

**SADDLE UP!**  
**FINANCIAL STATEMENTS**  
**December 31, 2004 and 2003**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Saddle Up!

We have audited the accompanying statements of financial position of Saddle Up! (a non-profit organization) as of December 31, 2004 and 2003, 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, 2004 and 2003, 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 3, 2005

**SADDLE UP!**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2004 and 2003**

**Assets**

	<u>2004</u>	<u>2003</u>
Current assets:		
Cash and cash equivalents	\$ 1,896,959	\$ 1,637,751
Pledges receivable - capital campaign	79,683	66,773
Receivable from United Way	24,218	18,014
Investments	<u>2,103</u>	<u>4,060</u>
Total current assets	<u>2,002,963</u>	<u>1,726,598</u>
Pledges receivable - capital campaign, net of current portion	93,446	151,600
Property and equipment, net of accumulated depreciation of \$252,152 and \$150,214	<u>3,346,521</u>	<u>3,386,945</u>
Total assets	<u><u>\$ 5,442,930</u></u>	<u><u>\$ 5,265,143</u></u>

**Liabilities and Net Assets**

Current liabilities:		
Accounts payable	\$ 3,295	\$ 2,477
Accrued expenses	<u>6,829</u>	<u>-</u>
Total current liabilities	<u>10,124</u>	<u>2,477</u>
Net assets:		
Unrestricted:		
Undesignated	2,354,988	2,422,863
Designated	1,718,900	1,543,861
Temporarily restricted	<u>1,358,918</u>	<u>1,295,942</u>
Total net assets	<u>5,432,806</u>	<u>5,262,666</u>
Total liabilities and net assets	<u><u>\$ 5,442,930</u></u>	<u><u>\$ 5,265,143</u></u>

See accompanying notes

**SADDLE UP!**  
**STATEMENT OF ACTIVITIES**  
Year ended December 31, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and gains:			
Contributions and grants, including in-kind contributions of \$24,373	\$ 337,353	\$ 71,538	\$ 408,891
Capital campaign contributions	-	40,560	40,560
Special events	99,886	-	99,886
Lesson fees	39,567	-	39,567
Interest	17,575	-	17,575
Donated services	12,529	-	12,529
Realized and unrealized losses on investment	(138)	-	(138)
Other income	11,277	-	11,277
	<u>518,049</u>	<u>112,098</u>	<u>630,147</u>
Total revenues			
	518,049	112,098	630,147
Net assets released from restrictions:			
Satisfaction of program restrictions	49,122	(49,122)	-
	<u>49,122</u>	<u>(49,122)</u>	<u>-</u>
Total revenues and gains	<u>567,171</u>	<u>62,976</u>	<u>630,147</u>
Expenses:			
Program services	381,180	-	381,180
Management and general	45,073	-	45,073
Fundraising	33,754	-	33,754
	<u>460,007</u>	<u>-</u>	<u>460,007</u>
Total expenses			
	460,007	-	460,007
Increase in net assets	107,164	62,976	170,140
Net assets at beginning of year	<u>3,966,724</u>	<u>1,295,942</u>	<u>5,262,666</u>
Net assets at end of year	<u>\$ 4,073,888</u>	<u>\$ 1,358,918</u>	<u>\$ 5,432,806</u>

See accompanying notes.



**SADDLE UP!**  
**STATEMENT OF ACTIVITIES**  
**Year ended December 31, 2003**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and gains:			
Contributions and grants, including in-kind contributions of \$24,212	\$ 1,337,334	\$ 18,014	\$ 1,355,348
Capital campaign contributions	-	790,430	790,430
Special events	101,734	-	101,734
Lesson fees	9,364	-	9,364
Interest	11,168	-	11,168
Donated services	9,000	-	9,000
Other income	16,798	-	16,798
Realized and unrealized (losses) gains on investment	<u>(47)</u>	<u>-</u>	<u>(47)</u>
Total revenues	<u>1,485,351</u>	<u>808,444</u>	<u>2,293,795</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>684,816</u>	<u>(684,816)</u>	<u>-</u>
Total revenues and gains	<u>2,170,167</u>	<u>123,628</u>	<u>2,293,795</u>
Expenses:			
Program services	227,223	-	227,223
Management and general	77,913	-	77,913
Fundraising	<u>19,271</u>	<u>-</u>	<u>19,271</u>
Total expenses	<u>324,407</u>	<u>-</u>	<u>324,407</u>
Increase in net assets	1,845,760	123,628	1,969,388
Net assets at beginning of year	<u>2,120,964</u>	<u>1,172,314</u>	<u>3,293,278</u>
Net assets at end of year	<u>\$ 3,966,724</u>	<u>\$ 1,295,942</u>	<u>\$ 5,262,666</u>

See accompanying notes.

