

**RIDE ON LA**  
**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITORS' REPORT**  
**YEAR ENDED DECEMBER 31, 2016**

**VASIN, HEYN & COMPANY**

*ABOVE THE BRIGHT LINE*

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AN ACCOUNTANCY CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

**RIDE ON LA  
TABLE OF CONTENTS**

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>3</b>
<b>COMPARATIVE STATEMENTS OF ACTIVITIES</b>	<b>4</b>
<b>COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES</b>	<b>5</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>6</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>7</b>



# VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Ride On LA  
(A California Non-Profit Corporation)  
Chatsworth, California

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Ride On LA (A California Non-Profit Corporation) which comprise the statement of financial position as of December 31, 2016, and the related comparative statements of activities, functional expenses 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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 auditors' 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.

## INDEPENDENT AUDITORS' REPORT (Continued)

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ride On LA as of December 31, 2016, 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.

### *Report on Summarized Comparative Information*

We previously audited Ride On LA's 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated February 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The summary financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Ride On LA.

*Vosin, Hays + Co.*

Calabasas, California  
December 9, 2017

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**  
**(WITH COMPARATIVE TOTALS FOR 2015)**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 86,596	\$ 323,674
Investments	2,507	2,675
Grants and fees receivable, net of allowance	50,787	579,050
Promises to give, net of allowance	9,763	53,787
Deposits and prepaid expenses	1,220	1,220
Property and equipment, net	<u>2,915,312</u>	<u>2,114,955</u>
Total assets	<u>\$ 3,066,185</u>	<u>\$ 3,075,361</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 30,274	\$ 12,056
Accrued payroll and related liabilities	27,497	27,975
Deferred revenue	2,636	2,903
Mortgage payable	<u>670,246</u>	<u>691,182</u>
Total liabilities	730,653	734,116
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS</b>		
Unrestricted:		
Designated for operating reserve	25,000	100,000
Undesignated	2,229,914	1,278,916
Temporarily restricted	<u>80,618</u>	<u>962,329</u>
Total net assets	<u>2,335,532</u>	<u>2,341,245</u>
Total liabilities and net assets	<u>\$ 3,066,185</u>	<u>\$ 3,075,361</u>

See accompanying auditors' report and notes to financial statements.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**COMPARATIVE STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016			2015		
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>						
Fees for services	\$ 471,427	\$ -	\$ 471,427	\$ 592,618	\$ -	\$ 592,618
Contributions and grants	143,085	50,000	193,085	153,677	276,200	429,877
Fundraising events	343,927	-	343,927	206,147	-	206,147
In-kind revenue	175,147	-	175,147	331,561	-	331,561
Interest and dividend income	423	-	423	277	-	277
Realized gain(loss) on sale of investments	(213)	-	(213)	(422)	-	(422)
Unrealized gain(loss) on investments	(173)	-	(173)	(19)	-	(19)
Gain(loss) on sale of assets	(11,542)	-	(11,542)	-	-	-
Other revenue	9,657	-	9,657	7,416	-	7,416
Restrictions released	<u>931,711</u>	<u>(931,711)</u>	<u>-</u>	<u>162,419</u>	<u>(162,419)</u>	<u>-</u>
 Total revenue, support and restrictions released	 2,063,449	 (881,711)	 1,181,738	 1,453,674	 113,781	 1,567,455
<b>EXPENSES</b>						
Program services	1,005,298	-	1,005,298	1,280,362	-	1,280,362
Support services	89,294	-	89,294	70,064	-	70,064
Fundraising expenses	<u>92,859</u>	<u>-</u>	<u>92,859</u>	<u>80,501</u>	<u>-</u>	<u>80,501</u>
 Total expenses	 <u>1,187,451</u>	 <u>-</u>	 <u>1,187,451</u>	 <u>1,430,927</u>	 <u>-</u>	 <u>1,430,927</u>
 <b>CHANGE IN NET ASSETS</b>	 875,998	 (881,711)	 (5,713)	 22,747	 113,781	 136,528
 <b>NET ASSETS - beginning of year</b>	 <u>1,378,916</u>	 <u>962,329</u>	 <u>2,341,245</u>	 <u>1,356,169</u>	 <u>848,548</u>	 <u>2,204,717</u>
 <b>NET ASSETS - end of year</b>	 <u>\$ 2,254,914</u>	 <u>\$ 80,618</u>	 <u>\$ 2,335,532</u>	 <u>\$ 1,378,916</u>	 <u>\$ 962,329</u>	 <u>\$ 2,341,245</u>

