

**RAINBOW CENTER 4-H THERAPEUTIC  
EQUESTRIAN PROGRAM, INC.**

**Financial Statements for the Years Ended December 31, 2010 and 2009  
and Independent Auditors' Report  
Dated December 19, 2011**

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Independent Auditors' Report

Board of Directors  
Rainbow Center 4-H Therapeutic Equestrian Program, Inc.  
Manassas, Virginia

Audit Services:

Government Services  
A-133 Audits  
Not-For-Profits  
Commercial Audits  
Financial Reviews

Tax Services:

Tax Planning  
Tax Preparation  
Estates & Trusts  
Offer-in-Compromise  
Installment Agreements

Accounting Services:

Bookkeeping  
Month-end Accounting  
Compilations

Business Services:

Business Consulting  
Business Plans  
State Solicitation Filings

We have audited the accompanying statements of financial position of Rainbow Center 4-H Therapeutic Equestrian Program, Inc. ("the Organization") as of December 31, 2010 and 2009 and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Rainbow Center 4-H Therapeutic Equestrian Program, Inc. at December 31, 2010 and 2009, and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Hendershot, Burkhardt & Reed, CPAs*

Hendershot, Burkhardt & Reed, CPAs  
December 19, 2011

**Rainbow Center 4-H Therapeutic Equestrian Program, Inc.**  
**Statements of Position**  
**As of December 31, 2010 and 2009**

<b>ASSETS</b>	<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 694,749	\$ 819,780
Receivables	12,377	28,006
Prepaid Expenses	697	2,040
Deposits	<u>273</u>	<u>3,848</u>
Total Current Assets	708,096	853,674
 INVESTMENTS, at market	 -	 3,833
 <b>FIXED ASSETS</b>		
Land, Buildings, Furniture, Equipment, and Livestock	387,203	133,020
Less Accumulated Depreciation	<u>(53,226)</u>	<u>(36,662)</u>
Total Fixed Assets	<u>333,977</u>	<u>96,358</u>
 <b>TOTAL ASSETS</b>	 <u><b>\$ 1,042,073</b></u>	 <u><b>\$ 953,865</b></u>
 <b>LIABILITIES &amp; NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 16,563	\$ 440
Payroll Liabilities	<u>-</u>	<u>3,648</u>
Total Current Liabilities	<u>16,563</u>	<u>4,088</u>
 <b>TOTAL LIABILITIES</b>	 16,563	 4,088
 <b>NET ASSETS</b>		
Unrestricted	465,383	170,003
Board Designated	535,684	722,054
Temporarily Restricted	<u>24,443</u>	<u>57,720</u>
 <b>TOTAL NET ASSETS</b>	 <u>1,025,510</u>	 <u>949,777</u>
 <b>TOTAL LIABILITIES &amp; NET ASSETS</b>	 <u><b>\$ 1,042,073</b></u>	 <u><b>\$ 953,865</b></u>

See the accompanying Independent Auditors' Report and notes to the financial statements

**Rainbow Center 4-H Therapeutic Equestrian Program, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2010**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Revenue, Gains, and Other Support			
Grants and Contributions	\$ 222,819	\$ -	\$ 222,819
Fund Raisers	30,721	-	30,721
Tuition	20,231	-	20,231
Interest and Dividend Income	194	-	194
Other Income	786	-	786
Released from Restriction	<u>33,277</u>	<u>(33,277)</u>	<u>-</u>
Total Revenue, Gains, and Other Support	308,028	(33,277)	274,751
Expenses			
Program Services	112,485	-	112,485
Management and General	50,038	-	50,038
Fundraising	<u>36,495</u>	<u>-</u>	<u>36,495</u>
Total Expenses	<u>199,018</u>	<u>-</u>	<u>199,018</u>
Change in Net Assets	109,010	(33,277)	75,733
Net Assets, Beginning of Year	<u>892,057</u>	<u>57,720</u>	<u>949,777</u>
Net Assets, End of Year	<u>\$ 1,001,067</u>	<u>\$ 24,443</u>	<u>\$ 1,025,510</u>

