

**SADDLE UP!**

**FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

**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, 2011 and 2010, 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, 2011 and 2010, 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.

*Fraser, Dean & Howard, PLLC*

June 15, 2012

**SADDLE UP!**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,336,440	\$ 982,308
Pledges receivable	10,933	19,257
Certificate of deposit	-	240,000
Total current assets	1,347,373	1,241,565
Investments	2,154,155	2,132,778
Property and equipment, net of accumulated depreciation of \$841,954 and \$743,089	2,786,935	2,855,411
Total assets	\$ 6,288,463	\$ 6,229,754
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 2,897	\$ 5,926
Accrued expenses	8,010	7,147
Deferred revenue	19,920	17,830
Total current liabilities	30,827	30,903
Net assets:		
Unrestricted:		
Undesignated	4,024,865	3,139,558
Designated	2,064,155	2,042,771
Temporarily restricted	3,616	876,522
Permanently restricted	165,000	140,000
Total net assets	6,257,636	6,198,851
Total liabilities and net assets	\$ 6,288,463	\$ 6,229,754

See accompanying notes

**SADDLE UP!**  
**STATEMENT OF ACTIVITIES**  
**Year ended December 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and gains:				
Contributions and grants, including in-kind contributions of \$57,181	\$ 468,848	\$ 3,765	\$ 25,000	\$ 497,613
Special events	249,283	-	-	249,283
Lesson fees	109,492	-	-	109,492
Interest and dividends, net of fees	80,851	-	-	80,851
Other income	39,087	-	-	39,087
Donated services	18,274	-	-	18,274
Loss on disposal of property and equipment	(15,012)	-	-	(15,012)
Realized and unrealized losses on investments	(49,037)	-	-	(49,037)
	<u>901,786</u>	<u>3,765</u>	<u>25,000</u>	<u>930,551</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>876,671</u>	<u>(876,671)</u>	<u>-</u>	<u>-</u>
Total revenues and gains	<u>1,778,457</u>	<u>(872,906)</u>	<u>25,000</u>	<u>930,551</u>
Expenses:				
Program services	594,086	-	-	594,086
Management and general	75,751	-	-	75,751
Fundraising	201,929	-	-	201,929
Total expenses	<u>871,766</u>	<u>-</u>	<u>-</u>	<u>871,766</u>
Change in net assets	906,691	(872,906)	25,000	58,785
Net assets at beginning of year	<u>5,182,329</u>	<u>876,522</u>	<u>140,000</u>	<u>6,198,851</u>
Net assets at end of year	<u>\$ 6,089,020</u>	<u>\$ 3,616</u>	<u>\$ 165,000</u>	<u>\$ 6,257,636</u>

See accompanying notes.

**SADDLE UP!**  
**STATEMENT OF ACTIVITIES**  
**Year ended December 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and gains:				
Contributions and grants, including in-kind contributions of \$43,683	\$ 505,062	\$ 23,999	\$ 25,000	\$ 554,061
Special events	184,709	-	-	184,709
Realized and unrealized gains on investment	169,303	-	-	169,303
Lesson fees	76,827	-	-	76,827
Interest and dividends, net of fees	66,901	-	-	66,901
Other income	54,365	-	-	54,365
Donated services	12,252	-	-	12,252
Loss on disposal of property and equipment	(3,589)	-	-	(3,589)
	<u>1,065,830</u>	<u>23,999</u>	<u>25,000</u>	<u>1,114,829</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	86,249	(86,249)	-	-
	<u>1,152,079</u>	<u>(62,250)</u>	<u>25,000</u>	<u>1,114,829</u>
Expenses:				
Program services	543,159	-	-	543,159
Management and general	83,888	-	-	83,888
Fundraising	142,826	-	-	142,826
	<u>769,873</u>	<u>-</u>	<u>-</u>	<u>769,873</u>
Change in net assets	382,206	(62,250)	25,000	344,956
Net assets at beginning of year	<u>4,800,123</u>	<u>938,772</u>	<u>115,000</u>	<u>5,853,895</u>
Net assets at end of year	<u>\$ 5,182,329</u>	<u>\$ 876,522</u>	<u>\$ 140,000</u>	<u>\$ 6,198,851</u>

See accompanying notes.

