

SADDLE UP!

FINANCIAL STATEMENTS

December 31, 2014 and 2013

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 financial statements of Saddle Up! (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, 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, 2014 and 2013, 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.

Frasier, Dean + Howard, PLLC

Nashville, Tennessee
April 7, 2015

SADDLE UP!
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,566,142	\$ 1,578,454
Accounts and pledges receivable	3,391	554
Total current assets	1,569,533	1,579,008
Investments	3,060,774	2,742,162
Property and equipment, net of accumulated depreciation of \$1,129,801 and \$1,032,131	2,582,649	2,655,522
Total assets	\$ 7,212,956	\$ 6,976,692
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 7,900	\$ 6,876
Accrued expenses	8,177	6,322
Deferred revenue	5,705	9,142
Total current liabilities	21,782	22,340
Net assets:		
Unrestricted:		
Undesignated	3,954,300	4,052,835
Designated	2,927,602	2,685,617
Temporarily restricted	67,622	-
Permanently restricted	241,650	215,900
Total net assets	7,191,174	6,954,352
Total liabilities and net assets	\$ 7,212,956	\$ 6,976,692

See accompanying notes.

SADDLE UP!
STATEMENT OF ACTIVITIES
Year ended December 31, 2014

	<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 \$42,084	\$ 564,338	\$ 72,000	\$ 25,750	\$ 662,088
Special events	302,642	-	-	302,642
Lesson fees, net of scholarships applied of \$16,480	144,578	-	-	144,578
Interest and dividends, net of fees	83,696	-	-	83,696
Realized and unrealized gains on investments	39,857	-	-	39,857
Clinics and seminars	24,091	-	-	24,091
Donated services	10,892	-	-	10,892
Other income	740	-	-	740
Loss on disposal of property and equipment	(13,318)	-	-	(13,318)
	<u>1,157,516</u>	<u>72,000</u>	<u>25,750</u>	<u>1,255,266</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	4,378	(4,378)	-	-
	<u>1,161,894</u>	<u>67,622</u>	<u>25,750</u>	<u>1,255,266</u>
Total revenues and gains				
Expenses:				
Horseback riding program	771,747	-	-	771,747
Management and general	63,388	-	-	63,388
Fundraising	183,309	-	-	183,309
	<u>1,018,444</u>	<u>-</u>	<u>-</u>	<u>1,018,444</u>
Total expenses				
Change in net assets	143,450	67,622	25,750	236,822
Net assets at beginning of year	<u>6,738,452</u>	<u>-</u>	<u>215,900</u>	<u>6,954,352</u>
Net assets at end of year	<u>\$ 6,881,902</u>	<u>\$ 67,622</u>	<u>\$ 241,650</u>	<u>\$ 7,191,174</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 FUNCTIONAL EXPENSES
Year ended December 31, 2014

	Horse-Based Programs	Supporting Services			Total Expenses
		Management and General	Fund Raising	Total Supporting	
Salaries and taxes	\$ 458,017	\$ 35,424	\$ 96,055	\$ 131,479	\$ 589,496
Depreciation	99,968	11,107	-	11,107	111,075
Fundraisers, including in-kind expenses of \$22,454	-	-	76,265	76,265	76,265
Horse, lessons and camps, including in-kind expenses of \$15,572	55,047	-	-	-	55,047
Insurance, taxes and licensing	50,107	1,520	-	1,520	51,627
Utilities	28,258	-	-	-	28,258
Repairs/maintenance and vehicles	22,974	-	-	-	22,974
Promotional expense	16,586	-	5,499	5,499	22,085
Conferences and seminars	19,103	48	142	190	19,293
Professional fees	5,960	8,558	1,194	9,752	15,712
Miscellaneous	6,855	3,866	2,498	6,364	13,219
Office supplies	3,773	2,865	1,656	4,521	8,294
Grant expenses	5,099	-	-	-	5,099
Total	\$ 771,747	\$ 63,388	\$ 183,309	\$ 246,697	\$ 1,018,444

See accompanying notes.

