

SADDLE UP!
FINANCIAL STATEMENTS
December 31, 2005 and 2004

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Saddle Up!

We have audited the accompanying statements of financial position of Saddle Up! (a non-profit organization) as of December 31, 2005 and 2004, and the related statements of activities, functional expenses, and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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 Saddle Up! as of December 31, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

May 10, 2006

SADDLE UP!
STATEMENTS OF FINANCIAL POSITION
December 31, 2005 and 2004

	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 131,713	\$ 1,896,959
Pledges receivable - capital campaign	57,144	79,683
Receivable from United Way	13,228	24,218
Investments	2,012,007	2,103
Total current assets	2,214,092	2,002,963
Pledges receivable - capital campaign, net of current portion	47,619	93,446
Property and equipment, net of accumulated depreciation of \$344,545 and \$252,152	3,354,203	3,346,521
Total assets	\$ 5,615,914	\$ 5,442,930
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 3,863	\$ 3,295
Accrued expenses and deferred revenue	3,115	6,829
Total current liabilities	6,978	10,124
Net assets:		
Unrestricted:		
Undesignated	2,018,498	2,354,988
Designated	2,035,673	1,718,900
Temporarily restricted	1,554,765	1,358,918
Total net assets	5,608,936	5,432,806
Total liabilities and net assets	\$ 5,615,914	\$ 5,442,930

See accompanying notes

SADDLE UP!
STATEMENT OF ACTIVITIES
Year ended December 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and gains:			
Contributions and grants, including in-kind contributions of \$14,471	\$ 202,853	\$ 113,556	\$ 316,409
Capital campaign contributions	-	167,121	167,121
Special events	139,144	-	139,144
Lesson fees	63,973	-	63,973
Interest	32,854	-	32,854
Donated services	16,837	-	16,837
Other income	14,122	-	14,122
Loss on disposal of property and equipment	(9,721)	-	(9,721)
Realized and unrealized losses on investment	(116)	-	(116)
Total revenues	<u>459,946</u>	<u>280,677</u>	<u>740,623</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>84,830</u>	<u>(84,830)</u>	<u>-</u>
Total revenues and gains	<u>544,776</u>	<u>195,847</u>	<u>740,623</u>
Expenses:			
Program services	471,934	-	471,934
Management and general	54,857	-	54,857
Fundraising	37,702	-	37,702
Total expenses	<u>564,493</u>	<u>-</u>	<u>564,493</u>
Increase (decrease) in net assets	(19,717)	195,847	176,130
Net assets at beginning of year	<u>4,073,888</u>	<u>1,358,918</u>	<u>5,432,806</u>
Net assets at end of year	<u>\$ 4,054,171</u>	<u>\$ 1,554,765</u>	<u>\$ 5,608,936</u>

See accompanying notes.

SADDLE UP!
STATEMENT OF ACTIVITIES
Year ended December 31, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and gains:			
Contributions and grants, including in-kind contributions of \$24,373	\$ 337,353	\$ 71,538	\$ 408,891
Capital campaign contributions	-	40,560	40,560
Special events	99,886	-	99,886
Lesson fees	39,567	-	39,567
Interest	17,575	-	17,575
Donated services	12,529	-	12,529
Other income	11,277	-	11,277
Realized and unrealized losses on investment	(138)	-	(138)
Total revenues	<u>518,049</u>	<u>112,098</u>	<u>630,147</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>49,122</u>	<u>(49,122)</u>	<u>-</u>
Total revenues and gains	<u>567,171</u>	<u>62,976</u>	<u>630,147</u>
Expenses:			
Program services	381,180	-	381,180
Management and general	45,073	-	45,073
Fundraising	33,754	-	33,754
Total expenses	<u>460,007</u>	<u>-</u>	<u>460,007</u>
Increase in net assets	107,164	62,976	170,140
Net assets at beginning of year	<u>3,966,724</u>	<u>1,295,942</u>	<u>5,262,666</u>
Net assets at end of year	<u>\$ 4,073,888</u>	<u>\$ 1,358,918</u>	<u>\$ 5,432,806</u>

See accompanying notes.