See accompanying auditors' report and notes to financial statements.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(WITH COMPARATIVE TOTALS FOR 2015)**

	Program Services	Support Services	Fund- raising	2016 Total Expenses	Program Services	Support Services	Fund- raising	2015 Total Expenses
<b>Expenses</b>								
Accounting	\$ -	\$ 5,410	\$ -	\$ 5,410	\$ -	\$ 4,994	\$ -	\$ 4,994
Auto	2,505	-	-	2,505	6,559	-	-	6,559
Bad debts	(177)	-	-	(177)	20,735	-	-	20,735
Dues and fees	3,121	169	-	3,290	1,029	110	-	1,139
Education and training	5,462	-	-	5,462	8,341	-	-	8,341
Equipment rental and maintenance	-	-	12,075	12,075	-	-	10,066	10,066
Feed	51,324	-	-	51,324	68,862	-	-	68,862
Financial aid	49,453	-	-	49,453	74,281	-	-	74,281
In-kind materials and supplies	-	-	-	-	1,655	-	-	1,655
In-kind, professional services	103,750	-	-	103,750	261,175	-	-	261,175
In-kind rent	54,000	-	-	54,000	54,000	-	-	54,000
Insurance	24,361	-	-	24,361	22,482	-	-	22,482
Interest	23,305	-	-	23,305	23,671	-	-	23,671
Leased employees	416,627	61,397	47,738	525,762	417,961	48,943	54,584	521,488
Miscellaneous	-	-	-	-	383	-	-	383
Office expense	23,703	16,473	1,800	41,976	39,350	11,014	1,117	51,481
Outside services	-	-	15,511	15,511	-	-	4,338	4,338
Postage	588	531	-	1,119	486	358	-	844
Printing	-	-	12,907	12,907	-	-	8,678	8,678
Professional fees	-	-	-	-	13,290	-	-	13,290
Program development	9,234	-	-	9,234	10,511	-	-	10,511
Public relations	7,016	-	-	7,016	2,361	-	-	2,361
Recognition	1,510	-	-	1,510	766	-	-	766
Rent	22,660	-	-	22,660	17,195	-	-	17,195
Repairs and maintenance	29,208	-	-	29,208	51,737	-	-	51,737
Shoeing, tack and equipment	17,542	-	140	17,682	29,523	-	-	29,523
Supplies	6,581	2,353	636	9,570	15,850	1,065	1,715	18,630
Taxes	721	-	-	721	382	-	-	382
Telephone	10,392	2,961	-	13,353	13,273	3,580	3	16,856
Utilities	25,146	-	-	25,146	20,411	-	-	20,411
Veterinary expense	6,985	-	-	6,985	4,053	-	-	4,053
Volunteer expense	4,369	-	2,052	6,421	6,254	-	-	6,254
	<u>899,386</u>	<u>89,294</u>	<u>92,859</u>	<u>1,081,539</u>	<u>1,186,576</u>	<u>70,064</u>	<u>80,501</u>	<u>1,337,141</u>
Depreciation and amortization	<u>105,912</u>	<u>-</u>	<u>-</u>	<u>105,912</u>	<u>93,786</u>	<u>-</u>	<u>-</u>	<u>93,786</u>
<b>Total Expenses</b>	<u>\$ 1,005,298</u>	<u>\$ 89,294</u>	<u>\$ 92,859</u>	<u>\$ 1,187,451</u>	<u>\$ 1,280,362</u>	<u>\$ 70,064</u>	<u>\$ 80,501</u>	<u>\$ 1,430,927</u>

