

**RIDE ON LA**  
**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITORS' REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**VASIN, HEYN & COMPANY**

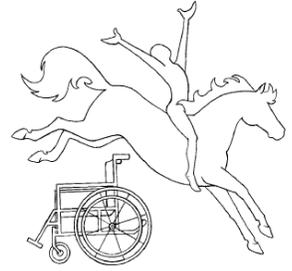
*ABOVE THE BRIGHT LINE*

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AN ACCOUNTANCY CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS



# Ride On



## Therapeutic Horsemanship

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**RIDE ON LA  
(A California Non-Profit Corporation)  
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## **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, 2020, 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, 2020, 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.

### *Emphasis of Matter*

As described in Note 13 to the financial statements, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic on March 11, 2020 and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

### *Report on Summarized Comparative Information*

We previously audited Ride On LA's 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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.

*Vorlein, Hays + Co.*

Calabasas, California  
October 19, 2021

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2020**  
**(WITH COMPARATIVE TOTALS FOR 2019)**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 291,619	\$ 330,322
Grants and fees receivable, net of allowance	70,801	44,683
Promises to give, net of allowance	1,013	2,013
Deposits and prepaid expenses	1,220	1,220
Property and equipment, net	<u>2,786,923</u>	<u>2,722,068</u>
Total assets	<u>\$3,151,576</u>	<u>\$3,100,306</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 18,355	\$ 24,131
Accrued payroll and related liabilities	34,035	47,975
Deferred revenue	19,509	19,187
Mortgage payable	615,542	629,570
Paycheck Protection Program Loan	<u>118,730</u>	<u>-</u>
Total liabilities	806,171	720,863
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Designated for operating reserve	25,000	25,000
Undesignated	2,226,126	2,276,443
With Donor Restrictions	<u>94,279</u>	<u>78,000</u>
Total net assets	<u>2,345,405</u>	<u>2,379,443</u>
Total liabilities and net assets	<u>\$3,151,576</u>	<u>\$3,100,306</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, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT AND RESTRICTIONS RELEASED</b>						
Fees for services	\$ 994,373	\$ -	\$ 994,373	\$ 724,409	\$ -	\$ 724,409
Contributions and grants	282,646	70,429	353,075	161,559	105,000	266,559
Fundraising events	54,335	-	54,335	294,317	-	294,317
In-kind revenue	161,232	-	161,232	97,119	-	97,119
Interest and dividend income	136	-	136	1,248	-	1,248
Gain(loss) on sale of fixed assets	-	-	-	3,100	-	3,100
Other revenue	14,690	-	14,690	7,834	-	7,834
Restrictions released	54,150	(54,150)	-	56,000	(56,000)	-
 Total revenue, support and restrictions released	1,561,562	16,279	1,577,841	1,345,586	49,000	1,394,586
<b>EXPENSES</b>						
Program services	1,521,191	-	1,521,191	1,156,133	-	1,156,133
Support services	71,375	-	71,375	70,307	-	70,307
Fundraising expenses	19,313	-	19,313	73,322	-	73,322
 Total expenses	1,611,879	-	1,611,879	1,299,762	-	1,299,762
<b>CHANGE IN NET ASSETS</b>	(50,317)	16,279	(34,038)	45,824	49,000	94,824
<b>NET ASSETS - beginning of year</b>	2,301,443	78,000	2,379,443	2,255,619	29,000	2,284,619
<b>NET ASSETS - end of year</b>	\$ 2,251,126	\$ 94,279	\$ 2,345,405	\$ 2,301,443	\$ 78,000	\$ 2,379,443

