SADDLE UP!

FINANCIAL STATEMENTS

December 31, 2008 and 2007

SADDLE UP!

TABLE OF CONTENTS

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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, 2008 and 2007, 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, 2008 and 2007, 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

April 13, 2009

SADDLE UP!
STATEMENTS OF FINANCIAL POSITION
December 31, 2008 and 2007

	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	$ 984,269	$ 576,653
Pledges receivable - capital campaign	12,298	2,298
Investments	1,552,811	2,219,376
Total current assets	2,549,378	2,798,327
Property and equipment, net of accumulated depreciation of $637,388 and $536,942	3,109,595	3,178,557
Total assets	$ 5,658,973	$ 5,976,884
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 4,105	$ 7,906
Accrued expenses and deferred revenue	13,108	4,157
Total current liabilities	17,213	12,063
Net assets:		
Unrestricted:		
Undesignated	2,368,018	2,386,109
Designated	2,072,062	2,412,242
Temporarily restricted	1,111,680	1,111,470
Permanently restricted	90,000	55,000
Total net assets	5,641,760	5,964,821
Total liabilities and net assets	$ 5,658,973	$ 5,976,884

See accompanying notes

SADDLE UP!
STATEMENT OF ACTIVITIES
Year ended December 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains:				
Contributions and grants, including in-kind contributions of $34,176	$ 410,452	$ 116,103	$ 35,000	$ 561,555
Special events	214,088	-	-	214,088
Lesson fees	70,158	-	-	70,158
Interest	68,850	-	-	68,850
Donated services	8,027	-	-	8,027
Other income	34,386	-	-	34,386
Loss on disposal of property and equipment	(1,709)	-	-	(1,709)
Realized and unrealized losses on investment	(500,790)	-	-	(500,790)
Total revenues	303,462	116,103	35,000	454,565
Net assets released from restrictions:				
Satisfaction of program restrictions	115,893	(115,893)	-	-
Total revenues and gains	419,355	210	35,000	454,565
Expenses:				
Program services	537,510	-	-	537,510
Management and general	107,917	-	-	107,917
Fundraising	132,199	-	-	132,199
Total expenses	777,626	-	-	777,626
Increase in net assets	(358,271)	210	35,000	(323,061)
Net assets at beginning of year	4,798,351	1,111,470	55,000	5,964,821
Net assets at end of year	$ 4,440,080	$ 1,111,680	$ 90,000	$ 5,641,760

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	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 FUNCTIONAL EXPENSES
Year ended December 31, 2008

	Horseback Riding Program	Supporting Services			Total All Expenses
		Management and General	Fund Raising	Total Supporting	
Salaries and taxes	$ 254,578	$ 66,153	$ 61,742	$ 127,895	$ 382,473
Depreciation	94,895	10,544	-	10,544	105,439
Insurance, taxes and licensing	51,154	296	-	296	51,450
Horse, lessons and camps	42,450	-	-	-	42,450
Repairs/maintenance and vehicles	33,559	-	-	-	33,559
Fundraisers	-	-	61,425	61,425	61,425
Utilities	27,691	-	-	-	27,691
Conferences and seminars	5,850	3,024	100	3,124	8,974
Miscellaneous	1,696	8,041	1,037	9,078	10,774
Professional fees	1,660	11,410	-	11,410	13,070
Promotional expense	6,351	577	6,690	7,267	13,618
Office supplies	3,245	3,618	1,205	4,823	8,068
Grant expenses	14,381	4,254	-	4,254	18,635
	$ 537,510	$ 107,917	$ 132,199	$ 240,116	$ 777,626

See accompanying notes.

