



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Spirit Open Equestrian Program, Inc

I have audited the accompanying financial statements of Spirit Open Equestrian Program, Inc (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2013, and the related Statements of Activities and Cash Flows for the year 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spirit Open Equestrian Program, Inc as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Manassas, VA
September 17, 2014

Spirit Open Equestrian Program, Inc.
Statement of Financial Position
At December 31, 2013

Assets

Current Assets	
Cash and Cash Equivalents	\$ 38,476
Employee Advances	802
Donor Receivables	2,000
Total Current Assets	41,278
Property and Equipment	
Facilities	33,603
Livestock	28,595
Saddles, Bridles	16,000
Tools and Equipment	12,384
Vehicles	12,500
Total Property and Equipment	103,082
Less:	
Accumulated Depreciation	(32,541)
Net Property and Equipment	70,541
Other Assets	
Security Deposit	2,700
Total Other Assets	2,700
Total Assets	\$ 114,519

Liabilities and Net Assets

Current Liabilities	
Accounts Payable and Accrued Expenses	\$ 1,909
Payroll Taxes Payable	1,224
Unearned Revenues	4,115
Total Current Liabilities	7,248
Total Liabilities	7,248
Net Assets	
Unrestricted Net Assets	36,730
Unrestricted Net Assets-Net Property and Equipment	70,541
Total Net Assets	107,271
Total Liabilities and Net Assets	\$ 114,519

See Accountant's Report and Notes to Financial Statements

Spirit Open Equestrian Program, Inc.
Statement of Activities
For the Year Ended December 31, 2013

	Unrestricted	Total
Revenues, Gains and Other Support		
Cash Contributions	\$ 48,695	\$ 48,695
Vendor Discounts	12,049	12,049
Contributed Services (Note E)	265,356	265,356
Property Gifts	24,807	24,807
Contract Revenues (Note C)	60,750	60,750
Individual Programs	36,665	36,665
Events	2,837	2,837
Other Income (Expense)	3,431	3,431
Total Revenues, Gains and Other Support	454,590	454,590
Expenses		
Program		
Personnel	278,375	278,375
Rental	19,582	19,582
Livestock	40,554	40,554
Other	28,967	28,967
Total Program Expenses	367,478	367,478
Supporting Services		
General and Administrative	35,926	35,926
Fundraising	28,453	28,453
Total Expenses	431,857	431,857
Changes in Net Assets from Operations	22,733	22,733
Net Assets, Beginning of Year	84,538	84,538
Net Assets, End of Year	\$ 107,271	\$ 107,271

See Accountant's Report and Notes to Financial Statements

Spirit Open Equestrian Program, Inc.
Schedule of Functional Expenses
For the Year Ended December 31, 2013

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Functional Expenses				
Promotional Materials	\$ -	\$ -	\$ 1,577	\$ 1,577
Bank Charges	-	177	-	177
Contributed Services	-	1,970	230	2,200
Contract Labor	13,620	-	-	13,620
Depreciation	14,950	-	-	14,950
Dues and Fees	1,420	-	-	1,420
Gifts In-Kind	2,500	-	-	2,500
Insurances	4,892	-	-	4,892
Licenses and Fees	-	981	-	981
Livestock Care	10,196	-	-	10,196
Livestock Feed	15,741	-	-	15,741
Miscellaneous	708	343	-	1,051
Office Expense	-	2,409	-	2,409
Payroll Taxes	2,295	918	-	3,213
Postage and Shipping	-	536	-	536
Professional Fees	-	6,690	-	6,690
Rent Expense (Note D)	19,582	-	-	19,582
Repairs and Maintenance	7,901	-	-	7,901
Salaries	30,000	12,000	-	42,000
Supplies	11,715	-	-	11,715
Local Travel	-	210	-	210
Utilities	-	2,940	-	2,940
Subtotal Cash Functional Expenses	135,520	29,174	1,807	166,501
Contributed Services	231,958	6,752	26,646	265,356
Total Functional Expenses	\$ 367,478	\$ 35,926	\$ 28,453	\$ 431,857

See Accountant's Report and Notes to Financial Statements

Spirit Open Equestrian Program, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2013