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

	Horse-Based Programs	Supporting Services			Total Expenses
		Management and General	Fund Raising	Total Supporting	
Salaries and taxes	\$ 386,423	\$ 45,501	\$ 90,437	\$ 135,938	\$ 522,361
Depreciation	96,971	10,774	-	10,774	107,745
Fundraisers, including in-kind expenses of \$31,691	-	-	82,921	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	-	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	9,725	20,190
Miscellaneous	8,125	7,502	3,609	11,111	19,236
Conferences and seminars	17,876	116	-	116	17,992
Grant expenses	15,702	141	600	741	16,443
Office supplies, including in-kind expenses of \$750	4,470	3,101	1,944	5,045	9,515
Promotional expense	6,192	-	2,199	2,199	8,391
Total	\$ 690,603	\$ 77,351	\$ 182,635	\$ 259,986	\$ 950,589

See accompanying notes.

SADDLE UP!
STATEMENTS OF CASH FLOWS
Years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 236,822	\$ 390,754
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	111,075	107,745
Donated property and equipment	(12,950)	(19,900)
Contributions to permanently restricted net assets	(25,750)	(25,000)
Loss on disposal of property and equipment	13,318	5,763
Realized and unrealized gains on investments	(39,857)	(240,355)
Reinvested dividend income, net of investment fees	(78,755)	(62,617)
Changes in operating assets and liabilities:		
Accounts and pledges receivable	(2,837)	2,320
Accounts payable	1,024	1,861
Accrued expenses	1,855	(745)
Deferred revenue	(3,437)	(10,886)
Net cash provided by operating activities	<u>200,508</u>	<u>148,940</u>
Cash flows from investing activities:		
Proceeds from sale of investments	682,439	375,976
Purchase of investments	(882,439)	(425,976)
Purchase of property and equipment	(38,570)	(58,342)
Proceeds from sale of property and equipment	-	1,250
Net cash used in investing activities	<u>(238,570)</u>	<u>(107,092)</u>
Cash flows from financing activities:		
Contributions to permanently restricted net assets	<u>25,750</u>	<u>25,000</u>
Net cash provided by financing activities	<u>25,750</u>	<u>25,000</u>
(Decrease) increase in cash and cash equivalents	(12,312)	66,848
Cash and cash equivalents at beginning of year	<u>1,578,454</u>	<u>1,511,606</u>
Cash and cash equivalents at end of year	<u>\$ 1,566,142</u>	<u>\$ 1,578,454</u>
Supplemental disclosure:		
Noncash investing activities:		
Donation of property and equipment	<u>\$ 12,950</u>	<u>\$ 19,900</u>

See accompanying notes.

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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 generally 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.

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NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014 and 2013

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	2 - 20 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, 2011 through December 31, 2014.

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

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NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014 and 2013

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, 2014 and 2013, volunteers provided approximately 17,400 and 17,100 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

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NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014 and 2013

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.

Subsequent Events

The Organization evaluated subsequent events through April 7, 2015, 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>2014</u>	<u>2013</u>
Avenue Bank – insured cash sweep account	\$ 713,390	\$ 713,390
First Tennessee – checking account	256,050	255,879
Avenue Bank – checking account	230,116	233,862
Avenue Bank – money market	191,921	116,291
Wells Fargo – checking account	108,478	83,455
First Tennessee – checking account	64,637	9,627
Wells Fargo – checking account	1,500	165,900
Petty cash	<u>50</u>	<u>50</u>
	<u>\$ 1,566,142</u>	<u>\$ 1,578,454</u>

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NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014 and 2013

NOTE 3 – ACCOUNTS AND PLEDGES RECEIVABLE

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

	<u>2014</u>	<u>2013</u>
Fundraising pledges	\$ 2,015	\$ -
Program fees	<u>1,376</u>	<u>554</u>
Total accounts and pledges receivable	<u>\$ 3,391</u>	<u>\$ 554</u>

At December 31, 2014 and 2013, 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 2014 and 2013. At December 31, 2014 and 2013, 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>2014</u>	<u>2013</u>
Land	\$ 655,730	\$ 655,730
Buildings	186,778	186,778
Equipment and improvements	503,723	468,984
Arena	2,298,170	2,307,562
Horses	<u>68,049</u>	<u>68,599</u>
	3,712,450	3,687,653
Less accumulated depreciation	<u>(1,129,801)</u>	<u>(1,032,131)</u>
	<u>\$ 2,582,649</u>	<u>\$2,655,522</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).

