SADDLE UP!

FINANCIAL STATEMENTS

December 31, 2007 and 2006

SADDLE UP!

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Saddle Up!
Franklin, Tennessee

We have audited the accompanying statements of financial position of Saddle Up! (a non-profit organization) as of December 31, 2007 and 2006, 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, 2007 and 2006, 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.

As discussed in Note 11 to the financial statements, the Organization restated net assets at December 31, 2006 and 2005 to properly reflect the balance in unrestricted, temporarily and permanently restricted net assets.

Frasier, Dean & Howard, PLLC

June 10, 2008

SADDLE UP!
STATEMENTS OF FINANCIAL POSITION
December 31, 2007 and 2006

	2007	2006 (Restated)
Assets		
Current assets:		
Cash and cash equivalents	$ 576,653	$ 435,913
Pledges receivable - capital campaign	2,298	52,298
Investments	2,219,376	2,024,661
Total current assets	2,798,327	2,512,872
Property and equipment, net of accumulated depreciation of $536,941 and $437,277	3,178,557	3,275,158
Total assets	$ 5,976,884	$ 5,788,030
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 7,906	$ 1,847
Accrued expenses and deferred revenue	4,157	4,270
Total current liabilities	12,063	6,117
Net assets:		
Unrestricted:		
Undesignated	2,386,109	2,448,883
Designated	2,412,242	2,223,493
Temporarily restricted	1,111,470	1,084,537
Permanently restricted	55,000	25,000
Total net assets	5,964,821	5,781,913
Total liabilities and net assets	$ 5,976,884	$ 5,788,030

See accompanying notes

SADDLE UP!
STATEMENT OF ACTIVITIES
Year ended December 31, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains:				
Contributions and grants, including in-kind contributions of $15,945	$ 406,373	$ 100,384	$ 30,000	$ 536,757
Special events	195,416	-	-	195,416
Lesson fees	58,151	-	-	58,151
Interest	89,068	-	-	89,068
Donated services	7,422	-	-	7,422
Other income	1,606	-	-	1,606
Loss on disposal of property and equipment	(3,197)	-	-	(3,197)
Realized and unrealized losses on investment	(4,153)	-	-	(4,153)
Total revenues	750,686	100,384	30,000	881,070
Net assets released from restrictions:				
Satisfaction of program restrictions	73,451	(73,451)	-	-
Total revenues and gains	824,137	26,933	30,000	881,070
Expenses:				
Program services	566,791	-	-	566,791
Management and general	72,537	-	-	72,537
Fundraising	58,834	-	-	58,834
Total expenses	698,162	-	-	698,162
Increase in net assets	125,975	26,933	30,000	182,908
Net assets at beginning of year, as restated	4,672,376	1,084,537	25,000	5,781,913
Net assets at end of year	$ 4,798,351	$ 1,111,470	$ 55,000	$ 5,964,821

See accompanying notes.

SADDLE UP!
STATEMENT OF ACTIVITIES
Year ended December 31, 2006

	Unrestricted	Temporarily Restricted (Restated)	Permanently Restricted (Restated)	Total
Revenues and gains:				
Contributions and grants, including in-kind contributions of $29,748	$ 406,610	$ 88,587	$ 25,000	$ 520,197
Special events	156,997	-	-	156,997
Lesson fees	86,232	-	-	86,232
Interest	90,860	-	-	90,860
Donated services	12,243	-	-	12,243
Other income	5,719	-	-	5,719
Loss on disposal of property and equipment	(3,333)	-	-	(3,333)
Realized and unrealized gain on investment	11,651	-	-	11,651
Total revenues	766,979	88,587	25,000	880,566
Net assets released from restrictions:				
Satisfaction of program restrictions	108,495	(108,495)	-	-
Total revenues and gains	875,474	(19,908)	25,000	880,566
Expenses:				
Program services	587,727	-	-	587,727
Management and general	72,297	-	-	72,297
Fundraising	47,565	-	-	47,565
Total expenses	707,589	-	-	707,589
Increase in net assets	167,885	(19,908)	25,000	172,977
Net assets at beginning of year, as restated	4,504,491	1,104,445	-	5,608,936
Net assets at end of year, as restated	$ 4,672,376	$ 1,084,537	$ 25,000	$ 5,781,913

See accompanying notes.