See accompanying auditors' report and notes to financial statements.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(WITH COMPARATIVE TOTALS FOR 2015)**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (5,713)	\$ 136,528
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	105,912	93,786
Provision for bad debt	(177)	(20,735)
In-kind, equipment	(17,397)	(10,361)
In-kind buildings	-	(870)
In-kind, horses	-	(3,500)
Realized and unrealized (gain) loss on investments, net	386	441
(Gain) loss on sale of assets	11,542	-
(Increase) decrease in:		
Grants and fees receivable, net of allowance	528,440	(29,651)
Promises to give, net of allowance	44,024	31,948
Deposits and prepaid expenses	-	-
Increase (decrease) in:		
Accounts payable and accrued expenses	18,218	1,153
Accrued payroll and related liabilities	(478)	(1,158)
Deferred revenue	(267)	2,065
Total adjustments	<u>690,203</u>	<u>63,118</u>
Net Cash Provided (Used) by Operating Activities	684,490	199,646
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from disposition of investments	15,007	24,853
Purchase of investments	(15,225)	(23,685)
Proceeds from sale of property and equipment	(11,542)	-
Donated property and equipment	17,397	-
Payments related to the acquisition of property and equipment	<u>(2,355)</u>	<u>(4,272)</u>
Net Cash Provided (Used) by Investing Activities	3,282	(3,104)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions restricted for purchases of property and equipment	(903,914)	(127,419)
Principal payments on mortgage payable	<u>(20,936)</u>	<u>(20,635)</u>
Net Cash Provided (Used) by Financing Activities	<u>(924,850)</u>	<u>(148,054)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(237,078)	48,488
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>323,674</u>	<u>275,186</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 86,596</u>	<u>\$ 323,674</u>
<b>Supplemental disclosures:</b>		
In-kind contributions	<u>\$ 175,147</u>	<u>\$ 331,561</u>
Interest expense	<u>\$ 23,305</u>	<u>\$ 23,671</u>

See accompanying auditors' report and notes to financial statements.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**1. ORGANIZATION**

Ride On LA was founded in 1994 pursuant to the California Non-Profit Public Benefit Corporation laws and conducts its activities exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the U.S. Internal Revenue Code of 1954 under which it is qualified as a tax-exempt organization.

Ride On LA was organized to promote the welfare of children and adults with any type of disability or mental illness and “at risk” youth by means of therapeutic horseback riding, Hippotherapy (physical/occupational/speech therapy using the movement of the horse to improve specific medical conditions) and by instruction in related social, vocational and recreational activities.

Ride On LA’s program serves approximately 225 riders each week at two ranches in Los Angeles and Ventura Counties. The program is nationally accredited by PATH International, and the teaching staff includes 9 certified instructors and 9 licensed therapists assisted by over 30 horses. Ride On LA remains the only nationally-accredited program in Ventura county and the only such program which brings a Physical Therapist to a ranch to use the horses’ movement to improve specific medical conditions. In its 22-year history, Ride On LA has given over 99,100 lessons and physical therapy treatments to children as young as 2 and adults over the age of 80.

During the year ended December 31, 2016, Ride On LA gave over 7,500 lessons and treatments benefitting from the work of over 220 volunteers who donated over 19,500 hours of service. About half of the riders have physical disabilities and half are intellectually disabled; many have multiple handicaps requiring extensive staff and volunteer support. About seventy-five percent of the riders are children. Ride On LA operates three facilities: two small ranches in Chatsworth comprising 5-acres total, and a 13-acre park site in Newbury Park operated in partnership with the Conejo Recreation and Park District.