SADDLE UP!
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2005

	Horseback Riding Program	Supporting Services		Total Supporting Expenses
		Management and General	Fund Raising	
Salaries and taxes	\$ 210,299	\$ 28,211	\$ 17,952	\$ 46,163
Depreciation	92,647	10,294	-	10,294
Horse, lesson and camps	47,018	-	-	-
Insurance, taxes and licensing	39,172	318	-	318
Utilities	21,443	1,668	715	2,383
Repairs/maintenance and vehicles	23,289	-	-	-
Conferences and seminars	16,799	2,034	609	2,643
Fundraisers	-	-	14,692	14,692
Grant expenses	10,985	-	-	-
Professional fees	1,489	7,498	-	7,498
Miscellaneous	4,315	1,797	1,079	2,876
Office supplies	2,747	3,037	1,142	4,179
Promotional expense	1,731	-	1,513	1,513
	<u>\$ 471,934</u>	<u>\$ 54,857</u>	<u>\$ 37,702</u>	<u>\$ 92,559</u>
				<u>\$ 564,493</u>

See accompanying notes.

SADDLE UP!
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2004

	Horseback Riding Program	Supporting Services		Total Supporting Expenses
		Management and General	Fund Raising	
Salaries and taxes	\$ 148,795	\$ 19,960	\$ 12,702	\$ 181,457
Depreciation	91,745	10,194	-	101,939
Horse, lesson and camps	38,098	-	-	38,098
Insurance, taxes and licensing	37,217	302	-	37,519
Utilities	20,156	1,567	672	22,395
Repairs/maintenance and vehicles	20,626	-	-	20,626
Conferences and seminars	15,913	1,927	577	18,417
Fundraisers	-	-	17,032	17,032
Professional fees	1,290	6,496	-	7,786
Office supplies	2,743	3,033	1,141	6,917
Miscellaneous	3,827	1,594	957	6,378
Promotional expense	770	-	673	1,443
	<u>\$ 381,180</u>	<u>\$ 45,073</u>	<u>\$ 33,754</u>	<u>\$ 78,827</u>
				<u>\$ 460,007</u>

See accompanying notes.

SADDLE UP!
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Increase in net assets	\$ 176,130	\$ 170,140
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	102,941	101,939
Donated property and equipment	(12,000)	(20,000)
Loss on disposal of property and equipment	9,722	-
Donation of investments	(1,529)	(4,156)
Realized and unrealized losses on investments	116	138
Changes in operating assets and liabilities:		
Decrease in pledges receivable from capital campaign	68,366	45,244
Decrease (increase) in receivable from United Way	10,990	(6,204)
(Decrease) increase in accounts payable, accrued expenses and deferred revenue	(3,146)	7,647
Net cash provided by operating activities	<u>351,590</u>	<u>294,748</u>
Cash flows from investing activities:		
Purchase of investments	(2,012,000)	-
Proceeds from sale of investments	3,509	5,975
Purchase of property and equipment	(108,345)	(41,515)
Net cash used in investing activities	<u>(2,116,836)</u>	<u>(35,540)</u>
(Decrease) increase in cash and cash equivalents	(1,765,246)	259,208
Cash and cash equivalents at beginning of year	<u>1,896,959</u>	<u>1,637,751</u>
Cash and cash equivalents at end of year	<u>\$ 131,713</u>	<u>\$ 1,896,959</u>
Supplemental disclosure:		
Noncash investing activities:		
Donation of property and equipment	\$ 12,000	\$ 20,000
Donation of investments	\$ 1,529	\$ 4,156

See accompanying notes.

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Saddle Up! (the Organization) is organized as a Tennessee not-for-profit corporation. Saddle Up! serves to provide therapeutic horseback riding opportunities for children who are physically and/or mentally challenged.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. The Organization had no permanently restricted net assets at December 31, 2005 and 2004.

Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Contributions

The Organization has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2005 and 2004

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

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.

Property and Depreciation

Property and equipment are recorded at cost. Expenditures for ordinary maintenance and repairs are charged to operations. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation is provided in amounts necessary to allocate the cost of the various classes of assets over their estimated useful lives using the straight-line method. Estimated useful lives of all classes of assets are as follows:

Buildings	40 years
Equipment and improvements	3 - 15 years
Arena	40 years
Horses	3 - 7 years

Income Taxes

The Organization has qualified for tax-exempt status under section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

Donated Materials and Services

Donated materials and services meeting the criteria for recognition are reflected as contributions in the accompanying statements at their estimated values at date of receipt.

