

SADDLE UP!

FINANCIAL STATEMENTS

December 31, 2006 and 2005

SADDLE UP!

TABLE OF CONTENTS

	Page
Independent Auditor’s Report.....	2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities.....	4 – 5
Statements of Functional Expenses	6 – 7
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9 – 14



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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, 2006 and 2005, 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, 2006 and 2005, 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 29, 2007

SADDLE UP!
STATEMENTS OF FINANCIAL POSITION
December 31, 2006 and 2005

	2006	2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 435,913	\$ 131,713
Pledges receivable - capital campaign	52,298	57,144
Receivable from United Way	-	13,228
Investments	2,024,661	2,012,007
Total current assets	2,512,872	2,214,092
Pledges receivable - capital campaign, net of current portion	-	47,619
Property and equipment, net of accumulated depreciation of \$437,277 and \$344,545	3,275,158	3,354,203
Total assets	\$ 5,788,030	\$ 5,615,914
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 1,847	\$ 3,863
Accrued expenses and deferred revenue	4,270	3,115
Total current liabilities	6,117	6,978
Net assets:		
Unrestricted:		
Undesignated	1,866,549	2,018,498
Designated	2,223,493	2,035,673
Temporarily restricted	1,691,871	1,554,765
Total net assets	5,781,913	5,608,936
Total liabilities and net assets	\$ 5,788,030	\$ 5,615,914

See accompanying notes

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and gains:			
Contributions and grants, including in-kind contributions of \$29,748	\$ 304,229	\$ 88,587	\$ 392,816
Capital campaign contributions	-	127,381	127,381
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	<u>664,598</u>	<u>215,968</u>	<u>880,566</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	78,862	(78,862)	-
Total revenues and gains	<u>743,460</u>	<u>137,106</u>	<u>880,566</u>
Expenses:			
Program services	587,727	-	587,727
Management and general	72,297	-	72,297
Fundraising	47,565	-	47,565
Total expenses	<u>707,589</u>	<u>-</u>	<u>707,589</u>
Increase in net assets	35,871	137,106	172,977
Net assets at beginning of year	<u>4,054,171</u>	<u>1,554,765</u>	<u>5,608,936</u>
Net assets at end of year	<u>\$ 4,090,042</u>	<u>\$ 1,691,871</u>	<u>\$ 5,781,913</u>

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 FUNCTIONAL EXPENSES
Year Ended December 31, 2006

	Horseback Riding Program	Supporting Services			Total All Expenses
		Management and General	Fund Raising	Total Supporting	
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
	<u>\$ 587,727</u>	<u>\$ 72,297</u>	<u>\$ 47,565</u>	<u>\$ 119,862</u>	<u>\$ 707,589</u>

See accompanying notes.

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

	Horseback Riding Program	Supporting Services			Total All Expenses
		Management and General	Fund Raising	Total Supporting	
Salaries and taxes	\$ 210,299	\$ 28,211	\$ 17,952	\$ 46,163	\$ 256,462
Depreciation	92,647	10,294	-	10,294	102,941
Horse, lessons and camps	47,018	-	-	-	47,018
Insurance, taxes and licensing	39,172	318	-	318	39,490
Utilities	21,443	1,668	715	2,383	23,826
Repairs/maintenance and vehicles	23,289	-	-	-	23,289
Conferences and seminars	16,799	2,034	609	2,643	19,442
Fundraisers	-	-	14,692	14,692	14,692
Grant expenses	10,985	-	-	-	10,985
Professional fees	1,489	7,498	-	7,498	8,987
Miscellaneous	4,315	1,797	1,079	2,876	7,191
Office supplies	2,747	3,037	1,142	4,179	6,926
Promotional expense	1,731	-	1,513	1,513	3,244
	<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!
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Increase in net assets	\$ 172,977	\$ 176,130
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	106,898	102,941
Donated property and equipment	(15,500)	(12,000)
Loss on disposal of property and equipment	3,333	9,722
Donation of investments	-	(1,529)
Realized and unrealized (gains) losses on investments	(11,651)	116
Changes in operating assets and liabilities:		
Decrease in pledges receivable from capital campaign	52,465	68,366
Decrease in receivable from United Way	13,228	10,990
(Decrease) increase in accounts payable, accrued expenses and deferred revenue	(861)	(3,146)
Net cash provided by operating activities	320,889	351,590
Cash flows from investing activities:		
Proceeds from sale of investments	2,012,000	-
Purchase of investments	(2,012,000)	(2,012,000)
(Purchases) Proceeds from investments	(1,003)	3,509
Purchase of property and equipment	(15,686)	(108,345)
Net cash used in investing activities	(16,689)	(2,116,836)
Increase (decrease) in cash and cash equivalents	304,200	(1,765,246)
Cash and cash equivalents at beginning of year	131,713	1,896,959
Cash and cash equivalents at end of year	\$ 435,913	\$ 131,713
Supplemental disclosure:		
Noncash investing activities:		
Donation of property and equipment	\$ 15,500	\$ 12,000
Donation of investments	\$ -	\$ 1,529

See accompanying notes.

