



**NORTHERN VIRGINIA
THERAPEUTIC RIDING PROGRAM, INC.**



**INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**



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NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

CONTENTS

| | <u>Page</u> |
|---|--------------------|
| Independent Auditors' Report | 1 - 2 |
| Statements of Financial Position December 31, 2021 and 2020 | 3 |
| Statements of Activities For the Years Ended December 31, 2021 and 2020 | 4 - 5 |
| Statements of Functional Expenses For the Years Ended December 31, 2021 and 2020 | 6 - 7 |
| Statements of Cash Flows For the Years Ended December 31, 2021 and 2020 | 8 |
| Notes to Financial Statements | 9-17 |



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Northern Virginia Therapeutic Riding Program, Inc.
Clifton, Virginia

Opinion

We have audited the accompanying financial statements of Northern Virginia Therapeutic Riding Program, Inc. (the Program), a not-for-profit organization, which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern Virginia Therapeutic Riding Program, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northern Virginia Therapeutic Riding Program, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern Virginia Therapeutic Riding Program, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Northern Virginia Therapeutic Riding Program, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern Virginia Therapeutic Riding Program, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Burdette Smith & Bish, LLC

Fairfax, Virginia
June 15, 2022

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 931,999 | \$ 598,417 |
| Restricted cash | 105,639 | 974,264 |
| Accounts receivable, net | 20,006 | 5,004 |
| Promises to give, net | 17,700 | 33,200 |
| Grant receivable | 11,500 | - |
| Prepaid expenses | 965 | 6,258 |
| Total Current Assets | <u>1,087,809</u> | <u>1,617,143</u> |
| INVESTMENTS | <u>55,061</u> | <u>51,336</u> |
| PROPERTY AND EQUIPMENT, AT COST | 7,864,950 | 6,019,438 |
| Less: accumulated depreciation and amortization | (378,487) | (291,857) |
| | <u>7,486,463</u> | <u>5,727,581</u> |
| OTHER ASSETS | | |
| Promises to give, net | 14,733 | 44,024 |
| Silent auction items | 5,542 | 9,768 |
| | <u>20,275</u> | <u>53,792</u> |
| | <u>\$ 8,649,608</u> | <u>\$ 7,449,852</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 46,415 | \$ 450,211 |
| Accrued liabilities | 16,860 | 13,841 |
| Mortgage payable | 33,212 | 31,942 |
| Deferred revenue | 10,489 | 29,121 |
| SBA Paycheck Protection Program loan | 79,242 | 77,512 |
| Total Current Liabilities | <u>186,218</u> | <u>602,627</u> |
| LONG-TERM LIABILITIES | | |
| Mortgage payable | 850,681 | 883,395 |
| Line of credit | 1,244,034 | - |
| | <u>2,094,715</u> | <u>883,395</u> |
| NET ASSETS | | |
| Without donor restrictions | 6,119,720 | 4,806,711 |
| With donor restrictions | 248,955 | 1,157,119 |
| | <u>6,368,675</u> | <u>5,963,830</u> |
| | <u>\$ 8,649,608</u> | <u>\$ 7,449,852</u> |

The accompanying notes are an integral part of these financial statements.

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|--------------|
| SUPPORT AND REVENUE | | | |
| Riding lessons | \$ 184,138 | \$ - | \$ 184,138 |
| Contributions | 712,457 | 371,943 | 1,084,400 |
| Special events (net) | 325,523 | - | 325,523 |
| Other program income | 67,377 | - | 67,377 |
| Rental income | 25,200 | - | 25,200 |
| Investment income, net of expenses | - | 8,536 | 8,536 |
| Gain (loss) on dispositions | (3,995) | - | (3,995) |
| Forgiveness of debt | 77,512 | - | 77,512 |
| | 1,388,212 | 380,479 | 1,768,691 |
| Net assets released from restrictions | 2,102,169 | (2,102,169) | - |
| | 3,490,381 | (1,721,690) | 1,768,691 |
| EXPENSES | | | |
| Program services | 1,101,039 | - | 1,101,039 |
| General and administrative | 133,072 | - | 133,072 |
| Fundraising | 129,735 | - | 129,735 |
| | 1,363,846 | - | 1,363,846 |
| CHANGE IN NET ASSETS | 2,126,535 | (1,721,690) | 404,845 |
| NET ASSETS, BEGINNING OF YEAR | 4,806,711 | 1,157,119 | 5,963,830 |
| RECLASSIFICATION OF FUNDS | (813,526) | 813,526 | - |
| NET ASSETS, END OF YEAR | \$ 6,119,720 | \$ 248,955 | \$ 6,368,675 |

The accompanying notes are an integral part of these financial statements.

