

SADDLE UP!

FINANCIAL STATEMENTS

December 31, 2013 and 2012

SADDLE UP!

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1 – 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 – 20



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Saddle Up! (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Fraser, Dean + Howard, PLLC

May 12, 2014

SADDLE UP!
STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,578,454	\$ 1,511,606
Accounts and pledges receivable	554	2,874
Total current assets	1,579,008	1,514,480
Investments	2,742,162	2,389,190
Property and equipment, net of accumulated depreciation of \$1,032,131 and \$945,557	2,655,522	2,692,038
Total assets	<u>\$ 6,976,692</u>	<u>\$ 6,595,708</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 6,876	\$ 5,015
Accrued expenses	6,322	7,067
Deferred revenue	9,142	20,028
Total current liabilities	<u>22,340</u>	<u>32,110</u>
Net assets:		
Unrestricted:		
Undesignated	4,052,835	4,068,714
Designated	2,685,617	2,299,190
Temporarily restricted	-	4,794
Permanently restricted	215,900	190,900
Total net assets	<u>6,954,352</u>	<u>6,563,598</u>
Total liabilities and net assets	<u>\$ 6,976,692</u>	<u>\$ 6,595,708</u>

See accompanying notes

SADDLE UP!
STATEMENT OF ACTIVITIES
Year ended December 31, 2013

	<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 \$55,541	\$ 586,564	\$ -	\$ 25,000	\$ 611,564
Special events	271,932	-	-	271,932
Realized and unrealized gains on investments	240,355	-	-	240,355
Lesson fees, net of scholarships applied of \$16,138	124,745	-	-	124,745
Interest and dividends, net of fees	68,377	-	-	68,377
Clinics and seminars	16,544	-	-	16,544
Donated services	11,148	-	-	11,148
Other income	2,441	-	-	2,441
Loss on disposal of property and equipment	(5,763)	-	-	(5,763)
	<u>1,316,343</u>	<u>-</u>	<u>25,000</u>	<u>1,341,343</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	4,794	(4,794)	-	-
	<u>1,321,137</u>	<u>(4,794)</u>	<u>25,000</u>	<u>1,341,343</u>
Expenses:				
Horseback riding program	690,603	-	-	690,603
Management and general	77,351	-	-	77,351
Fundraising	182,635	-	-	182,635
	<u>950,589</u>	<u>-</u>	<u>-</u>	<u>950,589</u>
Change in net assets	370,548	(4,794)	25,000	390,754
Net assets at beginning of year	<u>6,367,904</u>	<u>4,794</u>	<u>190,900</u>	<u>6,563,598</u>
Net assets at end of year	<u>\$ 6,738,452</u>	<u>\$ -</u>	<u>\$ 215,900</u>	<u>\$ 6,954,352</u>

See accompanying notes.

SADDLE UP!
STATEMENT OF ACTIVITIES
Year ended December 31, 2012

	<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 \$38,734	\$ 515,481	\$ 20,499	\$ 25,900	\$ 561,880
Special events	248,953	-	-	248,953
Realized and unrealized gains on investment	173,126	-	-	173,126
Lesson fees, net of scholarships applied of \$16,138	112,389	-	-	112,389
Interest and dividends, net of fees	69,110	-	-	69,110
Donated services	15,380	-	-	15,380
Clinics and seminars	8,075	-	-	8,075
Other income	1,620	-	-	1,620
Loss on disposal of property and equipment	(10,204)	-	-	(10,204)
	<u>1,133,930</u>	<u>20,499</u>	<u>25,900</u>	<u>1,180,329</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	19,321	(19,321)	-	-
	<u>1,153,251</u>	<u>1,178</u>	<u>25,900</u>	<u>1,180,329</u>
Expenses:				
Horseback riding program	641,567	-	-	641,567
Management and general	71,790	-	-	71,790
Fundraising	161,010	-	-	161,010
	<u>874,367</u>	<u>-</u>	<u>-</u>	<u>874,367</u>
Change in net assets	278,884	1,178	25,900	305,962
Net assets at beginning of year	<u>6,089,020</u>	<u>3,616</u>	<u>165,000</u>	<u>6,257,636</u>
Net assets at end of year	<u>\$ 6,367,904</u>	<u>\$ 4,794</u>	<u>\$ 190,900</u>	<u>\$ 6,563,598</u>

See accompanying notes.