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

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, 2006 and 2005.

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, 2006 and 2005

**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, 2006 and 2005

**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, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Fifth Third Bank checking	\$ 236,073	\$ 107,041
Fifth Third Bank checking – development account	180,432	18,942
Fifth Third Bank checking – capital improvement account	18,408	4,730
Fifth Third Bank checking – special events account	<u>1,000</u>	<u>1,000</u>
	<u>\$ 435,913</u>	<u>\$ 131,713</u>

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Pledges receivable	\$ 52,298	\$ 107,144
Less discount to net present value (5%)	<u>-</u>	<u>(2,381)</u>
Net unconditional promises to give	<u>\$ 52,298</u>	<u>\$ 104,763</u>

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2006 and 2005

NOTE 3 – PLEDGES RECEIVABLE (Continued)

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

	<u>2006</u>	<u>2005</u>
Receivable in less than one year	\$ 52,298	\$ 57,144
Receivable in one to five years, net	<u>-</u>	<u>47,619</u>
	<u>\$ 52,298</u>	<u>\$ 104,763</u>

At December 31, 2006 and 2005, 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, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Land	\$ 655,730	\$ 655,730
Buildings	348,451	348,451
Equipment and improvements	341,792	338,105
Arena	2,307,562	2,307,562
Horses	<u>58,900</u>	<u>48,900</u>
	3,712,435	3,698,748
Less accumulated depreciation	<u>(437,277)</u>	<u>(344,545)</u>
	<u>\$ 3,275,158</u>	<u>\$ 3,354,203</u>

NOTE 5 – INVESTMENTS

Investments consist of the following:

	<u>2006</u>	<u>2005</u>
Common stock	\$ 7	\$ 7
Diversified Trust Endowment Fund consisting primarily of fixed income and equity mutual funds	412,654	-
Fifth Third Bank certificate of deposit – interest rate of 4.95%, maturing in November 2007	1,112,000	700,000
Fifth Third Bank certificate of deposit – Interest rate of 5.00%, maturing in May 2007	<u>500,000</u>	<u>1,312,000</u>
	<u>\$ 2,024,661</u>	<u>\$ 2,012,007</u>

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2006 and 2005

NOTE 5 – INVESTMENTS (Continued)

At December 31, 2006 the Diversified portfolio is allocated as follows:

Cash and equivalents	0.2%
Real estate	10.1%
Short-term fixed income	9.8%
Intermediate fixed income	14.6%
Large Cap U.S. equity	20.0%
Small/Mid Cap U.S. equity	19.7%
International equity	<u>25.6%</u>
	<u>100.0%</u>

During 2006 and 2005, realized and unrealized gains (losses) on investments totaled \$11,651 and \$(116), respectively. Interest income for 2006 and 2005 totaled \$90,860 and \$32,854, respectively.

NOTE 6 – LINE OF CREDIT

At December 31, 2006, 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 (8.25 percent at December 31, 2006). The agreement requires monthly payments of interest only and expires in May 31, 2007. As of December 31, 2006, 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>2006</u>	<u>2005</u>
Land	\$ 655,730	\$ 655,730
Buildings	348,451	348,451
Funds restricted for the capital campaign	577,701	450,320
United Way contributions for future periods	-	13,228
Contributions for future periods or other purposes	<u>109,989</u>	<u>87,036</u>
	<u>\$ 1,691,871</u>	<u>\$ 1,554,765</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 \$78,862 and \$84,830 were released from restrictions during 2006 and 2005, respectively, based on satisfaction of program restrictions.

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2006 and 2005

NOTE 8 – DESIGNATED NET ASSETS

Net assets designated by the Board of Directors consist of the following at December 31:

	<u>2006</u>	<u>2005</u>
Capital improvement	\$ 18,409	\$ 18,942
Development/endowment	<u>2,205,084</u>	<u>2,016,731</u>
	<u>\$ 2,223,493</u>	<u>\$ 2,035,673</u>

In 2006, 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 2006 and 2005.

The Organization maintains deposits in financial institutions which exceeded federally insured amounts at December 31, 2006 and 2005. 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.