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2020

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|---------------------|
| <u>SUPPORT AND REVENUE</u> | | | |
| Riding lessons | \$ 79,143 | \$ - | \$ 79,143 |
| Contributions | 450,061 | 390,965 | 841,026 |
| Special events (net) | 245,310 | - | 245,310 |
| Other program income | 68,475 | - | 68,475 |
| Rental income | 23,800 | - | 23,800 |
| Investment income, net of expenses | - | 19,540 | 19,540 |
| Gain (loss) on dispositions | (3,406) | - | (3,406) |
| | <u>863,383</u> | <u>410,505</u> | <u>1,273,888</u> |
| Net assets released from restrictions | <u>1,722,050</u> | <u>(1,722,050)</u> | <u>-</u> |
| | <u>2,585,433</u> | <u>(1,311,545)</u> | <u>1,273,888</u> |
| <u>EXPENSES</u> | | | |
| Program services | 781,129 | - | 781,129 |
| General and administrative | 145,011 | - | 145,011 |
| Fundraising | 100,173 | - | 100,173 |
| | <u>1,026,313</u> | <u>-</u> | <u>1,026,313</u> |
| CHANGE IN NET ASSETS | 1,559,120 | (1,311,545) | 247,575 |
| NET ASSETS, BEGINNING OF YEAR | 3,667,996 | 2,048,259 | 5,716,255 |
| RECLASSIFICATION OF FUNDS | (420,405) | 420,405 | - |
| NET ASSETS, END OF YEAR | <u>\$ 4,806,711</u> | <u>\$ 1,157,119</u> | <u>\$ 5,963,830</u> |

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021

| | Program Services | General and Administrative | Fundraising | Total |
|---------------------------------------|---------------------|-------------------------------|-------------------|---------------------|
| Bad debt | \$ 115 | \$ - | \$ - | \$ 115 |
| Capital campaign | - | - | 15,775 | 15,775 |
| Depreciation and amortization | 105,738 | - | - | 105,738 |
| Education and training expenses | 7,758 | - | - | 7,758 |
| Horse expenses | 94,823 | - | - | 94,823 |
| In-kind contributed services | 320,165 | - | - | 320,165 |
| Insurance | 33,575 | 3,277 | - | 36,852 |
| Interest expense | 71,221 | - | - | 71,221 |
| Marketing and promotional | 4,571 | - | - | 4,571 |
| Office expenses | 3,045 | - | - | 3,045 |
| Payroll costs | 311,870 | 80,955 | 113,960 | 506,785 |
| Printing and postage | 369 | - | - | 369 |
| Professional fees | - | 48,840 | - | 48,840 |
| Program supplies and expense | 55,401 | - | - | 55,401 |
| Repairs and maintenance | 35,163 | - | - | 35,163 |
| Taxes and licenses | 19,287 | - | - | 19,287 |
| Technology | 25,674 | - | - | 25,674 |
| Utilities | 9,324 | - | - | 9,324 |
| Volunteers | 2,940 | - | - | 2,940 |
| | <u>\$ 1,101,039</u> | <u>\$ 133,072</u> | <u>\$ 129,735</u> | <u>\$ 1,363,846</u> |