SADDLE UP!
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2013

	Horseback Riding Program	Supporting Services		Total Expenses
		Management and General	Fund Raising	
Salaries and taxes	\$ 386,423	\$ 45,501	\$ 90,437	\$ 522,361
Depreciation	96,971	10,774	-	107,745
Fundraisers, including in-kind expenses of \$31,691	-	-	82,921	82,921
Horse, lessons and camps, including in-kind expenses of \$11,148	49,319	-	-	49,319
Insurance, taxes and licensing	45,252	1,416	-	46,668
Repairs/maintenance and vehicles	25,233	-	-	25,233
Utilities	24,575	-	-	24,575
Professional fees, including in-kind expenses of \$3,200	10,465	8,800	925	20,190
Miscellaneous	8,125	7,502	3,609	19,236
Conferences and seminars	17,876	116	-	17,992
Grant expenses	15,702	141	600	16,443
Office supplies, including in-kind expenses of \$750	4,470	3,101	1,944	9,515
Promotional expense	6,192	-	2,199	8,391
Total	\$ 690,603	\$ 77,351	\$ 182,635	\$ 950,589

See accompanying notes.

SADDLE UP!
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2012

	Horseback Riding Program	Supporting Services			Total Expenses
		Management and General	Fund Raising	Total Supporting	
Salaries and taxes	\$ 349,569	\$ 43,558	\$ 87,820	\$ 131,378	\$ 480,947
Depreciation	99,500	11,055	-	11,055	110,555
Fundraisers, including in-kind expenses of \$23,834	-	-	64,846	64,846	64,846
Horse, lessons and camps, including donated services of \$15,380	56,437	-	-	-	56,437
Insurance, taxes and licensing	46,839	1,416	-	1,416	48,255
Utilities	23,998	-	-	-	23,998
Repairs/maintenance and vehicles	21,981	-	-	-	21,981
Professional fees	5,545	8,683	983	9,666	15,211
Conferences and seminars	12,616	130	285	415	13,031
Promotional expense	9,893	-	3,074	3,074	12,967
Miscellaneous	5,952	5,240	1,389	6,629	12,581
Office supplies	3,323	1,708	2,613	4,321	7,644
Grant expenses	5,914	-	-	-	5,914
Total	\$ 641,567	\$ 71,790	\$ 161,010	\$ 232,800	\$ 874,367

See accompanying notes.

SADDLE UP!
STATEMENTS OF CASH FLOWS
Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 390,754	\$ 305,962
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	107,745	110,555
Donated property and equipment	(19,900)	(14,900)
Contributions to permanently restricted net assets	(25,000)	(25,900)
Loss on disposal of property and equipment	5,763	10,204
Realized and unrealized (gains) losses on investments	(240,355)	(173,126)
Reinvested dividend income, net of investment fees	(62,617)	(61,909)
Changes in operating assets and liabilities:		
Accounts and pledges receivable	2,320	8,059
Accounts payable	1,861	2,118
Accrued expenses	(745)	(943)
Deferred revenue	(10,886)	108
Net cash provided by operating activities	<u>148,940</u>	<u>160,228</u>
Cash flows from investing activities:		
Proceeds from sale of investments	375,976	630,630
Purchase of investments	(425,976)	(630,630)
Purchase of property and equipment	(58,342)	(10,962)
Proceeds from sale of property and equipment	1,250	-
Net cash used in investing activities	<u>(107,092)</u>	<u>(10,962)</u>
Cash flows from financing activities:		
Contributions to permanently restricted net assets	25,000	25,900
Net cash provided by financing activities	<u>25,000</u>	<u>25,900</u>
Increase in cash and cash equivalents	66,848	175,166
Cash and cash equivalents at beginning of year	<u>1,511,606</u>	<u>1,336,440</u>
Cash and cash equivalents at end of year	<u>\$ 1,578,454</u>	<u>\$ 1,511,606</u>
Supplemental disclosure:		
Noncash investing activities:		
Donation of property and equipment	<u>\$ 19,900</u>	<u>\$ 14,900</u>

See accompanying notes.