Cash flows from operating activities	
Changes in Net Assets	\$ 22,733
Adjustments to reconcile net income to net cash provided by operating activities:	
Contributed Services	14,950
(Increase) Decrease in other current assets	(1,830)
(Increase) Decrease in other assets	(2,700)
Increase (Decrease) in accounts payable	390
Increase (Decrease) in compensated absences	3,515
Increase (Decrease) in other current liabilities	146
Total Adjustments	<u>14,471</u>
Net Cash Provided (Used) by Operating Activities	37,204
Cash Flows from Investing Activities	
Cash Payments/Donations of Property	<u>(21,680)</u>
Net Cash Provided (Used) by Investing Activities	(21,680)
Cash Flows from Financing Activities	
Disposal of Property and Equipment	<u>(7,000)</u>
Net Cash Provided (Used) by Financing Activities	<u>(7,000)</u>
Net Increase (Decrease) in Cash and Equivalents	8,524
Cash and Equivalents, Beginning of Year	<u>29,952</u>
Cash and Equivalents, End of Year	<u><u>\$ 38,476</u></u>
Interest Paid, Included in Change in Net Assets	\$ -

See Accountant's Report and Notes to Financial Statements

Spirit Open Equestrian Program, Inc.
Notes to the Financial Statements
December 31, 2013

A. ORGANIZATION

Spirit Open Equestrian Program, Inc ("Spirit") was incorporated January 17, 2007 as a Virginia non-stock corporation organized exclusively for charitable purposes. Spirit's articles of incorporation states, among other things, that there "shall be no members" and that the "corporation shall not carry on any activity not permitted by a corporation exempt from Federal income tax under Section 501 (c)(3) of the Internal Revenue Code." Spirit's affairs are managed by its Board of Directors, which per the articles of incorporation, shall not be less than three, and elected by the current board. Currently, there are eight Board members. Board members are initially elected for a one year term. Two succeeding consecutive terms of two and then three years are permitted allowing board membership for up to six consecutive years. After a one year hiatus, a person is eligible for board membership for another potential three terms (six years).

Spirit is dedicated to providing individuals with physical, cognitive or emotional disabilities and diseases, safe and fun horseback riding and other horse-related activities. Spirit is a nationally recognized nonprofit that provides education, personal growth and therapy using horses for children and adults with all types of abilities and disabilities and is a member of the Professional Association of Therapeutic Horsemanship International (PATH International). In 2013, Spirit provided 1,670 therapeutic and education lesson hours to over 200 riders. Spirit is registered with the Commonwealth of Virginia Department of Agriculture as an entity eligible to solicit public contributions in the Commonwealth.

Spirit is the vision of Davorka Suvak, a 2005 émigré from Croatia. Ms. Suvak founded and operated an equestrian therapeutic program in her native country for twelve years gaining international fame for the program's accomplishments. Once in the United States, Ms. Suvak wanted to replicate a similar program for Metropolitan Washington families. She is acknowledged as Spirit's founder, its primary certified therapeutic instructor, its executive director and its only employee. She is a non-voting member of the board of directors.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of Spirit have been prepared on the accrual basis of accounting. Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

Use of Estimates and Assumptions – Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Financial Statement Presentation – Spirit reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Contributions – Grants and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any restrictions. Spirit reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as Net Assets Released from Restrictions.

Donated Property and Services – Donated Services are a significant part of the efforts of Spirit. Donated volunteer services and the offsetting expenses are reflected at an hourly rate consistent with industry practices. Vendor donations in the form of discounts from standard professional fees and operating costs are recorded according to the amounts reflected as discounts from the applicable vendors. Property gifts and acquisitions are valued at current market value at the date of the gift.

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, Spirit considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Spirit Open Equestrian Program, Inc.
Notes to the Financial Statements
December 31, 2013

Property and Equipment – Spirit capitalizes expenditures with a useful life of greater than one year that exceed \$100. Property and equipment is stated at cost and is depreciated using the straight-line method over an estimated useful life of 5-10 years for equipment and 25 years (less age at acquisition) for livestock.