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NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014 and 2013

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.

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NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014 and 2013

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, 2014:

	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>
Money market funds	\$ 16,397	\$ 16,397	\$ -
Diversified Trust bond funds	1,067,951	344,737	723,214
Diversified Trust equity funds	<u>1,976,426</u>	<u>953,248</u>	<u>1,023,178</u>
Total investments at fair value:	<u>\$ 3,060,774</u>	<u>\$ 1,314,382</u>	<u>\$ 1,746,392</u>

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

	<u>2014</u>	<u>2013</u>
Interest and dividend income, net of fees of \$12,415 and \$11,168, respectively	\$ 83,696	\$ 68,377
Realized and unrealized gains on investments	<u>39,857</u>	<u>240,355</u>
	<u>\$ 123,553</u>	<u>\$ 308,732</u>

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NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014 and 2013

NOTE 5 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

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

	<u>2014</u>	<u>2013</u>
Cash and equivalents	0.5%	1.9%
Short-term fixed income	12.7%	9.2%
Intermediate fixed income	22.2%	24.6%
Large cap U.S. equity	21.8%	14.3%
Small/Mid cap U.S. equity	4.4%	5.4%
International equity	25.3%	21.8%
MLPs	5.5%	11.6%
Opportunistic equity	<u>7.6%</u>	<u>11.2%</u>
	<u>100.0%</u>	<u>100.0%</u>

NOTE 6 – CONCENTRATIONS

The Organization receives support from various foundations, corporate and individual donors, including \$209,382 and \$206,475 or approximately 17% and 15% of total revenue and gains, respectively, from one foundation for the years ended December 31, 2014 and 2013. 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>2014</u>	<u>2013</u>
Technology	\$ 2,025	\$ -
Hippotherapy program	<u>65,597</u>	<u>-</u>
	<u>67,622</u>	<u>-</u>

Temporarily restricted net assets of \$4,378 and \$4,794 were released from restrictions during 2014 and 2013, respectively, based on satisfaction of program restrictions.

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NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014 and 2013

NOTE 8 – ENDOWMENT NET ASSETS

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

	2014	2013
Board designated endowment	\$ 2,819,124	\$ 2,602,162
Permanently restricted for endowment	241,650	215,900
	\$ 3,060,774	\$ 2,818,062

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, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets	\$ 2,819,124	\$ -	\$ 241,650	\$ 3,060,774

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014 and 2013

NOTE 8 – ENDOWMENT NET ASSETS (Continued)

Changes in Endowment Net Assets for the fiscal year ended December 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,602,162	\$ -	\$ 215,900	\$ 2,818,062
Investment return:				
Dividend income, net	78,755	-	-	78,755
Net appreciation (realized and unrealized)	39,857	-	-	39,857
Contributions	<u>98,350</u>	<u>-</u>	<u>25,750</u>	<u>124,100</u>
Endowment net assets, end of year	<u>\$ 2,819,124</u>	<u>\$ -</u>	<u>\$ 241,650</u>	<u>\$ 3,060,774</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2013:

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

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>

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014 and 2013

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, 2014 and 2013, 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>2014</u>	<u>2013</u>
Endowment	\$ 2,819,124	\$ 2,602,162
Capital improvements	<u>108,478</u>	<u>83,455</u>
	<u>\$ 2,927,602</u>	<u>\$ 2,685,617</u>

During 2014, the board continued efforts to expand a board designated endowment with a goal of accumulating \$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,

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014 and 2013

NOTE 10 – STAFFING AGREEMENT AND RETIREMENT PLAN (Continued)

each eligible employee may contribute a percentage of wages subject to certain limitations. The Organization may match employee contributions at its discretion. 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. During 2014, 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. Subsequent to December 31, 2014, the Board of Directors approved to match 2014 employee contributions, up to 4% of employee wages. The match of \$10,917 was approved in 2015, but not yet paid at the time of this report.