See accompanying auditors' report and notes to financial statements.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	Program Services	Support Services	Fund- raising	2020 Total Expenses	Program Services	Support Services	Fund- raising	2019 Total Expenses
<b>Expenses</b>								
Accounting	\$ 2,215	\$ 4,917	\$ -	\$ 7,132	\$ -	\$ 12,025	\$ -	\$ 12,025
Auto	1,974	-	-	1,974	4,950	-	-	4,950
Dues and fees	3,380	-	-	3,380	457	-	-	457
Education and training	2,266	-	-	2,266	12,734	-	-	12,734
Equipment rental and maintenance	-	-	3,000	3,000	-	-	8,984	8,984
Feed	213,781	-	-	213,781	142,456	-	-	142,456
Financial aid	11,149	-	-	11,149	32,950	-	-	32,950
In-kind, professional services	97,232	-	-	97,232	33,119	-	-	33,119
In-kind, rent	64,000	-	-	64,000	64,000	-	-	64,000
Insurance	25,848	-	-	25,848	28,524	-	-	28,524
Interest	32,825	-	-	32,825	33,450	-	-	33,450
Leased employees	636,324	41,349	12,899	690,572	422,679	39,538	29,389	491,606
Manure disposal	97,798	-	-	97,798	62,557	-	-	62,557
Miscellaneous	-	20	200	220	1,610	-	2,799	4,409
Office expense	29,479	21,695	-	51,174	31,107	16,151	-	47,258
Outside services	-	-	175	175	-	-	17,440	17,440
Postage	250	64	-	314	247	346	-	593
Printing	-	-	3,039	3,039	-	-	8,220	8,220
Professional fees	4,913	-	-	4,913	245	-	-	245
Program development	593	-	-	593	115	-	-	115
Provision for bad debt	2,912	-	-	2,912	5,908	-	3,000	8,908
Public relations	2,610	-	-	2,610	9,217	-	-	9,217
Recognition	6,556	-	-	6,556	3,349	-	-	3,349
Rent	22,780	-	-	22,780	22,180	-	-	22,180
Repairs and maintenance	12,950	-	-	12,950	31,486	-	-	31,486
Shoeing, tack and equipment	27,379	-	-	27,379	27,689	-	-	27,689
Supplies	27,595	1,746	-	29,341	24,481	2,247	3,490	30,218
Taxes	1,303	-	-	1,303	367	-	-	367
Telephone	3,059	1,584	-	4,643	5,799	-	-	5,799
Utilities	79,375	-	-	79,375	40,010	-	-	40,010
Veterinary expense	2,314	-	-	2,314	5,758	-	-	5,758
Volunteer expense	2,237	-	-	2,237	3,539	-	-	3,539
	<u>1,415,097</u>	<u>71,375</u>	<u>19,313</u>	<u>1,505,785</u>	<u>1,050,983</u>	<u>70,307</u>	<u>73,322</u>	<u>1,194,612</u>
Depreciation and amortization	<u>106,094</u>	<u>-</u>	<u>-</u>	<u>106,094</u>	<u>105,150</u>	<u>-</u>	<u>-</u>	<u>105,150</u>
<b>Total Expenses</b>	<u>\$ 1,521,191</u>	<u>\$ 71,375</u>	<u>\$ 19,313</u>	<u>\$ 1,611,879</u>	<u>\$ 1,156,133</u>	<u>\$ 70,307</u>	<u>\$ 73,322</u>	<u>\$ 1,299,762</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, 2020**  
**(WITH COMPARATIVE TOTALS FOR 2019)**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (34,038)	\$ 94,824
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	106,094	105,150
Provision for bad debt	2,912	8,908
(Gain) loss on sale of fixed assets	-	(3,100)
Grants and fees receivable, net of allowance	(29,030)	(43,103)
Promises to give, net of allowance	1,000	3,000
Increase (decrease) in:		
Accounts payable and accrued expenses	(5,776)	19,296
Accrued payroll and related liabilities	(13,940)	14,242
Deferred revenue	<u>322</u>	<u>8,984</u>
Total adjustments	<u>61,582</u>	<u>113,377</u>
Net Cash Provided (Used) by Operating Activities	27,544	208,201
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments related to the acquisition of property and equipment	<u>(170,949)</u>	<u>(39,691)</u>
Net Cash Provided (Used) by Investing Activities	<u>(170,949)</u>	<u>(39,691)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal repayments on mortgage payable	(14,028)	(13,404)
Proceeds from Paycheck Protection Program loan	<u>118,730</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>104,702</u>	<u>(13,404)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(38,703)</b>	<b>155,106</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>330,322</u>	<u>175,216</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 291,619</u>	<u>\$ 330,322</u>
<b>Non-cash activities disclosure:</b>		
In-kind contributions	<u>\$ 161,232</u>	<u>\$ 97,119</u>
<b>Supplemental disclosure:</b>		
Interest expense	<u>\$ 32,825</u>	<u>\$ 33,450</u>

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**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 primarily promote the welfare of at risk youth and people with any type of physical, mental or cognitive disability by means of equine assisted activities and therapies, and by providing instruction and education for all in equestrian-related social, vocational and recreational activities.

