

Therapeutic Riding, Inc.
(a nonprofit Michigan corporation)
Ann Arbor, Michigan

Financial Statements

December 31, 2015 and 2014

Therapeutic Riding, Inc.

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Independent Accountants' Review Report

To the Board of Directors
Therapeutic Riding, Inc.
Ann Arbor, Michigan

We have reviewed the accompanying financial statements of Therapeutic Riding, Inc. (a Michigan nonprofit corporation) which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Altruic Advisors, PLLC

Certified Public Accountants

Ann Arbor, Michigan
May 27, 2016

Therapeutic Riding, Inc.

Statements of Financial Position

December 31	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 295,251	\$ 454,355
Pledges receivable	1,000	5,000
Other current assets	389	-
Total current assets	<u>296,640</u>	<u>459,355</u>
Other Assets		
Restricted cash and cash equivalents	115,077	104,448
Operating investments	183,064	-
Endowment		
Investments	67,950	66,920
Property and equipment, net of accumulated depreciation	<u>2,231,442</u>	<u>2,252,135</u>
Total other assets	<u>2,597,533</u>	<u>2,423,503</u>
Total assets	<u>\$ 2,894,173</u>	<u>\$ 2,882,858</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 2,654	\$ 1,555
Accrued wages and payroll taxes	17,830	10,485
Deferred revenue	350	7,433
Total current liabilities	<u>20,834</u>	<u>19,473</u>
Net Assets		
Unrestricted		
Property and equipment	2,231,442	2,252,135
Capital needs	163,350	163,350
Operations	106,900	106,900
Undesignated	175,475	158,574
Total unrestricted net assets	<u>2,677,167</u>	<u>2,680,959</u>
Temporarily restricted net assets	139,172	125,426
Permanently restricted net assets	57,000	57,000
Total net assets	<u>2,873,339</u>	<u>2,863,385</u>
Total liabilities and net assets	<u>\$ 2,894,173</u>	<u>\$ 2,882,858</u>

The accompanying Notes which are an integral part of these financial statements and the Independent Accountants' Review Report on Page 1 should be read with these financial statements

Therapeutic Riding, Inc.

Statement of Activities

Year ended December 31, 2015

	<u>Unrestricted</u>
Support, Revenue, and Gains	
Support	
Donations	\$ 231,013
Special events	78,460
In-kind donations and services	10,306
Net assets released from restrictions	2,562
Total support	<u>322,341</u>
Revenue and Gains	
Classes, net of discounts of \$2,375	68,395
Sale of tack and merchandise, net of cost of goods sold of \$2,576	1,389
Net depreciation of investments	(430)
Interest and dividends	1,108
Miscellaneous income	7,894
Total revenue and gains	<u>78,356</u>
 Total support, revenue, and gains	<u>400,697</u>
Functional Expenses and Losses	
Functional Expenses	
Program Services	<u>311,176</u>
Supporting Services	
General and administrative	36,889
Fundraising	56,161
Total supporting services	<u>93,050</u>
 Total functional expenses	<u>404,226</u>
 Loss on disposal of assets	<u>263</u>
 Total functional expenses and losses	<u>404,489</u>
 Change in Net Assets	(3,792)
Net Assets, Beginning of Year	
As Previously Stated	2,680,959
Prior Period Adjustment	-
Net Assets, Beginning of Year	<u>2,680,959</u>
As Restated	<u>2,680,959</u>
 Net Assets, End of Year	<u><u>\$ 2,677,167</u></u>

