 351,154</u>

Depreciation expense for the years ended December 31, 2009 and 2008, was \$4,877 and \$5,983, 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 in 2008.

Note 6 - Net Assets

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

	2009	2008
Horse acquisition fund	\$ 7,039	\$ 6,878
Zirinsky scholarship fund	10,210	1,895
Horse care and volunteer stipend	-	10,000
Capital campaign	373,186	419,334
Total	<u>\$ 390,435</u>	<u>\$ 438,107</u>

Therapeutic Riding, Inc.
Notes to Financial Statements
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Note 7 - Contributions in Kind

The Organization received donated goods and services during the years ended December 31, 2009 and 2008, as follows:

	2009	2008
Use of facilities	\$ 48,000	\$ 48,000
Donation of land	-	163,290
Veterinary	1,536	2,038
Professional service providers other than vet	120	4,903
Goods and services	1,366	730
Total	\$ 51,022	\$ 218,961

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 is \$48,000 annually. The value of the lease is recognized as revenue and expense in the statement of activities.

Note 9 - 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, 2009 and 2008, was \$369,302 and \$366,934 respectively.

Therapeutic Riding, Inc.
Notes to Financial Statements
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Note 10 - Related Party Transactions

As previously noted, the Organization receives support from various members of their Board. Pledges receivable due from one board member amounted to \$30,000 and \$50,000 as of December 31, 2009 and 2008, respectively. Contribution revenue from related parties was \$7,200 and \$3,200 for the years ended December 31, 2009 and 2008, respectively.

Note 11 - Subsequent Event

In January 2010 the Organization was approved by a foundation for a one year matching grant of \$250,000. The donor will match other contributions received by the Organization between December 1, 2009 and November 30, 2010.