In May 2008 Ride On LA purchased a 3-acre operating facility in Chatsworth, California. Chatsworth operations were transferred to this new facility in March 2010. This 3-acre ranch is now providing a permanent and expanded base of service to the San Fernando Valley.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(CONTINUED)**

**2. INVESTMENTS**

Ride On LA measures fair value in accordance with FASB ASC 820-10. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels; Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs, other than the quoted prices in active markets, are observable either directly or indirectly, and Level 3 unobservable inputs in which there is little or no market data, which requires Ride On LA to develop its own assumptions. Ride On LA uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Ride On LA measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. All assets reported at fair value at December 31, 2016, are Level 1 inputs.

Investments consist of the following at December 31, 2016:

	<u>Fair Value</u>
Government Securities	<u>\$ 2,507</u>
Total investments	<u>\$ 2,507</u>

At December 31, 2016, Ride On LA does not have any investments measured using Level 2 or Level 3 inputs.

The composition of the investment return reported in the statement of activities as follows:

Interest and dividend income	\$ 423
Realized gain(loss) on sale of investments	(213)
Unrealized gain(loss) on investments	<u>(173)</u>
Total investment return	<u>\$ 37</u>

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(CONTINUED)**

**3. GRANTS AND FEES RECEIVABLE, NET OF ALLOWANCE**

Grants and fees receivable at December 31, 2016 consist of the following:

Conejo Recreation and Park District	\$ 25,000
City of Thousand Oaks	20,000
Fees receivable	<u>7,299</u>
Total grants and fees receivable	52,299
Less allowance for uncollectible fees receivable	<u>(1,512)</u>
Net grants and fees receivable at December 31, 2016	<u>\$ 50,787</u>

Ride On completed construction of an Education and Therapy Building in June of 2016 partially funded by two grants from the City of Los Angeles. These grants provide for a right of recapture should Ride On LA cease to furnish continuous service for a 6-year period following completion of the related building project. The recapture right is evidenced by a secured promissory note, which was executed on September 16, 2015 and November 4, 2015. These notes, in the amounts of \$400,000 and \$250,000 respectively, will be reduced over a six year period as Ride On LA delivers service as required under the terms of the grant from the City of Los Angeles. The \$650,000 promissory note will be reduced ratably over the next 24 calendar quarters. Each quarter Ride On LA submits documentation to the City satisfying its service payback requirement. Management estimates that Ride On's failure to meet the Service Payback provisions of the grant is remote. By December 31, 2016 Ride On LA had submitted two quarterly reports of the 24 required.

Note due City of LA	\$ 650,000
Service Payback 2016 Quarter 3 and Quarter 4	<u>(50,000)</u>
Balance Service Payback as of 12/31/2016	<u>\$ 600,000</u>

**4. PROMISES TO GIVE, NET OF ALLOWANCE**

Unconditional promises to give are measured as Level 1 inputs using market prices and are stated at fair value. Promises to give at December 31, 2016 are as follows:

Receivable in less than one year	\$ 6,500
Receivable in one to five years	<u>3,500</u>
Total unconditional promises to give	10,000
Less allowance for uncollectible promises to give	(122)
Less unamortized discount at 1%	<u>(115)</u>
Net unconditional promises to give at December 31, 2016	<u>\$ 9,763</u>

Promises to give have been discounted 2.5% for uncollectible promises to give. The promises to give were further discounted, using an interest rate of 1%, to reflect net present value. The unamortized discount is based on a risk free rate and additional market risk factor.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(CONTINUED)**

**5. PROPERTY AND EQUIPMENT, NET**

Property and equipment consists of the following at December 31, 2016:

Buildings	\$ 2,177,136
Horses	64,718
Land	859,661
Leasehold Improvements	395,229
Machinery and Equipment	<u>296,679</u>
	3,793,423
Accumulated Depreciation	<u>(878,111)</u>
Total Property and Equipment, net	<u>\$ 2,915,312</u>

Total depreciation expense for the year ended December 31, 2016 is \$105,912.