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STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2007

	Horseback Riding Program	Supporting Services			Total All Expenses
		Management and General	Fund Raising	Total Supporting	
Salaries and taxes	$ 284,013	$ 38,099	$ 24,245	$ 62,344	$ 346,357
Depreciation	95,461	10,606	-	10,606	106,067
Insurance, taxes and licensing	46,582	379	-	379	46,961
Horse, lessons and camps	40,221	-	-	-	40,221
Repairs/maintenance and vehicles	30,237	-	-	-	30,237
Fundraisers	-	-	23,769	23,769	23,769
Utilities	19,405	1,509	648	2,157	21,562
Conferences and seminars	18,271	2,212	662	2,874	21,145
Miscellaneous	12,118	5,046	3,031	8,077	20,195
Professional fees	2,025	10,200	-	10,200	12,225
Promotional expense	5,483	-	4,792	4,792	10,275
Office supplies	4,058	4,486	1,687	6,173	10,231
Grant expenses	8,917	-	-	-	8,917
	$ 566,791	$ 72,537	$ 58,834	$ 131,371	$ 698,162

See accompanying notes.

SADDLE UP!
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2006

	Horseback Riding Program	Supporting Services: Management and General	Supporting Services: Fund Raising	Supporting Services: Total Supporting	Total All Expenses
Salaries, taxes and employee leasing	$ 280,360	$ 37,609	$ 23,933	$ 61,542	$ 341,902
Depreciation	96,209	10,689	-	10,689	106,898
Horse, lessons and camps	45,542	-	-	-	45,542
Insurance, taxes and licensing	47,381	385	-	385	47,766
Utilities	21,559	1,677	719	2,396	23,955
Repairs/maintenance and vehicles	38,117	-	-	-	38,117
Conferences and seminars	23,004	2,785	834	3,619	26,623
Fundraisers	-	-	13,340	13,340	13,340
Grant expenses	12,419	-	-	-	12,419
Professional fees	1,773	8,931	-	8,931	10,704
Miscellaneous	12,619	5,255	3,156	8,411	21,030
Office supplies	4,492	4,966	1,867	6,833	11,325
Promotional expense	4,252	-	3,716	3,716	7,968
	$ 587,727	$ 72,297	$ 47,565	$ 119,862	$ 707,589

See accompanying notes.

SADDLE UP!
STATEMENTS OF CASH FLOWS
Years ended December 31, 2007 and 2006

	2007	2006 (Restated)
Cash flows from operating activities:		
Increase in net assets	$ 182,908	$ 172,977
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	106,067	106,898
Donated property and equipment	(2,500)	(15,500)
Contributions to permanently restricted net assets	(30,000)	(25,000)
Loss on disposal of property and equipment	3,197	3,333
Realized and unrealized losses (gains) on investments	4,153	(11,651)
Changes in operating assets and liabilities:		
Decrease in pledges receivable from capital campaign	50,000	52,465
Decrease in receivable from United Way	-	13,228
Increase (decrease) in accounts payable, accrued expenses and deferred revenue	5,946	(861)
Net cash provided by operating activities	319,771	295,889
Cash flows from investing activities:		
Proceeds from sale of investments	1,612,000	2,012,000
Purchase of investments	(1,810,868)	(2,013,003)
Contributions to permanently restricted net assets	30,000	25,000
Purchase of property and equipment	(10,163)	(15,686)
Net cash (used in) provided by investing activities	(179,031)	8,311
Increase in cash and cash equivalents	140,740	304,200
Cash and cash equivalents at beginning of year	435,913	131,713
Cash and cash equivalents at end of year	$ 576,653	$ 435,913
Supplemental disclosure:		
Noncash investing activities:		
Donation of property and equipment	$ 2,500	$ 15,500

See accompanying notes.

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

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 $55,000 and $25,000 permanently restricted net assets at December 31, 2007 and 2006, respectively.

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.

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.