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020

| | Program Services | General and Administrative | Fundraising | Total |
|---------------------------------------|---------------------|-------------------------------|-------------------|---------------------|
| Bad debt | \$ 2,582 | \$ - | \$ - | \$ 2,582 |
| Capital campaign | - | - | 1,874 | 1,874 |
| Depreciation and amortization | 46,713 | - | - | 46,713 |
| Education and training expenses | 2,330 | - | - | 2,330 |
| Horse expenses | 108,714 | - | - | 108,714 |
| In-kind contributed services | 166,770 | - | - | 166,770 |
| Insurance | 29,576 | 3,739 | - | 33,315 |
| Interest expense | 43,606 | - | - | 43,606 |
| Marketing and promotional | 155 | - | - | 155 |
| Office expenses | 4,760 | - | - | 4,760 |
| Payroll costs | 241,486 | 86,272 | 98,299 | 426,057 |
| Professional fees | - | 55,000 | - | 55,000 |
| Program supplies and expense | 69,864 | - | - | 69,864 |
| Repairs and maintenance | 35,598 | - | - | 35,598 |
| Taxes and licenses | 16,601 | - | - | 16,601 |
| Technology | 5,067 | - | - | 5,067 |
| Therapists | 595 | - | - | 595 |
| Utilities | 4,074 | - | - | 4,074 |
| Volunteers | 2,638 | - | - | 2,638 |
| | <u>\$ 781,129</u> | <u>\$ 145,011</u> | <u>\$ 100,173</u> | <u>\$ 1,026,313</u> |

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|--|---------------------------|--------------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Increase (decrease) in net assets | \$ 404,845 | \$ 247,575 |
| Adjustments to reconcile net assets to net cash provided by (used in) operating activities: | | |
| Bad debt expense | 115 | (1,652) |
| Depreciation and amortization | 105,738 | 46,713 |
| Discount on pledges receivable | 24 | 2,793 |
| Donated investments, property and equipment | (9,998) | - |
| (Gain) loss on dispositions | 3,995 | 3,406 |
| Write off on arena invoice | - | 6,925 |
| Realized (gain) loss on investments | - | (138) |
| Unrealized (gain) loss on investments | (6,102) | (8,794) |
| Forgiveness of debt | (77,512) | - |
| (Increase) decrease in: | | |
| Restricted cash | 868,625 | 273,495 |
| Accounts receivable | (15,002) | (1,605) |
| Promises to give | 44,652 | 49,464 |
| Grant receivable | (11,500) | 4,000 |
| Prepaid expenses | 5,293 | (915) |
| Silent auction items | 4,226 | (9,768) |
| Increase (decrease) in: | | |
| Accounts payable | (403,796) | 410,171 |
| Accrued liabilities | 3,019 | 13,841 |
| Deferred revenue | (18,632) | 4,064 |
| | <u>493,145</u> | <u>792,000</u> |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>897,990</u> | <u>1,039,575</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Cash used to purchase property and equipment | (1,858,649) | (1,407,225) |
| Transfer from investment account | - | 614,816 |
| Cash used to purchase investments | (2,601) | (1,131,930) |
| Cash proceeds from sale of investments | 5,010 | 1,034,214 |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | <u>(1,856,240)</u> | <u>(890,125)</u> |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | |
| Proceeds from SBA Paycheck Protection Program | 79,242 | 77,512 |
| Proceeds from line of credit | 1,244,034 | - |
| Payments on mortgage payable | (31,444) | (33,002) |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | <u>1,291,832</u> | <u>44,510</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 333,582 | 193,960 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 598,417 | 404,457 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ <u>931,999</u> | \$ <u>598,417</u> |
| <u>SUPPLEMENTAL CASH FLOW INFORMATION</u> | | |
| Cash paid for interest | \$ 71,221 | \$ 43,606 |
| <u>SUPPLEMENTAL NON-CASH ACTIVITIES</u> | | |
| Donated property and equipment | \$ 9,998 | \$ - |
| Donated boarding space | - | 45,225 |
| In-kind services performed | 320,165 | 145,170 |
| | <u>\$ 330,163</u> | <u>\$ 190,395</u> |

The accompanying notes are an integral part of these financial statements.

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 1 - Summary of Significant Accounting Policies

The Northern Virginia Therapeutic Riding Program, Inc. (the Program) is a not-for-profit organization incorporated under the laws of the Commonwealth of Virginia on March 9, 1998. The Program provides equine-assisted activities for people with disabilities, youth-at-risk, recovering military personnel, and others in Northern Virginia.

Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Revenue Recognition

Revenue from riding lessons is recognized upon the completion of each riding session. Deferred revenue represents fees collected in advance of the completion of the riding session.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Program reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

The Program reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Program reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

In-Kind Support

Contributions of donated services that enhance a non-financial asset and contributed services that are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying financial statements. Contributed services represent the value of donated program volunteer, legal services, and horse boarding are recorded as contributions at their estimated fair market value as of the date of the donation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the financial statements include the collectability of promises to give, the discount rates used to record net present value adjustment on long-term promises to give and the estimated useful lives of property and equipment.

Cash Equivalents

For purposes of the statement of cash flows, the Program considers checking, money market, savings, and certificates of deposit with maturity of ninety days or less to be cash and cash equivalents. As required by certain loan covenants, the Program has established a reserve deposit account with a lender. The reserve is maintained in a separate bank account for the purposes of advancing funds to the Program's general contractor upon the completion of the development portion of the indoor arena construction contract. See Note 7.

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 1 - Summary of Significant Accounting Policies, Continued

Fair Value of Financial Statements

Accounting principles generally accepted in the United States established a framework for measuring fair value, clarifying the definition of fair value within that framework and expanding disclosure about fair value measurements. U.S. GAAP established a three-tiered fair value hierarchy with Level 1 representing quoted prices for identical assets or liabilities in an active market, Level 2 representing quoted prices for identical assets or liabilities in a market that is non-active or with other than directly or indirectly observable inputs, and Level 3 representing estimate values based on unobservable inputs. Related disclosures are segregated for assets and liabilities measured at fair value based on the level used within the hierarchy to determine their fair values.

The carrying amounts for cash and cash equivalents, restricted cash, grant receivable, prepaid expenses, accounts payable, accrued liabilities, and current maturities of long-term borrowing approximate fair market value because of the short maturity of these instruments. The carrying amount of long-term debt approximates fair market value because the interest rate on the instrument is consistent with rates offered for debt with similar terms and maturities.

Accounts Receivable

Accounts receivable are reported net of an estimate made for doubtful collections. The provision for doubtful accounts is based on management's annual evaluation of outstanding accounts and shall not be less than 3% of the total amount of accounts receivable that are more than 30 days in age. Accounts receivable are written off against the allowance account when collection efforts have been exhausted.

Promises to Give

Unconditional promises to give are reported net of an estimate made for doubtful pledge collections. The allowance for doubtful promises to give is based on management's evaluation of the status of existing promises to give and historical results. The provision for doubtful accounts is 3% of the total amount of pledges receivable at year end. Pledges receivable are written off against the allowance account when collection efforts have been exhausted.

Unconditional promises to give that are expected to be received within one year are recorded at their face amount, which is estimated to approximate fair value. Amounts to be received in a future period are discounted to their net present value at the time the revenue is recorded. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are anticipated to be received. Discount rates were 1.6% and .06% for the years ended December 31, 2021 and 2020, respectively. Amortization of the discount is included in contribution revenue.

Investments

Investments in money market funds, mutual funds, and fixed income obligations with readily determinable fair value are reported in the statement of financial position at fair value using level 1 valuation methodology. Interest, dividends and realized gains or losses are recorded when earned or sustained. Fluctuations in the market value of the portfolio are recorded as unrealized gains or losses in the accompanying statements of activities. Donated securities are recorded based on quoted market values as of the close of business on the date the security is received and are sold upon receipt or immediately thereafter to establish fair market value.

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 1 - Summary of Significant Accounting Policies, Continued

Property and Equipment

Property and equipment (including major renewals, replacements and betterments), with a cost of \$500 or more, are capitalized and stated at cost. Expenditures for ordinary maintenance and repair items are charged to operations as incurred. Upon the sale or other disposition of property, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the changes in net assets. Depreciation is provided for principally under the straight-line method. Asset useful lives are from three to forty years. Leasehold improvements are amortized under the straight-line method over the useful lives of the improvements.