**SADDLE UP!**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2004**

	Horseback Riding Program	Supporting Services			Total All Expenses
		Management and General	Fund Raising	Total Supporting	
Utilities	\$ 20,156	\$ 1,567	\$ 672	\$ 2,239	\$ 22,395
Repairs/maintenance and vehicles	20,626	-	-	-	20,626
Office supplies	2,743	3,033	1,141	4,174	6,917
Insurance, taxes and licensing	37,217	302	-	302	37,519
Miscellaneous	3,827	1,594	957	2,551	6,378
Depreciation	91,745	10,194	-	10,194	101,939
Salaries and taxes	148,795	19,960	12,702	32,662	181,457
Professional fees	1,290	6,496	-	6,496	7,786
Fundraisers	-	-	17,032	17,032	17,032
Promotional expense	770	-	673	673	1,443
Conferences and seminars	15,913	1,927	577	2,504	18,417
Horse, lesson & camps	38,098	-	-	-	38,098
	<u>\$ 381,180</u>	<u>\$ 45,073</u>	<u>\$ 33,754</u>	<u>\$ 78,827</u>	<u>\$ 460,007</u>

See accompanying notes.

**SADDLE UP!**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2003**

	Horseback Riding Program	Supporting Services Management and General	Fund Raising	Total Supporting	Total All Expenses
Utilities	\$ -	\$ 15,958	\$ -	\$ 15,958	\$ 15,958
Repairs and maintenance	9,302	-	-	-	9,302
Supplies	11,189	8,140	-	8,140	19,329
Insurance and licensing	16,103	6,901	-	6,901	23,004
Miscellaneous	3,767	3,766	-	3,766	7,533
Depreciation	82,779	9,195	-	9,195	91,974
Travel	1,076	119	-	119	1,195
Salaries and taxes	69,850	22,058	-	22,058	91,908
Professional fees	-	6,286	-	6,286	6,286
Telephone	3,557	1,832	-	1,832	5,389
Special events	-	-	4,707	4,707	4,707
Promotional expense	107	-	14,564	14,564	14,671
Conferences and seminars	8,313	1,027	-	1,027	9,340
Merchandise	6,679	-	-	-	6,679
Postage and newsletter	3,759	418	-	418	4,177
Vending expense	-	2,213	-	2,213	2,213
Loss on disposal of horses	1,742	-	-	-	1,742
In-kind veterinary services	9,000	-	-	-	9,000
	<u>\$ 227,223</u>	<u>\$ 77,913</u>	<u>\$ 19,271</u>	<u>\$ 97,184</u>	<u>\$ 324,407</u>

See accompanying notes.



**SADDLE UP!**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Increase in net assets	\$ 170,140	\$ 1,969,388
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	101,939	91,974
Donated property and equipment	(20,000)	(24,212)
Loss on disposal of fixed assets	-	1,742
Donation of investments	(4,156)	(5,029)
Realized and unrealized losses on investments	138	47
Changes in operating assets and liabilities:		
(Increase) decrease in pledges receivable from capital campaign	45,244	(203,511)
Increase in receivable from United Way	(6,204)	(1,137)
Decrease (increase) in prepaid expenses	-	565
(Decrease) increase in payables and accrued expenses	7,647	(187,697)
Net cash provided by operating activities	<u>294,748</u>	<u>1,642,130</u>
Cash flows from investing activities:		
Proceeds from sale of investments	5,975	922
Purchase of property and equipment	<u>(41,515)</u>	<u>(669,094)</u>
Net cash used in investing activities	<u>(35,540)</u>	<u>(668,172)</u>
Increase in cash and cash equivalents	259,208	973,958
Cash and cash equivalents at beginning of year	<u>1,637,751</u>	<u>663,793</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,896,959</u></u>	<u><u>\$ 1,637,751</u></u>
Supplemental disclosure:		
Noncash investing activities:		
Donation of property and equipment	\$ 20,000	\$ 24,212
Donation of investments	\$ 4,156	\$ 5,029

See accompanying notes.