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:

	2007	2006
Fifth Third Bank checking	$ 382,780	$ 236,073
Fifth Third Bank checking – development account	181,645	180,432
Fifth Third Bank checking – capital improvement account	11,228	18,408
Fifth Third Bank checking – special events account	1,000	1,000
	$ 576,653	$ 435,913

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31 and relate primarily to the Organization's capital campaign:

	2007	2006
Pledges receivable	$ 2,298	$ 52,298
Less discount to net present value (5%)	-	-
Net unconditional promises to give	$ 2,298	$ 52,298

NOTE 3 – PLEDGES RECEIVABLE (Continued)

At December 31, 2007 and 2006, 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:

	2007	2006
Land	$ 655,730	$ 655,730
Buildings	348,451	348,451
Equipment and improvements	351,956	341,792
Arena	2,307,562	2,307,562
Horses	51,800	58,900
	3,715,499	3,712,435
Less accumulated depreciation	(536,942)	(437,277)
	$ 3,178,557	$ 3,275,158

NOTE 5 – INVESTMENTS

Investments consist of the following:

	2007	2006
Common stock	$ 7	$ 7
Diversified Trust Endowment Fund consisting primarily of fixed income and equity mutual funds	1,227,369	412,654
Fifth Third Bank certificate of deposit – interest rate of 4.95%, maturing in November 2007	-	1,112,000
Fifth Third Bank certificate of deposit – Interest rate of 5.00%, maturing in May 2007	-	500,000
Fifth Third Bank certificate of deposit – Interest rate of 5.08%, maturing in May 2008	280,000	-
Fifth Third Bank certificate of deposit – Interest rate of 4.49%, maturing in May 2008	350,000	-

NOTE 5 – INVESTMENTS (Continued)

Fifth Third Bank certificate of deposit – Interest rate of 4.42%, maturing in November 2008	362,000	-
	$ 2,219,376	$ 2,024,661

At December 31 the Diversified portfolio is allocated as follows:

	2007	2006
Cash and equivalents	0.2%	0.2%
Real estate	6.2%	10.1%
Short-term fixed income	10.5%	9.8%
Intermediate fixed income	15.9%	14.6%
Large Cap U.S. equity	25.7%	20.0%
Small/Mid Cap U.S. equity	13.5%	19.7%
International equity	28.0%	25.6%
	100.0%	100.0%

During 2007 and 2006, realized and unrealized gains (losses) on investments totaled ($4,153) and $11,651, respectively. Interest income for 2007 and 2006 totaled $89,068 and $90,860, respectively.

NOTE 6 – LINE OF CREDIT

At December 31, 2007, 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 (7.50 percent at December 31, 2007). The agreement requires monthly payments of interest only and expires in February 28, 2009. As of December 31, 2007, 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:

	2007	2006
Land	$ 655,730	$ 655,730
Buildings	348,451	348,451
Contributions for future periods or other purposes	107,289	80,356
	$ 1,111,470	$ 1,084,537

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

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 $73,451 and $108,495 were released from restrictions during 2007 and 2006, 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:

	2007	2006
Capital improvement	$ 11,228	$ 18,409
Development/endowment	2,401,014	2,205,084
	$ 2,412,242	$ 2,223,493

In 2007, the board continued efforts to expand a board designated development/endowment with a goal of $5,000,000. Presently, interest on designated net assets continues to be designated for that purpose.

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 contributions of $200,000 from a major donor during 2007 and 2006.

The Organization maintains deposits in financial institutions which exceeded federally insured amounts at December 31, 2007 and 2006. In management's opinion, risk relating to these deposits is minimal based on the credit rating of its depository.

NOTE 10 – STAFFING AGREEMENT

Effective July 2006, the Organization entered into an agreement with an employee leasing company whereby substantially all of the Organization's staff are leased. Under this arrangement, the Organization reimburses payroll, related taxes and insurance costs plus a fee to the leasing company. The agreement can be terminated by either party with thirty days notice.

NOTE 11 – RESTATEMENT

Net assets as of December 31, 2006 and 2005 have been restated to properly reflect the classification of net assets. As a result, temporarily restricted net assets have been decreased by $450,320 at December 31, 2005, and permanently restricted net assets have been increased by $25,000 at December 31, 2006 with a corresponding increase in unrestricted net assets. The restatement had no effect on total changes in net assets for the years ended December 31, 2007 or 2006.