Classes of Assets

To ensure the observance of limitations and restrictions placed on the use of resources available to the Program, resources for various purposes are classified for accounting purposes into classes established according to their nature and purpose as follows:

Net assets without donor restrictions - net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Program's management and includes Board designated funds, i.e.: funds that have been segregated by the Board to be spent only on specific purposes (capital campaign and scholarships).

Net assets with donor restrictions - result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Program pursuant to these stipulations. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Tax Exempt Status

The Program has been granted exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended and classified as other than a private foundation. However, income from certain activities not directly related to the Program's tax-exempt purpose may be subject to taxation as unrelated business income.

Management has evaluated the Program's tax positions and concluded that the Program had taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, the Program is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years prior to 2018.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs were \$4,571 and \$155 for the years ended December 31, 2021 and 2020, respectively.

Reclassifications

Certain amounts in the 2020 financial statements have been reclassified to conform with the 2021 presentation.

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 2 – Concentration of Credit Risk

The Program maintains bank accounts with a credit-worthy, high quality financial institution. The Federal Deposit Insurance Corporation (FDIC) has limitations on the amount it will insure, and the Program's accounts balances may periodically exceed that amount. The Program has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash.

NOTE 3 – Accounts Receivable

Accounts receivable, net of allowance for doubtful collections, is comprised of the following at December 31:

| | <u>2021</u> | <u>2020</u> |
|--|------------------|-----------------|
| Accounts receivable | \$ 20,006 | \$ 5,004 |
| Less: allowance for doubtful collections | - | - |
| | <u>\$ 20,006</u> | <u>\$ 5,004</u> |

Bad debt expense recognized on accounts receivable totaled \$-0- and \$4,234 for 2021 and 2020, respectively.

NOTE 4 – Promises to Give

The Program's promises to give, net of allowance for doubtful collections and discount, consist of the following at December 31:

| | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|
| Receivable in one year or less | \$ 17,700 | \$ 33,200 |
| Receivable in two to four years | 16,000 | 46,700 |
| | 33,700 | 79,900 |
| Less: allowance for doubtful collections | (1,011) | (2,396) |
| Less: adjustment to net present value | (256) | (280) |
| | <u>\$ 32,433</u> | <u>\$ 77,224</u> |
| Current portion | \$ 17,700 | \$ 33,200 |
| Long-term portion | 14,733 | 44,024 |
| | <u>\$ 32,433</u> | <u>\$ 77,224</u> |

Bad debt expense recognized on pledges receivable totaled \$-0- for both the years ended December 31, 2021 and 2020, respectively.

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 5 – Investments

Investments are stated at fair value using level 1 valuation methodology and consist of the following at December 31:

| | <u>2021</u> | | <u>2020</u> |
|---------------------------------|-------------|----|-------------|
| Cash and cash equivalents | \$ 2,257 | \$ | 2,398 |
| Equity and mutual funds | 52,804 | | 48,938 |
| | \$ 55,061 | \$ | 51,336 |

Investment income is comprised of the following:

| | <u>2021</u> | | <u>2020</u> |
|-------------------------------------|-------------|----|-------------|
| Interest and dividends | \$ 3,185 | \$ | 10,733 |
| Net unrealized gains (losses) | 6,102 | | 8,794 |
| Realized gain (loss) | - | | 138 |
| Investment expenses | (751) | | (125) |
| | \$ 8,536 | \$ | 19,540 |

NOTE 6 - Property and Equipment

Property and equipment, at cost, and the related accumulated depreciation and amortization as of December 31 are summarized as follows:

| | <u>2021</u> | | <u>2020</u> |
|---|--------------|----|-------------|
| Land | \$ 1,521,425 | \$ | 1,521,425 |
| Building | 498,357 | | 498,357 |
| Permanent facility acquisition costs | 67,472 | | 67,472 |
| Indoor riding arena preparation | 5,428,690 | | 3,608,306 |
| Horses | 189,497 | | 185,366 |
| Program equipment | 79,098 | | 79,495 |
| Office equipment and furniture | 10,144 | | 5,938 |
| Software | 1,000 | | 1,000 |
| Leasehold improvements | 31,804 | | 14,617 |
| Vehicles | 28,208 | | 28,207 |
| Loan costs | 9,255 | | 9,255 |
| | 7,864,950 | | 6,019,438 |
| Less: accumulated depreciation and amortization ... | (378,487) | | (291,857) |
| | \$ 7,486,463 | \$ | 5,727,581 |

Depreciation and amortization expense totaled \$105,738 and \$46,713 for the years ended December 31, 2021 and 2020, respectively.