**6. MORTGAGE PAYABLE**

In April 2008 Ride On LA purchased an operating facility in Chatsworth, California for \$1,113,001 and obtained a related mortgage of \$824,250. This mortgage adjusts annually in July and is amortized over 30 years but due in May 2018. Interest costs incurred during the year end December 31, 2016 were \$23,305. The balance owed at December 31, 2016 was \$670,246.

Minimum annual anticipated principal payments under the mortgage payable at December 31 are as follows:

2017	\$ 21,653
2018	<u>648,593</u>
Total	<u>\$ 670,246</u>

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(CONTINUED)**

**7. SOURCES OF SUPPORT**

Sources of contributions received are as follows for the year ending December 31, 2016:

Unrestricted:	
Corporations	\$ 20,145
Foundations	11,000
Individuals	<u>111,940</u>
Total Unrestricted Sources of Support	<u>\$ 143,085</u>
Temporarily Restricted:	
Corporations	\$ 45,000
Foundations	5,000
Individuals	<u>-</u>
Total Temporarily Restricted Sources of Support	<u>\$ 50,000</u>

**8. SPECIAL EVENTS AND CAMPAIGN ACTIVITIES**

Ride On LA conducted various special events and formalized its capital fundraising activities during the year. The revenue and expenses for these fund development activities for the year ended December 31, 2016 were as follows:

	<u>Revenue</u>	<u>Expenses</u>	<u>Net Revenue</u>
Capital Campaign	\$ 50,000	\$ -	\$ 50,000
Special Events	<u>343,927</u>	<u>(42,574)</u>	<u>301,353</u>
Total Special Events	<u>\$ 393,927</u>	<u>\$ (42,574)</u>	<u>\$ 351,353</u>

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(CONTINUED)**

**9. IN-KIND CONTRIBUTIONS**

For the year ended December 31, 2016, Ride On LA recorded total in-kind contributions of \$175,147.

In-kind contributions are recorded at their fair market value; at December 31, 2016 consist of the following:

Capitalized Asset: Building Improvement	\$ 17,397
Professional IT services	5,750
Professional Legal Services	98,000
Rent – CRPD Walnut Grove Equestrian Ctr.	<u>54,000</u>
Total In-Kind Contributions	<u>\$ 175,147</u>

Ride On submitted a proposal to the State of California in response to an RFP for an Equestrian Concession at Will Rogers State Historic Park. O’Melveny and Myers provided \$98,000 of pro bono legal services representing Ride On in this effort to open an additional operating site in West Los Angeles.

**10. RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2016 consist of amounts restricted by donor-imposed stipulations, and are available for the following purposes:

Grant	Balance 12/31/15	Income	Expenditures	Balance 12/31/16
Capital Campaign	\$ 212,508	\$ -	\$ (190,890)	\$ 21,618
City of Los Angeles – Neighborhood Improvement	474,821	-	(474,821)	-
City of Thousand Oaks	-	20,000	-	20,000
Conejo Recreation and Park District	-	25,000	-	25,000
County of Ventura	10,000	-	(1,000)	9,000
Guenther Foundation	50,000	-	(50,000)	-
Samuelsson Foundation	15,000	-	(15,000)	-
Sherwood Cares Foundation	-	5,000	-	5,000
Weingart Foundation	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>
Total	<u>\$ 962,329</u>	<u>\$ 50,000</u>	<u>\$ (931,711)</u>	<u>\$ 80,618</u>

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**10. RESTRICTED NET ASSETS - Continued**

Expenditures of temporarily restricted net assets during the year ended December 31, 2016 were:

Grant	Expense Purpose	Amount
Capital Campaign	Capital Improvements	\$ 190,890
City of Los Angeles – Neighborhood Improvement	Capital Improvements	474,821
County of Ventura	Scholarships – Ventura County	1,000
Guenther Foundation	Capital Improvements	50,000
Samuelsson Foundation	Scholarships – Ventura County	15,000
Weingart Foundation	Capital Improvements	<u>200,000</u>
Total Expenditures		<u>\$ 931,711</u>

**11. COMMITMENTS**

Ride On LA is obligated under one equipment, and two operating, facility leases. The equipment lease for two copiers is for \$255 a month and will expire in November 2020. The Chatsworth facility lease, for a two-acre ranch where it has operated since 1994, expires in October 2018 but contains an annual cancellation provision after October 31, 2014. The Thousand Oaks lease is for exclusive use of a thirteen-acre park site owned by Conejo Recreation and Park District. This lease cost is \$40 per year for a 40-year period expiring in July 2040 but is renewable annually. Management estimates the fair value of this contributed lease at \$54,000 annually.

Minimum annual anticipated payments under the facility leases are as follows:

Year Ended December 31,	
2017	\$ 21,410
2018	18,140
2019	40
2020	40
2021	40
Thereafter	<u>760</u>
Total	<u>\$ 40,430</u>

Total rental expense, including in-kind, for the year ended December 31, 2016 was \$76,660.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(CONTINUED)**

**12. FINANCIAL AID**

Ride On LA has adopted a policy of providing ridership services to certain designated individuals at no cost to them. The related billed receivables are forgiven, upon approval, and recognized as Financial Aid expense in the Statement of Functional Expenses. Beyond that, Ride On LA gave scholarships ranging from free lessons to ½ price for over 1,700 lessons or treatments, about 25% of all lessons. Twenty-eight individuals and one foundation donated nearly \$41,000 directly to support these vital scholarships. Total related financial aid expense for the year ended December 31, 2016 was \$49,453.

**13. CONCENTRATION RISK**

The majority of Ride On LA's contributions and grants are received from corporations, Ride On LA's, and individuals located in the greater Los Angeles metropolitan area and from agencies of the state of California. As such, Ride On LA's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of California. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for Ride On LA's services.

Ride On LA's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. In 2016 Ride On had investments of \$2,507 in Government insured bonds. Management is of the opinion that the government guarantee coupled with the small level of investments mitigates the risk of concentration.

**14. SUBSEQUENT EVENTS**

Ride On LA has evaluated events subsequent to December 31, 2016, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 9, 2017, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(CONTINUED)**

**15. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Ride On LA prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America for. The significant accounting and reporting policies used by Ride On LA are described below to enhance the usefulness and understandability of the financial statements.

*Financial Statement Presentation*

The financial statements are presented based on Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. ASC Topic 958, Sections 210 and 225 requires classification of Ride On LA's net assets, revenues as well as expenses based on the existence or absence of donor-imposed restrictions. The statement requires presentation of the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – in the statement of financial position and the amounts of change in each of those classes of net assets in the statement of activities.

*Net Assets*

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- *Unrestricted net assets.* Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting for the nature of Ride On LA, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
- *Temporarily restricted net assets.* Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Ride On LA's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by Ride On LA, unless the donor provides more specific directions about the period of its use.
- *Permanently restricted net assets.* Permanently restricted net assets are resources whose use by the Foundation is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The portion of Ride On LA's donor-restricted endowment funds that must be maintained in perpetuity are classified in this net asset class. Ride On LA did not have any permanently restricted net assets at December 31, 2016.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**15. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in unrestricted net assets.

*Cash and Cash Equivalents*

Cash and cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature. At year-end, and throughout the year, Ride On LA's cash balances, deposited in one bank, exceeded federally insured limits. Management believes Ride On LA is not exposed to any significant credit risk on cash and cash equivalents.

*Investments*

Investments in marketable securities with readily redeemable fair values and all investments in debt securities are carried at their fair market values in the statement of financial position. Unrealized gains and losses are included in the change in restricted net assets in the accompanying statement of activities.