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2005 and 2004

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Donated Assets

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among program and supporting services based on estimates by management.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Fifth Third Bank checking	\$ 107,041	\$ 178,059
Fifth Third Bank checking – development account	18,942	226,569
Fifth Third Bank checking – capital improvement account	4,730	92,331
Fifth Third Bank checking – special events account	1,000	-
Fifth Third Bank certificate of deposit – development account, interest rate of 2.52%, maturing in March 2005	-	1,400,000
	<u>\$ 131,713</u>	<u>\$1,896,959</u>

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Pledges receivable	\$ 107,144	\$ 180,183
Less discount to net present value (5%)	<u>(2,381)</u>	<u>(7,054)</u>
Net unconditional promises to give	<u>\$ 104,763</u>	<u>\$ 173,129</u>

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2005 and 2004

NOTE 3 – PLEDGES RECEIVABLE (Continued)

Unconditional promises to give to the capital campaign consist of the following at December 31:

	<u>2005</u>	<u>2004</u>
Receivable in less than one year	\$ 57,144	\$ 79,683
Receivable in one to five years, net	<u>47,619</u>	<u>93,446</u>
	<u>\$ 104,763</u>	<u>\$ 173,129</u>

At December 31, 2005 and 2004, all unconditional promises to give for the capital campaign are believed to be fully collectible. Accordingly, no provision is made for uncollectible amounts.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Land	\$ 655,730	\$ 655,730
Buildings	348,451	348,451
Equipment and improvements	338,105	239,130
Arena	2,307,562	2,307,562
Horses	<u>48,900</u>	<u>47,800</u>
	3,698,748	3,598,673
Less accumulated depreciation	<u>(344,545)</u>	<u>(252,152)</u>
	<u>\$ 3,354,203</u>	<u>\$ 3,346,521</u>

NOTE 5 – INVESTMENTS

Investments consist of the following:

	<u>2005</u>	<u>2004</u>
Common stock	\$ 7	\$ 2,103
Fifth Third Bank certificate of deposit – interest rate of 4.62%, maturing in December 2006	700,000	-
Fifth Third Bank certificate of deposit – Interest rate of 4.80%, maturing in December 2006	<u>1,312,000</u>	<u>-</u>
	<u>\$ 2,012,007</u>	<u>\$ 2,103</u>

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2005 and 2004

NOTE 5 – INVESTMENTS (Continued)

During 2005 and 2004, realized and unrealized losses on investments totaled \$116 and \$138, respectively.

NOTE 6 – LINE OF CREDIT

At December 31, 2005, the Organization had a \$50,000 unsecured revolving line of credit with a commercial bank. Borrowings under this agreement bear interest at the bank's prime rate (7.00 percent at December 31, 2005). The agreement requires monthly payments of interest only and expires in December 2006. As of December 31, 2005, no borrowings were outstanding under this line of credit.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods at December 31:

	<u>2005</u>	<u>2004</u>
Land	\$ 655,730	\$ 655,730
Buildings	348,451	348,451
Funds restricted for the capital campaign	450,320	283,199
United Way contributions for future periods	13,228	24,218
Contributions for future periods	<u>87,036</u>	<u>47,320</u>
	<u>\$ 1,554,765</u>	<u>\$ 1,358,918</u>

The Organization's land and building remain restricted for a term of ten years from November 2001 based on the agreement with the Organization's donor of the funds used to purchase the property.

Temporarily restricted net assets of \$84,830 and \$49,122 were released from restrictions during 2005 and 2004, respectively, based on satisfaction of program restrictions.

NOTE 8 – DESIGNATED NET ASSETS

Net assets designated by the Board of Directors consist of the following at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Capital improvement	\$ 18,942	\$ 92,331
Development	<u>2,016,731</u>	<u>1,626,569</u>
	<u>\$ 2,035,673</u>	<u>\$ 1,718,900</u>

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2005 and 2004

NOTE 8 – DESIGNATED NET ASSETS (Continued)

Development net assets are held with the intention of eventually establishing an endowment for the Organization of approximately \$2,500,000.

NOTE 9 – CONCENTRATIONS

The Organization receives support from various foundations, corporate and individual donors. A reduction in such amounts could have a significant effect on the Organization's activities.

The Organization received operating and capital improvement contributions of \$200,000 from a major donor during 2005 and 2004.

The Organization maintains deposits in financial institutions which exceeded federally insured amounts at December 31, 2005 and 2004. In management's opinion, risk relating to these deposits is minimal.