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 7 – Letters of Credit

In November 2017, the Program entered into two irrevocable standby letters of credit as part of the bonding requirement in connection with the construction completion of the indoor riding arena totaling \$684,000. Interest is at prime plus 2%. Payments are due on demand. The letters of credit are secured by all assets of the Program. They are automatically renewed for an additional six-months on May 15th and November 15th of each year. On April 15, 2020, the Program entered into a line of credit up to \$1,500,000 with a term of 7 years and a fixed interest rate of 3.95%. Proceeds are only to be used for the construction of the new indoor arena and barn.

The balance on the line of credit was \$1,244,034 and \$0- at December 31, 2021 and 2020, respectively. Interest expense for 2021 and 2020 was \$35,138 and \$0-, respectively.

NOTE 8 – Mortgage Payable

The Program has a mortgage note with a local bank. The principal amount was \$1,050,000 with an interest rate of 4.8% through September 4, 2020. From September 5, 2020 to the maturity date of September 2025, interest will be adjusted to the Treasury Constant Yield Rate plus three and one-quarter percentage point (3.25%). Monthly interest and principal payments are \$6,059, with the remaining balloon payment of \$778,894 due on the maturity date. The note is secured by a first priority lien and Deed of Trust on the property, in addition to all assets of the Program. On April 30, 2020, the Program refinanced their mortgage for a 7-year term with a fixed interest rate of 3.95%. Monthly interest and principal payments are \$5,627. The Program is required to maintain certain operating and reporting covenants.

The outstanding mortgage payable is as follows at December 31:

| | <u>2021</u> | <u>2020</u> |
|----------------------------|-------------------|-------------------|
| Mortgage payable | \$ <u>883,893</u> | \$ <u>915,337</u> |
| Current maturities | \$ 33,212 | \$ 31,942 |
| Long-term maturities | <u>850,681</u> | <u>883,395</u> |
| | \$ <u>883,893</u> | \$ <u>915,337</u> |

Long-term debt maturities for years ending December 31 are as follows:

| | |
|------------|-------------------|
| 2023 | \$ 34,062 |
| 2024 | 35,359 |
| 2025 | 36,893 |
| 2026 | 38,398 |
| 2027 | <u>705,969</u> |
| | \$ <u>850,681</u> |

Interest expense for the years ended December 31, 2021 and 2020 totaled \$36,083 and \$43,606, respectively.

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 9 – Net Assets

All unconditional promises to give are recorded net assets with donor restrictions and income at the time the promise is communicated. The promises are considered with donor restriction because the donor is restricting the time period in which the assets may be used by not transferring them immediately. When a restriction expires, that is, when a stipulated time restriction or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Net assets consisted of the following at December 31:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------------|-------------------------|
| <u>With donor restrictions</u> | | |
| Building Fund | \$ 105,639 | \$ 974,212 |
| Restricted/Grant Funds | 55,548 | 54,348 |
| Scholarships (Edelman Investment) | 55,061 | 51,336 |
| Pledges | 32,707 | 77,223 |
| | <u>248,955</u> | <u>1,157,119</u> |
| <u>Without donor restrictions</u> | | |
| Designated by the Board | | 156,727 |
| Undesignated | 6,119,720 | 4,649,984 |
| | <u>6,119,720</u> | <u>4,806,711</u> |
| Net Assets | <u>\$ 6,368,675</u> | <u>\$ 5,963,830</u> |

NOTE 10 – Lease Income

The Program leases a portion of the single-family home located on the property. Lease income totaled \$25,200 and \$23,800 for the years ended December 31, 2021 and 2020, respectively.