**SADDLE UP!**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year ended December 31, 2011**

	<b>Horseback</b>	<b>Supporting Services</b>			<b>Total Expenses</b>
	<b>Riding Program</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>Total Supporting</b>	
Salaries and taxes	\$ 300,716	\$ 47,038	\$ 100,352	\$ 147,390	\$ 448,106
Depreciation	102,108	11,345	-	11,345	113,453
Fundraisers	-	-	92,172	92,172	92,172
Horse, lessons & camps	59,300	-	-	-	59,300
Insurance, taxes and licensing	43,725	1,416	-	1,416	45,141
Repairs/maintenance and vehicles	27,745	-	-	-	27,745
Utilities	23,243	-	-	-	23,243
Professional fees	3,481	8,476	1,172	9,648	13,129
Promotional expense	9,235	-	3,584	3,584	12,819
Conferences and seminars	10,985	147	164	311	11,296
Miscellaneous	4,349	5,553	1,379	6,932	11,281
Office supplies	4,199	1,776	3,106	4,882	9,081
Grant expenses	5,000	-	-	-	5,000
	<u>\$ 594,086</u>	<u>\$ 75,751</u>	<u>\$ 201,929</u>	<u>\$ 277,680</u>	<u>\$ 871,766</u>
Total					

See accompanying notes.

**SADDLE UP!**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year ended December 31, 2010**

	<b>Horseback</b>	<b>Supporting Services</b>			<b>Total Expenses</b>
	<b>Riding Program</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>Total Supporting</b>	
Salaries and taxes	\$ 264,653	\$ 49,388	\$ 84,893	\$ 134,281	\$ 398,934
Depreciation	96,522	10,725	-	10,725	107,247
Horse, lessons and camps	59,886	-	-	-	59,886
Fundraisers	-	-	48,382	48,382	48,382
Insurance, taxes and licensing	42,794	310	-	310	43,104
Utilities	24,754	-	-	-	24,754
Repairs/maintenance and vehicles	22,622	-	-	-	22,622
Professional fees	379	13,496	-	13,496	13,875
Promotional expense	6,693	-	6,328	6,328	13,021
Miscellaneous	5,408	6,010	601	6,611	12,019
Office supplies	4,048	3,542	2,530	6,072	10,120
Grant expenses	8,885	417	-	417	9,302
Conferences and seminars	6,515	-	92	92	6,607
Total	<u>\$ 543,159</u>	<u>\$ 83,888</u>	<u>\$ 142,826</u>	<u>\$ 226,714</u>	<u>\$ 769,873</u>

See accompanying notes.

**SADDLE UP!**  
**STATEMENTS OF CASH FLOWS**  
**Years ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 58,785	\$ 344,956
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	113,453	107,247
Donated property and equipment	(28,400)	(29,500)
Contributions to permanently restricted net assets	(25,000)	(25,000)
Loss on disposal of property and equipment	15,012	3,589
Realized and unrealized losses (gains) on investments	49,037	(169,303)
Reinvested dividend income, net of investment fees	(70,414)	(56,491)
Changes in operating assets and liabilities:		
Pledges receivable	8,324	3,401
Accounts payable	(3,029)	(1,939)
Accrued expenses	863	1,876
Deferred revenue	2,090	17,830
Net cash provided by operating activities	<u>120,721</u>	<u>196,666</u>
Cash flows from investing activities:		
Sale (purchase) of certificate of deposit	240,000	(240,000)
Purchase of property and equipment	<u>(31,589)</u>	<u>(54,442)</u>
Net cash provided by (used in) investing activities	<u>208,411</u>	<u>(294,442)</u>
Cash flows from financing activities:		
Contributions to permanently restricted net assets	<u>25,000</u>	<u>25,000</u>
Net cash provided by financing activities	<u>25,000</u>	<u>25,000</u>
Increase (decrease) in cash and cash equivalents	354,132	(72,776)
Cash and cash equivalents at beginning of year	<u>982,308</u>	<u>1,055,084</u>
Cash and cash equivalents at end of year	<u>\$ 1,336,440</u>	<u>\$ 982,308</u>
Supplemental disclosure:		
Noncash investing activities:		
Donation of property and equipment	<u>\$ 28,400</u>	<u>\$ 29,500</u>

See accompanying notes.

**SADDLE UP!**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

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

The Organization’s significant accounting policies are as follows:

**Financial Statement Presentation**

In accordance with Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) guidelines, 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. 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, donors of these assets may permit the Organization to use all or part of the income earned for general or specific purposes.

**Contributions**

In accordance with FASB ASC guidelines, contributions and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

**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.

**SADDLE UP!**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2011 and 2010**

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

**Property and Depreciation**

Property and equipment are recorded at cost. Expenditures for ordinary maintenance and repairs are charged to operations. Assets purchased, or donated, with a value over \$500 are capitalized. 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 is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and has been classified as other than a private foundation. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

The Organization follows FASB ASC guidance that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include years ended December 31, 2008 through December 31, 2011.

**Donated Assets and Services**

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

**SADDLE UP!**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2011 and 2010**

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

**Donated Assets and Services (Continued)**

instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The Organization receives donated services which help to maintain the health and well-being of the horses, such as veterinarian and farrier 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.