**SADDLE UP!**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004 and 2003**

**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, 2004 and 2003.

**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.

**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, 2004 and 2003**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued**

**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:

Equipment and improvements	3 - 15 years
Horses	3 - 7 years
Buildings	40 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.

**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.

**SADDLE UP!**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**December 31, 2004 and 2003**

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following at December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Franklin National Bank checking	\$ -	\$ 93,890
Franklin National Bank checking – development account	-	1,523,762
Franklin National Bank checking – capital improvement account	-	20,099
Fifth Third Bank checking	178,059	-
Fifth Third Bank checking – development account	226,569	-
Fifth Third Bank checking – capital improvement account	92,331	-
Fifth Third Bank certificate of deposit – development account, interest rate of 2.52%, maturing in March 2005	<u>1,400,000</u>	<u>-</u>
	<u>\$1,896,959</u>	<u>\$1,637,751</u>

**NOTE 3 – PLEDGES RECEIVABLE**

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

	<u>2004</u>	<u>2003</u>
Pledges receivable	\$ 180,183	\$ 233,006
Less discount to net present value (5%)	<u>(7,054)</u>	<u>(14,633)</u>
Net unconditional promises to give	<u>\$ 173,129</u>	<u>\$ 218,373</u>
Receivable in less than one year	\$ 79,683	\$ 66,773
Receivable in one to five years, net	<u>93,446</u>	<u>151,600</u>
	<u>\$ 173,129</u>	<u>\$ 218,373</u>

At December 31, 2004 and 2003, all unconditional promises to give for the capital campaign are believed to be fully collectible. Accordingly, no provision is made for uncollectible amounts.



**SADDLE UP!**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**December 31, 2004 and 2003**

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Land	\$ 655,730	\$ 655,730
Buildings	348,451	348,451
Equipment and improvements	239,130	192,061
Arena	2,307,562	2,304,817
Horses	<u>47,800</u>	<u>36,100</u>
	3,598,673	3,537,159
Less accumulated depreciation	<u>(252,152)</u>	<u>(150,214)</u>
	<u><u>\$3,346,521</u></u>	<u><u>\$3,386,945</u></u>

**NOTE 5 – INVESTMENTS**

Investments consist of the following:

	<u>2004</u>	<u>2003</u>
Common stock	\$ 2,103	\$ 4,060

During 2004 and 2003, realized and unrealized losses on investments totaled \$138 and \$47, respectively.

**NOTE 6 – LINE OF CREDIT**

At December 31, 2004, 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 (5.25 percent at December 31, 2004). The agreement requires monthly payments of interest only and expires in December 2005. As of December 31, 2004, 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>2004</u>	<u>2003</u>
Land	\$ 655,730	\$ 655,730
Buildings	348,451	348,451
Funds restricted for the capital campaign	283,199	273,747
United Way contributions for future periods	24,218	18,014
Contributions for future periods	<u>47,320</u>	<u>-</u>
	<u><u>\$1,358,918</u></u>	<u><u>\$1,295,942</u></u>



**SADDLE UP!**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**December 31, 2004 and 2003**

**NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS - Continued**

The Organization's land and building remain restricted for a term of five 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 \$49,122 and \$684,816 were released from restrictions during 2004 and 2003, 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, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Capital improvement	\$ 92,331	\$ 20,099
Development	<u>1,626,569</u>	<u>1,523,762</u>
	<u>\$1,718,900</u>	<u>\$1,543,861</u>

Development net assets are held with the intention of eventually establishing an endowment for the Organization of approximately \$2,500,000.

**NOTE 9 – RECLASSIFICATION**

Certain amounts from the 2003 financial statements have been reclassified to conform with the 2004 presentation.

**NOTE 10 – 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 operating and capital improvement contributions of \$200,000 from a major donor during 2004. The Organization received operating and capital campaign contributions of \$1,700,000 and additional capital campaign pledges of \$250,000 from a major donor during 2003.

The Organization maintains deposits in financial institutions which exceeded federally insured amounts at December 31, 2004 and 2003. In management's opinion, risk relating to these deposits is minimal.