Temporarily Restricted	Permanently Restricted	Total
\$ 15,278	\$ -	\$ 246,291
-	-	78,460
-	-	10,306
(2,562)	-	-
<u>12,716</u>	<u>-</u>	<u>335,057</u>
-	-	68,395
-	-	1,389
(1,060)	-	(1,490)
2,090	-	3,198
-	-	7,894
<u>1,030</u>	<u>-</u>	<u>79,386</u>
<u>13,746</u>	<u>-</u>	<u>414,443</u>
-	-	311,176
-	-	36,889
-	-	56,161
<u>-</u>	<u>-</u>	<u>93,050</u>
-	-	404,226
-	-	263
-	-	404,489
<u>13,746</u>	<u>-</u>	<u>9,954</u>
125,426	57,000	2,863,385
<u>-</u>	<u>-</u>	<u>-</u>
<u>125,426</u>	<u>57,000</u>	<u>2,863,385</u>
<u>\$ 139,172</u>	<u>\$ 57,000</u>	<u>\$ 2,873,339</u>

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Therapeutic Riding, Inc.

Statement of Activities

Year ended December 31, 2014

	<u>Unrestricted</u>
Support, Revenue, and Gains	
Support	
Donations	\$ 253,519
Special events	53,617
In-kind donations and services	9,579
Net assets released from restrictions	19,823
Total support	<u>336,538</u>
Revenue and Gains	
Classes, net of discounts of \$2,250	67,281
Sale of tack and merchandise, net of cost of goods sold of \$2,191	838
Net appreciation of investments	-
Interest and dividends	96
Miscellaneous income	200
Total revenue and gains	<u>68,415</u>
Total support, revenue, and gains	<u>404,953</u>
Functional Expenses	
Program Services	<u>272,499</u>
Supporting Services	
General and administrative	36,493
Fundraising	57,782
Total supporting services	<u>94,275</u>
Total functional expenses	<u>366,774</u>
Change in Net Assets	38,179
Net Assets, Beginning of Year	
As Previously Stated	2,642,780
Prior Period Adjustment	<u>-</u>
Net Assets, Beginning of Year	
As Restated	<u>2,642,780</u>
Net Assets, End of Year	<u><u>\$ 2,680,959</u></u>

Temporarily Restricted	Permanently Restricted	Total
\$ 23,399	\$ -	\$ 276,918
-	-	53,617
-	-	9,579
(19,823)	-	-
<u>3,576</u>	<u>-</u>	<u>340,114</u>
-	-	67,281
-	-	838
1,889	-	1,889
2,291	-	2,387
-	-	200
<u>4,180</u>	<u>-</u>	<u>72,595</u>
<u>7,756</u>	<u>-</u>	<u>412,709</u>
-	-	272,499
-	-	36,493
-	-	57,782
<u>-</u>	<u>-</u>	<u>94,275</u>
-	-	366,774
7,756	-	45,935
174,670	-	2,817,450
(57,000)	57,000	-
<u>117,670</u>	<u>57,000</u>	<u>2,817,450</u>
<u>\$ 125,426</u>	<u>\$ 57,000</u>	<u>\$ 2,863,385</u>

The accompanying Notes which are an integral part of these financial statements and the Independent Accountants' Review Report on Page 1 should be read with these financial statements

Therapeutic Riding, Inc.

Statement of Functional Expenses

Year ended December 31, 2015

	Program Services	Supporting Services	
		General and Administrative	Fundraising
Salaries and wages	\$ 135,944	\$ 18,790	\$ 26,333
Payroll taxes and other benefits	8,460	468	1,793
Total personnel costs	<u>144,404</u>	<u>19,258</u>	<u>28,126</u>
Special events	8,427	-	18,342
Supplies for horses	26,438	-	-
Insurance	13,058	974	2,479
Utilities	13,752	440	-
Professional fees	6,807	7,316	-
Repairs and maintenance	12,078	-	-
Supplies - other	3,786	3,357	-
Other fundraising costs	-	-	6,793
Miscellaneous	5,063	596	298
Bad debt expense	5,000	-	-
Newsletter	2,714	-	-
Telephone	2,083	245	123
Dues and subscriptions	900	-	-
Postage	-	656	-
Printing	-	540	-
Travel and mileage	42	-	-
Total expenses before depreciation	<u>244,552</u>	<u>33,382</u>	<u>56,161</u>
Depreciation	<u>66,624</u>	<u>3,507</u>	<u>-</u>
Total expenses	<u>\$ 311,176</u>	<u>\$ 36,889</u>	<u>\$ 56,161</u>