SADDLE UP!
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!
STATEMENTS OF CASH FLOWS
Years ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Increase (decrease) in net assets	$ (323,061)	$ 182,908
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	105,439	106,067
Donated property and equipment	(13,399)	(2,500)
Contributions to permanently restricted net assets	(35,000)	(30,000)
Loss on disposal of property and equipment	1,708	3,197
Realized and unrealized losses (gains) on investments	500,790	4,153
Changes in operating assets and liabilities:		
(Increase) decrease in pledges receivable from capital campaign	(10,000)	50,000
Increase (decrease) in accounts payable, accrued expenses and deferred revenue	5,150	5,946
Net cash provided by operating activities	231,627	319,771
Cash flows from investing activities:		
Proceeds from sale of investments	1,015,775	1,612,000
Purchase of investments	(850,000)	(1,810,868)
Contributions to permanently restricted net assets	35,000	30,000
Purchase of property and equipment	(24,786)	(10,163)
Net cash provided by (used in) investing activities	175,989	(179,031)
Increase in cash and cash equivalents	407,616	140,740
Cash and cash equivalents at beginning of year	576,653	435,913
Cash and cash equivalents at end of year	$ 984,269	$ 576,653
Supplemental disclosure:		
Noncash investing activities:		
Donation of property and equipment	$ 13,399	$ 2,500

See accompanying notes.

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

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 $90,000 and $55,000 permanently restricted net assets at December 31, 2008 and 2007, 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. 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 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:

	2008	2007
Fifth Third Bank checking	$ 441,889	$ 382,780
Fifth Third Bank checking – development account	508,352	181,645
Fifth Third Bank checking – capital improvement account	10,906	11,228
Fifth Third Bank checking – special events account	23,122	1,000
	$ 984,269	$ 576,653

NOTE 3 – PLEDGES RECEIVABLE

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

	2008	2007
Pledges receivable	$ 12,298	$ 2,298
Less discount to net present value (5%)	-	-
Net unconditional promises to give	$ 12,298	$ 2,298

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

NOTE 3 – PLEDGES RECEIVABLE (Continued)

At December 31, 2008 and 2007, 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:

	2008	2007
Land	$ 655,730	$ 655,730
Buildings	348,451	348,451
Equipment and improvements	376,541	351,956
Arena	2,307,562	2,307,562
Horses	58,699	51,800
	3,746,983	3,715,499
Less accumulated depreciation	(637,388)	(536,942)
	$ 3,109,595	$ 3,178,557

NOTE 5 – INVESTMENTS

Investments consist of the following:

	2008	2007
Common stock	$ 7	$ 7
Diversified Trust Endowment Fund consisting primarily of fixed income and equity mutual funds	1,552,804	1,227,369
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
Fifth Third Bank certificate of deposit – Interest rate of 4.42%, maturing in November 2008	-	362,000
	$ 1,552,811	$ 2,219,376

NOTE 5 – INVESTMENTS (Continued)

At December 31 the Diversified portfolio is allocated as follows:

	2008	2007
Cash and equivalents	0.5%	0.2%
Real estate	4.5%	6.2%
Short-term fixed income	10.4%	10.5%
Intermediate fixed income	15.7%	15.9%
Large Cap U.S. equity	26.0%	25.7%
Small/Mid Cap U.S. equity	13.8%	13.5%
International equity	29.1%	28.0%
	100.0%	100.0%

During 2008 and 2007, realized and unrealized gains (losses) on investments totaled ($500,790) and ($4,153), respectively. Interest income for 2008 and 2007 totaled $68,850 and $89,068, respectively.

NOTE 6 – LINE OF CREDIT

At December 31, 2008, 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 (3.25 percent at December 31, 2008). The agreement requires monthly payments of interest only and expires in February 28, 2009. As of December 31, 2008, 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:

	2008	2007
Land	$ 655,730	$ 655,730
Buildings	348,451	348,451
Contributions for future periods or other purposes	107,499	107,289
	$ 1,111,680	$ 1,111,470

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 $115,893 and $73,451 were released from restrictions during 2008 and 2007, 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:

	2008	2007
Capital improvement	$ 10,906	$ 11,228
Development/endowment	2,061,156	2,401,014
	$ 2,072,062	$ 2,412,242

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 2008 and 2007.

The Organization maintains deposits in financial institutions which exceeded federally insured amounts at December 31, 2008 and 2007. In management's opinion, risk relating to these deposits is minimal based on the credit rating of its depository.

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.

NOTE 10 – STAFFING AGREEMENT AND RETIREMENT PLAN (Continued)

On January 1, 2008, the Organization began participating 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. For 2008, the Organization matched employee contributions up to 3% of employee wages. Total retirement plan expense for 2008 totaled $6,917 and is included in salaries and taxes in the accompanying statement of functional expense.