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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 children and youth with disabilities the opportunity to grow and develop through therapeutic, educational and recreational activities with horses.

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, 2013 and 2012

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

Property and Equipment

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
Arena	40 years
Equipment and improvements	3 - 15 years
Horses	2 - 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, 2010 through December 31, 2013.

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, 2013 and 2012

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.

Unpaid volunteers have made significant contributions of their time to assist the Organization in carrying out its programs, operations, and events. During the years ended December 31, 2013 and 2012, volunteers provided approximately 17,100 and 15,200 hours of service, respectively. The value of contributed time is not reflected in these statements since it does not meet the recording requirements specified by accounting principles generally accepted in the United States of America.

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 accounting principles generally accepted in the United States of America 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

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013 and 2012

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

Restricted Endowment Funds (Continued)

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.

Reclassifications

Certain reclassifications have been made to the 2012 financial statements balances to conform to the 2013 presentation.

Subsequent Events

The Organization evaluated subsequent events through May 12, 2014, when these financial statements were available to be issued. Except for the item noted in Note 10, 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>2013</u>	<u>2012</u>
Avenue Bank – insured cash sweep account	\$ 713,390	\$ 713,390
First Tennessee – checking account	255,879	255,248
Avenue Bank – checking account	233,862	262,460
Wells Fargo – checking account	165,900	-
Avenue Bank – money market	116,291	270,855
Wells Fargo – checking account	83,455	-
First Tennessee – checking account	9,627	9,603
Petty cash	<u>50</u>	<u>50</u>
	<u>\$ 1,578,454</u>	<u>\$ 1,511,606</u>

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013 and 2012

NOTE 3 – ACCOUNTS AND PLEDGES RECEIVABLE

Accounts and pledges receivable consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Program fees	\$ 554	\$ -
Fundraising pledges	<u>-</u>	<u>2,874</u>
Total accounts and pledges receivable	<u>\$ 554</u>	<u>\$ 2,874</u>

At December 31, 2013 and 2012, all accounts and pledges receivable are believed to be fully collectible. Accordingly, no provision has been recorded for uncollectible amounts. No pledges were written off during 2013 and 2012. At December 31, 2013 and 2012, all accounts and 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>2013</u>	<u>2012</u>
Land	\$ 655,730	\$ 655,730
Buildings	186,778	186,778
Equipment and improvements	468,984	429,626
Arena	2,307,562	2,307,562
Horses	<u>68,599</u>	<u>57,899</u>
	3,687,653	3,637,595
Less accumulated depreciation	<u>(1,032,131)</u>	<u>(945,557)</u>
	<u>\$ 2,655,522</u>	<u>\$ 2,692,038</u>

NOTE 5 – FAIR VALUE MEASUREMENTS AND INVESTMENTS

The Organization follows 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).

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013 and 2012

NOTE 5 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

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.
- 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.

Exchange-traded funds: Valued at the closing price reported on the active market on which the securities are traded.

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.

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013 and 2012

NOTE 5 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

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.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2013:

	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>
Money market funds	\$ 51,684	\$ 51,684	\$ -
Diversified Trust bond funds	925,446	286,794	638,652
Diversified Trust equity funds	<u>1,765,032</u>	<u>801,906</u>	<u>963,126</u>
Total investments at fair value:	<u>\$ 2,742,162</u>	<u>\$ 1,140,384</u>	<u>\$ 1,601,778</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2012:

	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>
Money market funds	\$ 1,543	\$ 1,543	\$ -
Diversified Trust bond funds	824,296	168,355	655,941
Diversified Trust equity funds	<u>1,563,351</u>	<u>671,662</u>	<u>891,689</u>
Total investments at fair value:	<u>\$ 2,389,190</u>	<u>\$ 841,560</u>	<u>\$ 1,547,630</u>

The following schedule summarizes the investment income in the statements of activities for the year ended December 31:

	<u>2013</u>	<u>2012</u>
Interest and dividend income, net of fees of \$11,168 and \$10,009, respectively	\$ 68,377	\$ 69,110
Realized and unrealized gains on investments	<u>240,355</u>	<u>173,126</u>
	<u>\$ 308,732</u>	<u>\$ 242,236</u>

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013 and 2012

NOTE 5 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

The Diversified Trust portfolio is allocated as follows at December 31:

	<u>2013</u>	<u>2012</u>
Cash and equivalents	1.9%	0.1%
Short-term fixed income	9.2%	10.7%
Intermediate fixed income	24.6%	23.8%
Large cap U.S. equity	14.3%	14.2%
Small/Mid cap U.S. equity	5.4%	5.0%
International equity	21.8%	22.8%
MLPs	11.6%	10.5%
Opportunistic equity	<u>11.2%</u>	<u>12.9%</u>
	<u>100.0%</u>	<u>100.0%</u>

NOTE 6 – CONCENTRATIONS

The Organization receives support from various foundations, corporate and individual donors, including \$206,475 and \$203,550 or approximately 15% and 17% of total revenue, respectively, from one foundation for the years ended December 31, 2013 and 2012. 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 purpose at December 31:

	<u>2013</u>	<u>2012</u>
Scholarships	<u>\$ -</u>	<u>\$ 4,794</u>

Temporarily restricted net assets of \$4,794 and \$19,321 were released from restrictions during 2013 and 2012, respectively, based on satisfaction of program restrictions

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013 and 2012

NOTE 8 – ENDOWMENT NET ASSETS

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

	2013	2012
Board designated endowment	\$ 2,602,162	\$ 2,299,190
Permanently restricted for endowment	215,900	190,900
	\$ 2,818,062	\$ 2,490,090

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, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets	\$ 2,602,162	\$ -	\$ 215,900	\$ 2,818,062

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013 and 2012

NOTE 8 – ENDOWMENT NET ASSETS (Continued)

Changes in Endowment Net Assets for the fiscal year ended December 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,299,190	\$ -	\$ 190,900	\$ 2,490,090
Investment return:				
Dividend income, net	62,617	-	-	62,617
Net appreciation (realized and unrealized)	240,355	-	-	240,355
Contributions	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Endowment net assets, end of year	<u>\$ 2,602,162</u>	<u>\$ -</u>	<u>\$ 215,900</u>	<u>\$ 2,818,062</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets	<u>\$ 2,299,190</u>	<u>\$ -</u>	<u>\$ 190,900</u>	<u>\$ 2,490,090</u>

Changes in Endowment Net Assets for the fiscal year ended December 31, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,064,155	\$ -	\$ 165,000	\$ 2,229,155
Investment return:				
Dividend income, net	61,909	-	-	61,909
Net appreciation (realized and unrealized)	173,126	-	-	173,126
Contributions	<u>-</u>	<u>-</u>	<u>25,900</u>	<u>25,900</u>
Endowment net assets, end of year	<u>\$ 2,299,190</u>	<u>\$ -</u>	<u>\$ 190,900</u>	<u>\$ 2,490,090</u>

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013 and 2012

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 accounting principles generally accepted in the United States of America, the Organization reports no deficiencies of this nature as of December 31, 2013 and 2012, 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>2013</u>	<u>2012</u>
Endowment	\$ 2,602,162	\$ 2,299,190
Capital improvements	<u>83,455</u>	<u>-</u>
	<u>\$ 2,685,617</u>	<u>\$ 2,299,190</u>

During 2013, 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

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013 and 2012

NOTE 10 – STAFFING AGREEMENT AND RETIREMENT PLAN (Continued)

Organization may match employee contributions at its discretion. During 2012, 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. During 2013, the Board of Directors approved to match 2012 employee contributions up to 3% of employee wages. The match of \$6,358 was approved, expensed, and paid in 2013. Subsequent to December 31, 2013, the Board of Directors approved to match 2013 employee contributions, up to 4% of employee wages. The match of \$9,511 was approved, expensed and paid in 2014.