<u>Total</u>	<u>Total Expenses</u>
\$ 45,123	\$ 181,067
2,261	10,721
<u>47,384</u>	<u>191,788</u>
18,342	26,769
-	26,438
3,453	16,511
440	14,192
7,316	14,123
-	12,078
3,357	7,143
6,793	6,793
894	5,957
-	5,000
-	2,714
368	2,451
-	900
656	656
540	540
-	42
<u>89,543</u>	<u>334,095</u>
<u>3,507</u>	<u>70,131</u>
<u>\$ 93,050</u>	<u>\$ 404,226</u>

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Therapeutic Riding, Inc.

Statement of Functional Expenses

Year ended December 31, 2014

	Program Services	Supporting Services	
		General and Administrative	Fundraising
Salaries and wages	\$ 89,368	\$ 13,135	\$ 31,219
Payroll taxes and other benefits	17,585	973	3,728
Total personnel costs	<u>106,953</u>	<u>14,108</u>	<u>34,947</u>
Repairs and maintenance	26,233	-	-
Supplies for horses	23,125	-	-
Professional fees	11,139	11,972	-
Special events	8,427	-	10,173
Insurance	13,081	976	2,483
Utilities	13,920	445	-
Other fundraising costs	-	-	10,075
Miscellaneous	1,123	3,550	-
Supplies - other	1,483	1,327	-
Newsletter	2,231	-	-
Telephone	1,772	209	104
Dues and subscriptions	900	-	-
Postage	-	641	-
Travel and mileage	<u>126</u>	<u>3</u>	<u>-</u>
Total expenses before depreciation	210,513	33,231	57,782
Depreciation	<u>61,986</u>	<u>3,262</u>	<u>-</u>
Total expenses	<u>\$ 272,499</u>	<u>\$ 36,493</u>	<u>\$ 57,782</u>



<u>Total</u>	<u>Total Expenses</u>
\$ 44,354	\$ 133,722
4,701	22,286
<u>49,055</u>	<u>156,008</u>
-	26,233
-	23,125
11,972	23,111
10,173	18,600
3,459	16,540
445	14,365
10,075	10,075
3,550	4,673
1,327	2,810
-	2,231
313	2,085
-	900
641	641
<u>3</u>	<u>129</u>
91,013	301,526
<u>3,262</u>	<u>65,248</u>
<u>\$ 94,275</u>	<u>\$ 366,774</u>

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Therapeutic Riding, Inc.

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31	2015	2014
Cash Flows From Operating Activities		
Change in net assets	\$ 9,954	\$ 45,935
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	70,131	65,248
Donated property and equipment	-	(2,428)
Net unrealized loss (gain) on investments	1,490	(1,889)
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	-	500
Pledges receivable	4,000	15,000
Other current assets	(389)	12,331
Accounts payable	1,099	836
Accrued wages and payroll taxes	7,345	(1,567)
Deferred revenue	(7,083)	2,883
Net cash provided by operating activities	<u>86,547</u>	<u>136,849</u>
Cash Flows From Investing Activities		
Transfers to restricted cash	(10,629)	(6,136)
Purchase of operating investments	(193,516)	-
Proceeds from sales of operating investments	10,023	-
Additions to endowment	(2,091)	(2,291)
Purchases of property and equipment	(49,438)	(17,293)
Net cash used by investing activities	<u>(245,651)</u>	<u>(25,720)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(159,104)	111,129
Cash and Cash Equivalents, Beginning of Year	<u>454,355</u>	<u>343,226</u>
Cash and Cash Equivalents, End of Year	<u>\$ 295,251</u>	<u>\$ 454,355</u>

The accompanying Notes which are an integral part of these financial statements and the Independent Accountants' Review Report on Page 1 should be read with these financial statements

Therapeutic Riding, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

Note 1 - Nature of Organization and Significant Accounting Policies

Nature of Organization. Therapeutic Riding, Inc. ("the Organization"), was originally incorporated in 1984 as Horse Riding Therapy, Inc., and is a volunteer-based non-profit organization. The Organization's mission is to provide a therapeutic environment through horseback riding and other activities for people with disabilities or other challenges.