Ride On LA's program serves approximately 250 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 6 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. 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. In its 26-year history, Ride On LA has given over 125,000 lessons and physical therapy treatments to children as young as 2 and adults over the age of 80.

In early 2019 the City of Thousand Oaks approached Ride On LA to assume responsibility for a 20-acre equestrian facility in Newbury Park on an interim basis. On August 1, 2019 Ride On LA assumed management of the Rancho Potrero Community Equestrian Center for a six-month period which was subsequently extended three times through March 31, 2021. In March 2021 the City transferred ownership of Rancho Potrero to the Conejo Recreation and Park District (CRPD). That same month the CRPD entered into a lease with Ride On LA for the long-term operation of a Community Equestrian Education Center at Rancho Potrero operating in partnership with the CRPD, other nonprofits and educational institutions.

In August 2020, Ride On formed Rancho Potrero Trail Rides, LLC (RPTR) as a wholly-owned subsidiary. The intent of RPTR is to promote access to and awareness of open space for individuals of all abilities by providing trail rides on horseback in the open space adjoining RPTR. This operation meets one of the requirements of the lease between Ride On and the CRPD. The purpose of forming a separate LLC is part of a strategy to segregate risk relating to trail rides from core Ride On LA operations. As part of an Operating Agreement, Ride On LA provided start-up equipment and funds to commence operation which RPTR will repay over the course of 2021. As of December 31, 2020, RPTR recorded a net loss of \$66,346 and the funds due to Ride On LA from RPTR totaled \$66,346.

During the year ended December 31, 2020, the program operations of Ride On LA were severely impacted by the COVID-19 pandemic. Ride On ceased delivering service entirely from March 11, 2020 until June 1 and then again in December 11 for the remainder of the year. From June 1 until December 11 Ride On LA was operating at about 25% of its pre-COVID capacity.

In 2020 Ride On LA operates four facilities: two small ranches in Chatsworth comprising 5-acres total, and two park sites in Newbury Park comprising 33 acres operated in partnership with the Conejo Recreation and Park District.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

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

Grants and fees receivable at December 31, 2020 consist of the following:

	Amount
Rancho Potrero Trail Rides, LLC	\$ 66,346
Fees and other receivables	14,017
Total receivables	80,363
Less allowance for uncollectible receivable	(9,562)
Net grant and fees receivable at December 31, 2020	<u>\$ 70,801</u>

Ride On LA 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 26 calendar quarters. Each quarter Ride On LA submits documentation to the City satisfying its service payback requirement. Management estimates that Ride On LA's failure to meet the Service Payback provisions of the grant is remote. By December 31, 2020 Ride On LA had submitted 18 quarterly reports of the 26 required.

	Amount
Note due City of Los Angeles	\$ 650,000
Service Payback through 12/31/2020	(450,000)
Balance Service Payback as of 12/31/2020	<u>\$ 200,000</u>

**3. 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, 2020 are as follows:

	Level 1
Receivable in less than one year	\$ 1,250
Receivable in one to five years	-
Total unconditional promises to give	1,250
Less allowance for uncollectible promises to give	(110)
Less unamortized discount at 9%	(127)
Net unconditional promises to give at December 31, 2020	<u>\$ 1,013</u>

The promises to give were discounted, using an interest rate of 9%, 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, 2020**  
**(CONTINUED)**

**4. PROPERTY AND EQUIPMENT, NET**

Property and equipment consists of the following at December 31, 2020:

	<u>Amount</u>
Buildings	\$ 2,207,892
Horses	73,775
Land	859,661
Leasehold Improvements	545,283
Machinery and Equipment	<u>392,152</u>
	4,078,763
Accumulated Depreciation	<u>(1,291,840)</u>
Total Property and Equipment, net	<u>\$ 2,786,923</u>

Total depreciation expense for the year ended December 31, 2020 is \$106,094.

**5. DEFERRED REVENUE**

During the year ended December 31, 2020 Ride On LA collected funds in the amount of \$19,509 for riding dues. The activity for the year ended December 31, 2020 for deferred revenue is as follows:

	<u>Amount</u>
Beginning balance at December 31, 2020	\$ 19,187
Additions	19,509
Reductions	<u>(19,187)</u>
Ending balance at December 31, 2020	<u>\$ 19,509</u>

**6. PAYCHECK PROTECTION PROGRAM LOAN**

During the year ended December 31, 2020 Ride On LA received a Paycheck Protection Program (PPP) loan for \$118,730 to address the impact of the COVID-19 pandemic described in Note 13.