Investment purchases and sales are accounted for on a trade-date basis. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily restricted by donor stipulations or by law.

*Grants and Fees Receivables*

Receivables consist of grants from the City of Thousand Oaks, the Conejo Recreation and Park District, and fees receivable due from riding lessons. Any amount that is denied for reimbursement is written off when the Institute receives notification from the grantor agency. Management provides for probable uncollectible amounts through a provision for bad debt and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. As of December 31, 2016, Ride On LA has made a provision of \$1,512 for possible uncollectible or disallowed revenues.

*Promises to Give*

Promises to give were recognized at fair value of the promise. Management provides for probable uncollectible amounts through a provision for an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**15. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*Deposits and Prepaid Expenses*

Prepaid deposits and other costs are expensed ratably over their respective terms of agreement.

*Property and Equipment, Net*

Property and equipment consists of the cost of fixed assets which are depreciated on the straight-line method over their estimated useful lives. Fully depreciated assets are retained in the accounts until their retirement. Purchases of small items are expensed as acquired. All assets with an estimated life that exceeds one year and with a cost greater than \$1,000 must be capitalized.

The estimated useful lives of the assets are as follows:

Buildings	30 to 39 years
Horses	5 to 10 years
Leasehold improvements	15 years
Machinery and equipment	5 to 10 years

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

*Vacation Policy*

Accrued vacation benefits are accrued on a monthly basis. Full-time employees accrue vacation time based upon years of service to Ride On LA as follows:

<u>Years Employed</u>	<u>Annualized Accrual</u>
0 - 5 years	Two Weeks
6 -10 years	Three Weeks
11+ years	Four Weeks

Unused vacation leave will be paid at the time of termination. Total accrued vacation at December 31, 2016, was \$17,862.

*Deferred Revenue*

Deferred revenue represents revenues collected but not earned as of December 31, 2016.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**15. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*Accounting for Contributions*

Contributions, including unconditional promises to give, are recognized when received. Written, multi-year promises to give are recognized at full value in the year received with discounts for net present value and bad debt. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

*Contributed Goods and Services*

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

*Salaries, Related Expenses and Leased Employees*

Since April 2006, salaries, payroll taxes and employee benefits are reported as Leased employees. Ride On LA's employees became leased employees to improve employee benefits, while reducing costs and administration. Total salaries, related expenses and leased employees were \$525,762 for the year ended December 31, 2016.

*Expense Recognition and Allocation*

The cost of providing Ride On LA's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of Ride On LA.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. Ride On LA generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**15. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*Income Taxes*

Ride On LA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. Ride On LA is also exempt from federal unemployment tax. The IRS classified the organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

Ride On LA has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended December 31, 2016, Ride On LA had no material unrecognized tax benefits, tax penalties or interest.

Ride On LA's Forms 990, *Return of Organization Exempt from Income Tax*, for each of the tax years ended December 31; 2015, 2014, and 2013, are subject to examination by the IRS, generally for 3 years after they were filed.

*Use of Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, Ride On LA's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Ride On LA's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

*Reclassifications*

Certain amounts in the 2015 comparative totals have been reclassified to conform with the 2016 reporting format.

*Comparative Totals*

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Ride On LA's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**15. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*Fair Value Measurement*

Ride On LA reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1* - Quoted prices for identical assets or liabilities in active markets to which Ride On LA has access at the measurement date.
- *Level 2* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets in markets that are not active;
  - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
  - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3* - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The carrying amounts of cash and cash equivalents and accounts receivable approximate fair value because of the terms and relatively short maturity of these financial instruments.

The carrying amounts of liabilities, approximate fair value because of the relatively short maturity of these financial instruments. The government securities are valued at level 1 inputs, which represent the net asset value of shares held by Ride On LA at year end.

When available, Ride On LA measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.