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.

Basis of Accounting. The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Net Asset Restriction Classification. The Organization has adopted accounting standards which require that the Organization distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. These standards require that resources be classified for reporting purposes into three net asset categories according to externally (donor) imposed restrictions. The three net asset categories are as follows:

Unrestricted net assets. Net assets 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. Once the stipulation is met, the assets are released from restriction and the expenditure is recorded in the activities of unrestricted net assets.

Permanently restricted net assets. Net assets subject to donor-imposed stipulations that require the donated assets to be maintained permanently by the Organization. Generally, the donors of these assets would permit the Organization to use all or part of the income earned on the corpus for general or specific purposes.

Functional Allocation of Expenses. Direct expenses have been allocated to the applicable program for which the expense was incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Cash and Cash Equivalents. The Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Restricted cash. Restricted cash consists of funds that can be used only for specific purposes as specified by donors. These funds are released from restriction when the donor stipulations are met. As of December 31, 2015 and 2014, the restricted purposes relate to building maintenance, horse acquisition, and need-based financial assistance for riders.

Therapeutic Riding, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Pledges Receivable. Pledges receivable are presented at their estimated collectable amount net of any present value discount. Management has determined that contributions receivable are substantially collectable and as such, no provision has been made for doubtful accounts.

Fair Value Measurements. The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That 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 or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 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:

- 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; and
- 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 asset's 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.

Property and Equipment. It is the Organization's policy to capitalize property and equipment at cost for purchases over \$500, while repair and maintenance items are charged to expense. Donations of property and equipment are capitalized at their estimated fair value at the date of gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment is depreciated using straight-line methods over the estimated useful lives of the assets. In general, asset lives are as follows:

Therapeutic Riding, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

	<u>Life in Years</u>
Land and buildings	5 - 40
Improvements	7 - 30
Equipment	3 - 7
Horses and tack	5 - 7

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that property and equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended December 31, 2015 and 2014.

Revenue Recognition. All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support. Investment income that is limited to specific uses by donor restrictions is reported as unrestricted if the restrictions are met in the same reporting period as the income is recognized.

Contributions. Contributions are recognized when the donation is received. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributed Services. Contributed services are recognized if the services received satisfy the criteria for recognition. The contributions of services are recognized if services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services including veterinary care, as recognized in the financial statements, was \$4,000 for each of the years ended December 31, 2015 and 2014.

A substantial number of other individuals have made contributions of their time to assist the Organization in a variety of tasks and services. The value of these services is not recorded in the accompanying financial statements, as these services do not meet the criteria for recognition under ASC 958-205.

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through May 27, 2016, the date at which the financial statements were available for release.

Therapeutic Riding, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

Note 2 – Prior Period Adjustment

The Organization has recorded a prior period adjustment to correct a financial reporting error discovered by management after the release of the financial statements for the year ended December 31, 2014. This error relates to the classification of net assets held by the Organization prior to December 31, 2013. The financial statements have been restated to increase permanently restricted net assets by \$57,000 and decrease temporarily restricted net assets by \$57,000 as of January 1, 2014.

Note 3 – Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2015</u>	<u>2014</u>
Land and building	\$ 1,544,381	\$ 1,544,381
Improvements	870,300	826,678
Equipment	125,237	125,182
Horses and tack	37,393	38,143
	<u>2,577,311</u>	<u>2,534,384</u>
Less accumulated depreciation	<u>(345,869)</u>	<u>(282,249)</u>
	<u>\$ 2,231,442</u>	<u>\$ 2,252,135</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$70,131 and \$65,248, respectively.