As of December 31, 2013 these assets were valued at \$106,048. Of this total, approximately \$76,438 of livestock and equipment was donated to Spirit. Depreciation in Program Expense for 2013 was \$14,950.

Functional Allocation of Expenses – Spirit's expenses have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the areas benefited.

Income Taxes – The Internal Revenue Service has recognized Spirit as a Section 501(c)(3) organization exempt from income tax under Section 501(a) of the Internal Revenue Code and applicable income tax regulations of the Commonwealth of Virginia.

C. CONCENTRATIONS AND RISKS

In 2010, Spirit executed a contract with Fairfax County, Virginia to provide equestrian education classes as requested by the Fairfax County Park Authority ("FCPA"). Spirit is responsible for providing equines and all necessary equipment, and the FCPA is responsible for providing equestrian facilities for the classes. To date, all classes have been provided at covered and open enclosed rings at FCPA's Frying Pan Park in Herndon, Virginia, which is adjacent to Spirit's equine boarding facilities. The contract has been amended and extended several times and renews April of every year. By agreement, the parties' goal is to have at least 50% of the lessons be therapeutic in purpose. However, FCPA has sole discretion to place riders in the lessons and charges riders a fee for the lessons. In turn, Spirit bills FCPA a per lesson charges based on the type of lessons which are negotiated annually. Spirit invoices FCPA after riders complete a stipulated number of lessons during a session. The accompanying statement of activities includes \$55,970 under contracted revenues in 2013 from this funding source which represents 12.4% of total revenues and 37% of total cash revenues.

When not providing lessons in connection with the FCPA contract, Spirit uses, without charge, the enclosed ridding rings at Frying Pan Park to provide its other therapeutic programs for riders.

The additional land is used to exercise the livestock and the farmhouse is used for Spirit's office. Both properties being rented by Spirit are under option by a developer who plans to develop this and adjacent land commercially in the near future once a zoning change is obtained.

An additional single revenue source makes up about 12.6% of total cash revenues.

D. LEASES

For several years, Spirit rented approximated one acre adjacent to Frying Pan Park which was used exclusively to board its livestock. This lease is \$1,000 per month and is for an undetermined period of time terminable with 90 days notice. Contiguous to this land is 3.36 acres with a farm house that, starting in October 2013, Spirit began renting under a one year lease. The monthly rent is \$1,800 and is currently a month-to-month lease. The additional land is used to exercise the livestock and the farmhouse is used for Spirit's office. Both properties being rented by Spirit are under option by a developer who plans to develop this and adjacent land commercially in the near future once a zoning change is obtained.

Spirit Open Equestrian Program, Inc.
Notes to the Financial Statements
December 31, 2013

The future minimum lease payments are:

Year	Amount
2014	\$ 16,200
Total	\$ 16,200

Rent expense for these facilities was \$17,390 for 2013.

E. CONTRIBUTED SERVICES

Spirit would be unable to operate without the high level of donated services and property gifts it receives. These contributions include free use of the equestrian facilities at Fairfax County's Frying Pan Park next door, significant volunteer time commitments and receiving discounts from standard prices from vendors and professionals.

All lessons are conducted in the adjacent facilities at the Frying Pan Park, either in the outdoor equestrian ring or when inclement weather requires, the indoor arena. Occasionally, Spirit pays for using the facilities for shows. Spirit has not included the rental value from Frying Pan Park in its financial statements.

In 2013, Spirit had 83 active volunteers who contributed 10,983 hours (an average of 132 hours per volunteer) doing jobs such as assisting instructors, mucking stalls, feeding and exercising the horses, and carrying on the administrative functions of a small business. Volunteers' ages are 11 to 70+ and some travel up to 40 miles from their home to participate. Many volunteers work a few hours three or four times a week and several volunteers exceeded 500 hour per year. During 2013, volunteer time for program services was \$195,103 for lesson support, \$30,782 for livestock support, and \$6,073 for facilities support.

F. SUBSEQUENT EVENTS

The following subsequent events were evaluated through September 17, 2014 which is the date the financial statements were available to be issued.

As of the issuance of these financial statements, the farm house lease has not yet been renewed. Fairfax County initiated a negotiator to extend the contract for services to FCPA through April 2018.