The PPP, which was established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loan and accrued interest is forgivable after either eight weeks or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes such as payroll, benefits, rent and utilities, and maintains its payroll levels.

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

**7. 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 was refinanced in April 2018 in the amount of \$650,000 with interest fixed at 5.18% and monthly payments of \$3,904 per month for a period of 10 years. Interest costs incurred during the year end December 31, 2020 were \$32,825. The balance owed at December 31, 2020 was \$615,542.

Minimum annual anticipated principal payments under the mortgage payable at December 31, 2020 are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2021	46,853
2022	46,853
2023	46,853
2024	46,853
Thereafter	<u>428,130</u>
Total	<u>\$ 615,542</u>

**8. SOURCES OF SUPPORT**

Sources of contributions and grants received are as follows for the year ending December 31, 2020:

Without donor restrictions:	<u>Amount</u>
Corporations	\$ 2,500
Foundations	10,604
Individuals	<u>269,542</u>
Total sources of support without donor restrictions	<u>\$ 282,646</u>
With donor restrictions:	
Foundations	<u>\$ 70,429</u>
Total sources of support with donor restrictions	<u>\$ 70,429</u>

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

**9. FUNDRAISING EVENTS**

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, 2020 were as follows:

	<u>Revenue</u>	<u>Expenses</u>	<u>Net Revenue</u>
Capital Campaign	\$ 100	\$ -	\$ 100
Special Events	<u>54,335</u>	<u>(6,414)</u>	<u>47,921</u>
Total	<u>\$ 54,435</u>	<u>\$ (6,414)</u>	<u>\$ 48,021</u>

**10. IN-KIND CONTRIBUTIONS**

For the year ended December 31, 2020, Ride On LA recorded total in-kind contributions of \$161,232.

In-kind contributions are recorded at their fair market value; at December 31, 2020 consist of the following:

	<u>Amount</u>
Legal Services	\$ 85,232
Professional IT Services	12,000
Rent – CRPD Walnut Grove Equestrian Center	<u>64,000</u>
Total In-Kind Contributions	<u>\$ 161,232</u>

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

**11. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at December 31, 2020 consist of amounts restricted by donor-imposed stipulations, and are available for the following purposes:

Funding Source	Balance at 12/31/19	Income	Expenditures	Balance at 12/31/20
Capital Campaign	\$ 9,000	\$ -	\$ -	\$ 9,000
City of Thousand Oaks – Community endowment	-	3,750	(1,875)	1,875
City of Thousand Oaks – Rancho Potrero	-	51,179	-	51,179
City of Thousand Oaks – SFEF	10,000	-	(10,000)	-
Conejo Recreation and Park District	25,000	12,500	(10,275)	27,225
County of Ventura	4,000	-	-	4,000
Livingston Memorial Foundation	-	3,000	(2,000)	1,000
Samuelsson Foundation	15,000	-	(15,000)	-
Sherwood Cares Foundation	15,000	-	(15,000)	-
	<u>\$ 78,000</u>	<u>\$ 70,429</u>	<u>\$ (54,150)</u>	<u>\$ 94,279</u>

Expenditures of donor-restricted net assets during the year ended December 31, 2020 were:

Grant	Expense Purpose	Amount
City of Thousand Oaks	Capital Improvements	\$ 11,875
Conejo Recreation and Park District	Capital Improvements	10,275
Livingston Memorial Fdn	Scholarships for Youth	2,000
Samuelsson Foundation	Scholarships – Ventura County	15,000
Sherwood Cares Foundation	Scholarships for Ventura County Children	15,000
Total Expenditures		<u>\$ 54,150</u>

**RIDE ON LA**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

**12. COMMITMENTS**

Ride On LA is obligated under one equipment, and two operating facility leases. The equipment lease for two copiers is for \$405 a month and will expire in March 2024. The Chatsworth facility lease, for a two-acre ranch where it has operated since 1994, expires on January 31, 2021. 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 \$64,000 annually.