Note 4 – Endowment

The Board of Directors has interpreted the Michigan Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2015, there were no such donor stipulations. As a result, of this interpretation, management classifies as permanently restricted net assets (a) the original value of the of the gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment, and (c) accumulations of the Endowment made in accordance with the direction of applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor restricted endowment is classified as temporarily net assets until those amounts are appropriated for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. Management considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

- The duration and preservation of the fund
- The purpose of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Therapeutic Riding, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

Note 4 – Endowment (continued)

As of December 31, 2015 and 2014, the Organization had the following endowment net asset composition by type of fund:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>December 31, 2015</u>			
Donor-restricted endowment funds	<u>\$ 10,950</u>	<u>\$ 57,000</u>	<u>\$ 67,950</u>
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>December 31, 2014</u>			
Donor-restricted endowment funds	<u>\$ 9,920</u>	<u>\$ 57,000</u>	<u>\$ 66,920</u>

Investment and Spending Policy

The Organization has adopted investment and spending policies for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment 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 as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a very low level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 3 percent annually. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization, based on current market conditions, may choose to invest in FDIC insured instruments rather than a diverse portfolio of stocks and bonds to achieve its long-term return objectives within prudent risk constraints.

The Organization follows the policy for appropriating distributions from the funds which it holds and controls established in the Endowment fund documents. The Peplau endowment is to provide perpetual income to the Organization to help maintain the riding center facility. Further, the assets are to be invested in conservative instruments. In agreeing to this policy, the Organization considered the long-term expected return on this endowment. This is consistent with the Organization's objective to maintain purchase power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets for the year ended December 31, 2015 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 9,920</u>	<u>\$ 57,000</u>	<u>\$ 66,920</u>
Investment income	<u>2,091</u>	<u>-</u>	<u>2,091</u>
Net depreciation of investments	<u>(1,061)</u>	<u>-</u>	<u>(1,061)</u>
	<u>\$ 10,950</u>	<u>\$ 57,000</u>	<u>\$ 67,950</u>

Therapeutic Riding, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

Note 4 – Endowment (continued)

Changes in endowment net assets for the year ended December 31, 2014 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 5,740	\$ 57,000	\$ 62,740
Investment income	2,291	-	2,291
Net appreciation of investments	1,889	-	1,889
	<u>\$ 9,920</u>	<u>\$ 57,000</u>	<u>\$ 66,920</u>

Note 5 - Investments and Fair Value Measurements

The following tables present assets measured at fair value on a recurring basis, at December 31, 2015.

	Total	Level 1	Level 2
Operating investments			
Mutual Funds:			
Fixed income funds	\$ 33,073	\$ 33,073	\$ -
Exchange traded funds	5,902	5,902	-
Corporate bonds	49,982	-	49,982
Government bonds	59,853	-	59,853
Certificates of deposit	28,954	-	28,954
Money market	5,300	5,300	-
	<u>\$ 183,064</u>	<u>\$ 44,275</u>	<u>\$ 138,789</u>
Endowment investments			
Mutual Funds:			
Fixed income funds	\$ 13,194	\$ 13,194	\$ -
Exchange traded funds	3,279	3,279	-
Corporate bonds	27,454	-	27,454
Government bonds	14,934	-	14,934
Certificates of deposit	8,997	-	8,997
Money market	92	92	-
	<u>\$ 67,950</u>	<u>\$ 16,565</u>	<u>\$ 51,385</u>

Therapeutic Riding, Inc.