**Functional Expenses**

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of public support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Restricted Endowment Funds**

The Uniform Prudent Management Institutional Funds Act (“UPMIFA”) was enacted in Tennessee effective July 1, 2007. The FASB ASC provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. It also requires disclosure of a description of the governing board’s interpretation of the law that underlies the Organization’s net asset classification of donor-restricted endowment funds, a description of the Organization’s policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the Organization’s endowment investment policies, and additional disclosures not previously required.

**SADDLE UP!**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2011 and 2010**

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

**Reclassifications**

Certain reclassifications have been made to the 2010 financial statements balances to conform to the 2011 presentation.

**Subsequent Events**

The Organization evaluated subsequent events through June 15, 2012, when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

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

	<u>2011</u>	<u>2010</u>
Avenue Bank – operating account	\$ 183,392	\$ 217,812
Avenue Bank – money market	871,982	235,876
First Tennessee – reserve account	253,958	252,675
First Tennessee – restricted account	27,058	25,945
Certificate of Deposit – reserve fund	-	250,000
Petty Cash	<u>50</u>	<u>-</u>
	<u>\$ 1,336,440</u>	<u>\$ 982,308</u>

**NOTE 3 – PLEDGES RECEIVABLE**

Pledges receivable consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
United Way pledges	\$ 3,125	\$ 19,197
Fundraising pledges	<u>7,808</u>	<u>60</u>
Total unconditional promises to give	10,933	19,257
Less discount to net present value	<u>-</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 10,933</u>	<u>\$ 19,257</u>

**SADDLE UP!**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2011 and 2010**

**NOTE 3 – PLEDGES RECEIVABLE (Continued)**

At December 31, 2011 and 2010, all pledges receivable are believed to be fully collectible. Accordingly, no provision is made for uncollectible amounts. During 2010, management wrote off \$2,298 of pledges deemed uncollectible. None were written off during 2011. At December 31, 2011 and 2010, all pledges receivable are believed to be receivable within one year and are therefore recorded at their original value.

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of December 31:

	<u>2011</u>	<u>2010</u>
Land	\$ 655,730	\$ 655,730
Buildings	186,778	186,778
Equipment and improvements	421,320	405,831
Arena	2,307,562	2,307,562
Horses	<u>57,499</u>	<u>42,599</u>
	3,628,889	3,598,500
Less accumulated depreciation	<u>(841,954)</u>	<u>(743,089)</u>
	<u>\$ 2,786,935</u>	<u>\$2,855,411</u>

**NOTE 5 – FAIR VALUE MEASUREMENTS AND INVESTMENTS**

The Organization has adopted the fair value measurement topic of the FASB ASC, which establishes a framework for measuring fair value. The framework provides 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 (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

**SADDLE UP!**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2011 and 2010**

**NOTE 5 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)**

- Level 2      Inputs to the valuation methodology include the following:
- quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability;
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value of level 1 assets was determined by obtaining quoted market prices in active markets.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. A description of the valuation methodologies used for assets measured at fair value is as follows:

*Money Market Funds and Securities:* Valued at the net asset value ("NAV") of shares held by the Organization at year end.

*Common Trust Funds:* Valued at the net asset value ("NAV") of shares held by the Organization at year end.

The common trust funds described above consist of groups of stocks, bonds, mutual funds or other investments managed by a third party and held by Diversified Trust. Participation is limited to those individuals or organizations with trust accounts with Diversified Trust.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**SADDLE UP!**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2011 and 2010**

**NOTE 5 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)**

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31:

	<u>2011</u> <b>Quoted Prices in Active Markets for Identical Items (Level 1)</b>	<u>2010</u> <b>Quoted Prices in Active Markets for Identical Items (Level 1)</b>
Money market funds	\$ 15,480	\$ 8,817
Diversified Trust bond funds	774,667	702,959
Diversified Trust equity funds	<u>1,364,008</u>	<u>1,421,002</u>
Total investments at fair value:	<u>\$ 2,154,155</u>	<u>\$ 2,132,778</u>

The following schedule summarizes the investment income in the statement of activity for the year ended December 31:

	<u>2011</u>	<u>2010</u>
Interest and dividend income, net of fees of \$1,438 and \$1,266, respectively	\$ 80,851	\$ 66,901
Realized and unrealized (losses) gains on investments	<u>(49,037)</u>	<u>169,303</u>
	<u>\$ 31,814</u>	<u>\$ 236,204</u>

The Diversified portfolio is allocated as follows at December 31:

	<u>2011</u>	<u>2010</u>
Cash and equivalents	0.7%	0.4%
Short-term fixed income	10.1%	8.1%
Intermediate fixed income	25.9%	24.9%
Large Cap U.S. equity	23.9%	24.0%
Small/Mid Cap U.S. equity	7.5%	13.6%
International equity	26.6%	25.7%
MLPs	<u>5.3%</u>	<u>3.3%</u>
	<u>100.0%</u>	<u>100.0%</u>

**SADDLE UP!**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2011 and 2010**

**NOTE 6 – CONCENTRATIONS**

The Organization receives support from various foundations, corporate and individual donors, including \$200,000 and \$200,000 or approximately 21% and 18% of total revenue, respectively, from one individual for the years ended December 31, 2011 and 2010. A significant reduction in the level of contributions, if this were to occur, could have an adverse impact on the Organization’s programs and services.