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

<u>Year Ended December 31,</u>	<u>Amount</u>
2021	\$ 1,955
2022	40
2023	40
2024	40
2025	40
Thereafter	<u>600</u>
Total	<u>\$ 2,715</u>

Total rental expense, including in-kind, for the year ended December 31, 2020 was \$86,780. Total rental expense for equipment for the year ended December 31, 2020 was \$4,860 and is included in office expenses on the comparative statements of functional expenses.

**13. CONTINGENCIES**

*Contracts and Grants*

Costs recorded under public grants and contracts are subject to disallowance upon audits directed by funding agencies.

*COVID-19*

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time.

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**14. LIQUIDITY AND FUNDS AVAILABLE**

The total financial assets held by Ride On LA at December 31, 2020 and the amount of those financial assets that could be made available for general expenditure within one year of the date of the statement of financial position are summarized in the following table:

	December 31, 2020
Financial assets	
Cash and cash equivalents	\$ 291,619
Grants and fees receivable, net of allowance	70,801
Promises to give, net of allowance	1,013
Total financial assets	\$ 363,433
Less donor-imposed restrictions:	
Designated Funds	(94,279)
Financial assets available to meet cash needs for general expenditures within one year	\$ 269,154

In addition to existing financial assets available to meet general expenditures within one year Ride On LA receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. Ride On LA manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Ride On LA has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 60 days operating expenses and has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets at 60 to 90 days of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves ring the year ended December 31, 2020 the level of liquidity and reserves was managed within the policy requirements.

**15. 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 444 lessons or treatments, about 25% of all lessons. Total estimated scholarship expense for the year ending December 31, 2020 is \$11,149.

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**16. CONCENTRATION RISK**

The majority of Ride On LA's contributions and grants are received from corporations, foundations, 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.

**17. SUBSEQUENT EVENTS**

Ride On LA has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2020 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through October 19, 2021, the date these financial statements were available to be issued. The following material events or transactions were noted to have occurred:

On November 2, 2020 the owners of the 2-acre facility where Ride On LA began operating in 1994 notified Ride On LA of their desire to sell the property. In accordance with the provisions of the lease, that lease was terminated on February 1, 2021.

On January 20, 2021 Ride On received a second round of funding from the PPP Loan program in the amount of \$138,730. In March of 2021, the entire loan balance from the first round of PPP funding, \$118,700, was forgiven. Management estimates that the full amount of the second PPP loan will be forgiven by December 31, 2021.

On March 18, 2021 Ride On and the Conejo Recreation and Park District entered into a 40-year lease for the operation of the 20-acre Rancho Potrero Community Equestrian Center in Newbury Park at a cost of \$40 per year.

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**18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Ride On LA exclude the accounts of its wholly-owned subsidiary, Rancho Potrero Trail Rides, LLC and are intended only for the purposes of submission to the County of Los Angeles, and the City of Chatsworth, to meet government contracting requirements, requesting Grantors, banking institutions and those deemed necessary by the Board of Directors of Ride On LA.

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.

*Net Assets*

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

- *Net assets without donor restrictions.* Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting for the nature of the organization, 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.
- *Net assets with donor restrictions.* Net assets with donor restrictions 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. 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 net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions 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.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to net assets with donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions.

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

*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.

*Grants and Fees Receivable, Net of Allowance*

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, 2020, Ride On LA has made a provision of \$9,562 for possible uncollectible or disallowed revenues.

*Promises to Give, Net of Allowance*

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.

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**18. 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*

Land, buildings, building improvements, property, and equipment consist 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 land, buildings, and property are capitalized. Equipment 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, 2020, was \$23,456.

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

*Deferred Revenue*

Deferred revenue represents revenues collected but not earned as of December 31, 2020.

*Accounting for Contributions*

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions 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 net assets with donor restrictions, 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 net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent donor 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 \$690,572 for the year ended December 31, 2020.

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

*Expense Recognition and Allocation*

The cost of providing Ride On LA's programs and other activities is summarized on a functional basis in the comparative statement of activities and comparative 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.

*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, 2020, 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; 2019, 2018, and 2017, are subject to examination by the IRS, generally for 3 years after they were filed.

Ride On LA's Forms 199, *California Exempt Organization Return*, for each of the tax years ended December 31; 2019, 2018, and 2017, and 2016 are subject to examination by the Franchise Tax Board, generally for 4 years after they were filed

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

*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 2019 comparative totals have been reclassified to conform with the 2020 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, 2019, from which the summarized information was derived.

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**18. 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.

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