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Note 5 - Investments and Fair Value Measurements (continued)

The following table presents assets measured at fair value on a recurring basis, at December 31, 2014.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Endowment investments			
Mutual Funds:			
Fixed income funds	\$ 12,637	\$ 12,637	\$ -
Exchange traded funds	3,219	3,219	-
Corporate bonds	39,061	-	39,061
Government bonds	5,012	-	5,012
Certificates of deposit	6,984	-	6,984
Money market	7	-	7
	<u>\$ 66,920</u>	<u>\$ 15,856</u>	<u>\$ 51,064</u>

The following is a description of the valuation methods used for the Organization's assets measured at fair value in the above tables:

Mutual Funds and exchange traded funds. These investments are publicly traded investments, which are valued at the daily closing price of the instrument and are classified within Level 1.

Corporate bonds, government obligations, and certificates of deposit. These investments are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market rate assumptions, and are classified within Level 2.

Changes in Fair Value Levels. The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Note 6 - Conservation Easement Agreement

In 2008, the Organization entered into a perpetual conservation easement agreement with the Washtenaw Land Trust for the purposes of preserving and protecting the Organization's land on which the Organization operates. The agreement prohibits certain actions including, but not limited to, land division, certain commercial and industrial activities, construction, cutting vegetation, dumping, and oil, gas, and mineral extraction. The Organization retains all right, title, and interest in the property including the right to sell, mortgage, or donate all or a portion of the property. This agreement holds no monetary value to the Organization.

Therapeutic Riding, Inc.

Notes to Financial Statements

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Note 7 - Temporarily Restricted Net Assets

The balances of temporarily restricted net assets at December 31, 2015 and 2014 are as follows:

	January 1 2015	Receipts	Disbursements	December 31 2015
Capital campaign	\$ 73,504	\$ 7,975	\$ -	\$ 81,479
Endowment fund	9,920	1,030	-	10,950
Zirinski scholarship program	28,042	5,047	2,395	30,694
Fencing/pasture improvements	9,291	-	-	9,291
Horse acquisition fund	2,902	1	-	2,903
Wish list	1,767	2,255	167	3,855
	<u>\$ 125,426</u>	<u>\$ 16,308</u>	<u>\$ 2,562</u>	<u>\$ 139,172</u>

	January 1 2014	Receipts	Disbursements	December 31 2014
Capital campaign	\$ 65,582	\$ 15,065	\$ 7,143	\$ 73,504
Endowment fund	5,740	4,180	-	9,920
Zirinski scholarship program	25,268	5,024	2,250	28,042
Fencing/pasture improvements	9,291	-	-	9,291
Horse acquisition fund	7,462	460	5,020	2,902
Wish list	-	2,850	1,083	1,767
Drainage project	4,327	-	4,327	-
	<u>\$ 117,670</u>	<u>\$ 27,579</u>	<u>\$ 19,823</u>	<u>\$ 125,426</u>

Note 8 - Special Events

The Organization derived net revenue from the following special fundraising event during the year ended December 31, 2015:

	TRI-FECTA and Other
Gross Proceeds	\$ 78,460
Direct Costs	(26,769)
Net Revenue	<u>\$ 51,691</u>

The Organization derived net revenue from the following special fundraising events during the year ended December 31, 2014:

	Kentucky Derby Party	TRI-FECTA and Other	Total
Gross Proceeds	\$ 22,595	\$ 31,022	\$ 53,617
Direct Costs	(17,775)	(825)	(18,600)
Net Revenue	<u>\$ 4,820</u>	<u>\$ 30,197</u>	<u>\$ 35,017</u>

Therapeutic Riding, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

Note 9 - Concentration of Credit Risk

Bank Deposits. At certain times during the years ended December 31, 2015 and 2014, the Organization maintained cash balances in excess of federally insured limits. Management believes the risk of loss on these amounts is minimal.

Geographical Concentration. The Organization receives a substantial amount of its support from within the Southeast Michigan area. The effects of this concentration of credit risk on the Organization's financial statements have not been determined for the years ended December 31, 2015 and 2014.