NOTE 11– Special Events

Special fundraising events are reflected net of costs in the statement of activities. Gross revenues and costs for the years ended December 31 are as follows:

| | <u>2021</u> | <u>2020</u> |
|----------------|-------------------|-------------------|
| Revenues | \$ 408,949 | \$ 304,408 |
| Costs | (83,426) | (59,098) |
| | <u>\$ 325,523</u> | <u>\$ 245,310</u> |

NOTE 12 – Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program, general and administrative, and fundraising activities based on level of effort. Such allocations are determined by management on an equitable basis.

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 13 – Contributed Services

Patrons of the Program donate their time and talents for program and administrative activities and events that demonstrate to the community what the Program has to offer. Volunteers are required to attend specially-tailored training for therapeutic riding to assist in riding lessons as side walkers and horse leaders as well as horse care and barn management. The Program adopted a policy to objectively measure the value of volunteer services. Accordingly, the accompanying statements include a value for volunteer program-related services provided to the Program, excluding time contributed by members of the Board of Directors, for the years ended December 31, 2021 and 2020.

The accompanying statements also include contributed legal services provided to the Program for the years ended December 31, 2021 and 2020, as measured based on the fair value of those services. Donated horse boarding space of \$23,625 and \$31,500 were included in horse expenses on the Statement of Functional Expenses for the years ended December 31, 2021 and 2020, respectively.

Contributed services revenue and corresponding expenses are comprised of the following at December 31:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Volunteer program-related services | \$ 297,744 | \$ 142,861 |
| Donated legal services | 22,421 | 2,309 |
| Donated horse boarding space | - | 45,225 |
| | <u>\$ 320,165</u> | <u>\$ 190,395</u> |

NOTE 14 – Availability and Liquidity of Resources

The Program's financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position, are as follows:

| | |
|-----------------------------------|-------------------|
| Cash and cash equivalents | \$ 931,999 |
| Accounts receivable | 20,006 |
| Pledges receivable, current | 17,700 |
| | <u>\$ 969,705</u> |

As part of liquidity management, the Program has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations that come due. In addition, as part of liquidity management, the Program invests cash in short-term investments, including money market accounts, stocks, and exchange traded funds. The Program's financial assets available at December 31, 2021 are sufficient to cover all of its obligations.

NORTHERN VIRGINIA THERAPEUTIC RIDING PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 15 – Paycheck Protection Program

On April 10, 2020, the Program received loan proceeds in the amount of \$77,512 from the U.S. Small Business Administration (SBA) through the Paycheck Protection Program (“PPP”) which was established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”). The PPP provides loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. Under the terms of this loan, funds are eligible to be forgiven if they are used for specific covered expenses including payroll and rent. On January 25, 2021, the Program received a second round of funding through the PPP in the amount of \$79,252. Any portion of the loan that does not qualify for forgiveness is subject to an interest rate of 1% and is payable in equal installments of principal and interest over a two-year period. Payments are deferred until such time as the SBA remits the forgiveness amount of the loan to the lender. The first loan was fully forgiven on March 17, 2021 and is reported as debt forgiveness on the statement of activities.

The Program has elected to record the second PPP loan using the debt method. Under the debt method, the Program has accounted for the PPP loan as a liability, reported on the Statement of Financial Position. See Note 17 for subsequent events.

NOTE 16 – COVID-19

The World Health Organization announced a global health emergency due to a new strain of the coronavirus (COVID-19), which became a global pandemic in March 2020 and has resulted in unprecedented actions by governments around the world to curtail the spread of the virus. These events have resulted in a high level of uncertainty and volatility in the financial markets. COVID-19 has had an enormous impact on business organizations, and consumers in all sectors. The outcome and timeframe are highly unpredictable and as such, the Program is not able to estimate the effects of COVID-19 on its results of operations, financial conditions, or liquidity for 2022.

NOTE 17 – Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosure through June 15, 2022, the date the financial statements were available to be issued and believes that all items requiring recognition or disclosure in the financial statements have been appropriately reflected.

On January 28, 2022, the second PPP loan, detailed on Note 15, was fully forgiven.