The Organization maintains its cash and cash equivalents in financial institutions at balances which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. In management’s opinion, risk relating to these deposits is minimal based on the credit ratings of its depositories.

**NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS**

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

	<b>2011</b>	<b>2010</b>
Contributions for future periods or other purposes	\$ 3,616	\$ 34,014
Land	-	655,730
Buildings	-	186,778
	<b>\$ 3,616</b>	<b>\$ 876,522</b>

The Organization’s land and buildings were restricted for a term of ten years beginning November 2001 based on the agreement with the Organization’s donor of the funds used to purchase the property. During 2011, the time period of the restriction expired and net assets temporarily restricted for land and buildings were reduced by \$842,508.

Temporarily restricted net assets of \$876,671 and \$86,249 were released from restrictions during 2011 and 2010, respectively, based on satisfaction of program restrictions, collection of pledges receivable, and the passage of time.

**SADDLE UP!**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2011 and 2010**

**NOTE 8 – ENDOWMENT NET ASSETS**

Endowment net assets consist of the following endowment funds at December 31:

	<b>2011</b>	<b>2010</b>
Board designated endowment	\$ 2,064,155	\$ 2,042,771
Permanently restricted for endowment	165,000	140,000
	<b>\$ 2,229,155</b>	<b>\$2,182,771</b>

The interest earned on permanently restricted net assets is available to the Organization on an unrestricted basis.

The Organization’s endowment consists of donor restricted gifts held in cash and investment accounts. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The board of directors of the Organization has interpreted the UPMIFA (page 11) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

**Endowment Net Asset Composition by Type of Fund as of December 31, 2011:**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets	\$ 2,064,155	\$ -	\$ 165,000	\$ 2,229,155

**SADDLE UP!**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2011 and 2010**

**NOTE 8 – ENDOWMENT NET ASSETS (Continued)**

**Changes in Endowment Net Assets for the fiscal year ended December 31, 2011:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,042,771	\$ -	\$ 140,000	\$ 2,182,771
Investment return:				
Dividend income, net	70,421	-	-	70,421
Net depreciation (realized and unrealized)	(49,037)	-	-	(49,037)
Contributions	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Endowment net assets, end of year	<u>\$ 2,064,155</u>	<u>\$ -</u>	<u>\$ 165,000</u>	<u>\$ 2,229,155</u>

**Endowment Net Asset Composition by Type of Fund as of December 31, 2010:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets	<u>\$ 2,042,771</u>	<u>\$ -</u>	<u>\$ 140,000</u>	<u>\$ 2,182,771</u>

**Changes in Endowment Net Assets for the fiscal year ended December 31, 2010:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,816,977	\$ -	\$ 115,000	\$ 1,931,977
Investment return:				
Dividend income, net	56,491	-	-	56,491
Net appreciation (realized and unrealized)	169,303	-	-	169,303
Contributions	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Endowment net assets, end of year	<u>\$ 2,042,771</u>	<u>\$ -</u>	<u>\$ 140,000</u>	<u>\$ 2,182,771</u>

**SADDLE UP!**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2011 and 2010**

**NOTE 8 – ENDOWMENT NET ASSETS (Continued)**

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, the Organization reports no deficiencies of this nature as of December 31, 2011 and 2010, respectively.

**Endowment Investment Policy and Risk Parameters**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period.

**NOTE 9 – DESIGNATED NET ASSETS**

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

	<u>2011</u>	<u>2010</u>
Endowment	<u>\$ 2,064,155</u>	<u>\$ 2,042,771</u>

During 2011, the board continued efforts to expand a board designated endowment with a goal of \$5,000,000. Presently, interest on designated net assets continues to be designated for that purpose.

**NOTE 10 – STAFFING AGREEMENT AND RETIREMENT PLAN**

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.

The Organization participates in the Century II Staffing, Inc. Retirement Plan pursuant to Section 401(k) of the Internal Revenue Code of 1986 (the "Code"), as amended. Under the terms of the plan, each eligible employee may contribute a percentage of wages subject to certain limitations. The Organization may match employee contributions at its discretion. During 2011, the board of directors approved to match 2010 employee contributions, up to 4% of employee wages. The match of \$5,949 was approved, expensed and paid in 2011. Subsequent to December 31, 2011, the board of directors approved to match 2011 employee contributions, up to 3% of employee wages. The match of \$5,534 was approved, expensed and paid in 2012.