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**Rainbow Center 4-H Therapeutic Equestrian Program, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2009**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Revenue, Gains, and Other Support			
Grants and Contributions	\$ 157,782	\$ -	\$ 157,782
Fund Raisers	20,833	-	20,833
Tuition	18,980	-	18,980
Interest and Dividend Income	146	-	146
Gain on Sale of Property	514,988	-	514,988
Released from Restriction	<u>61,235</u>	<u>(61,235)</u>	<u>-</u>
Total Revenue, Gains, and Other Support	773,964	(61,235)	712,729
Expenses			
Program Services	112,485	-	112,485
Management and General	50,038	-	36,607
Fundraising	<u>36,495</u>	<u>-</u>	<u>18,380</u>
Total Expenses	<u>199,018</u>	<u>-</u>	<u>167,472</u>
Change in Net Assets	574,946	(61,235)	545,257
Prior Period Adjustment	(50,346)	61,260	10,914
Net Assets, Beginning of Year	<u>351,176</u>	<u>118,955</u>	<u>470,131</u>
Net Assets, End of Year	<u>\$ 875,776</u>	<u>\$ 118,980</u>	<u>\$ 994,756</u>

See the accompanying Independent Auditors' Report and notes to the financial statements

**Rainbow Center 4-H Therapeutic Equestrian Program, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2010 and 2009**

	2010	2009
<b>OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 75,733	\$ 468,732
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,909	4,490
(Increase)/Decrease in Receivables	15,629	(7,590)
(Increase)/Decrease in Prepaid Expenses	1,343	(1,254)
(Increase)/Decrease in Deposits	3,575	(2,000)
Increase/(Decrease) in Accounts Payable	16,123	(10,935)
Increase/(Decrease) in Payroll Liabilities	(3,648)	(372)
<b>NET CASH PROVIDED BY/(USED BY) OPERATING ACTIVITIES</b>	<b>115,664</b>	<b>451,071</b>
<b>INVESTING ACTIVITIES</b>		
(Increase)/Decrease in Market Value of Investments	-	(223)
Fixed Asset Purchases	(240,695)	95,147
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(240,695)</b>	<b>94,924</b>
<b>FINANCING ACTIVITIES</b>		
	-	-
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(125,031)</b>	<b>545,995</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>819,780</b>	<b>273,785</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 694,749</b>	<b>\$ 819,780</b>

See the accompanying Independent Auditors' Report and notes to the financial statements

**Rainbow Center 4-H Therapeutic Equestrian Program, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2010**

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 58,165	\$ 5,511	\$ 33,065	\$ 96,741
Horse Expenses	20,868	-	-	20,868
Professional Fees and Contract Labor	-	19,243	-	19,243
Farm Expenses	11,541	-	-	11,541
Miscellaneous	5,588	1,744	872	8,204
On-site Expenses	7,109	710	-	7,819
Insurance	-	7,571	-	7,571
Office Expense and Supplies	-	7,522	-	7,522
Employee Benefits and Taxes	4,506	427	2,558	7,491
Depreciation	-	6,909	-	6,909
Advertising	1,568	65	-	1,633
Postage and Delivery	1,562	-	-	1,562
Dues and Fees	1,000	336	-	1,336
Printing and Reproduction	578	-	-	578
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Total	<u>\$ 112,485</u>	<u>\$ 50,038</u>	<u>\$ 36,495</u>	<u>\$ 199,018</u>

See the accompanying Independent Auditors' Report and notes to the financial statements

**Rainbow Center 4-H Therapeutic Equestrian Program, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2009**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 50,294	\$ 16,240	\$ 15,665	\$ 82,199
On-site Expenses	58,628	-	-	58,628
Site Development	33,422	-	-	33,422
Occupancy	22,414	-	-	22,414
Employee Benefits and Taxes	3,875	5,732	1,207	10,814
Horse Expenses	8,470	-	-	8,470
Miscellaneous	4,106	4,234	-	8,340
Professional Fees and Contract Labor	-	7,849	-	7,849
Depreciation	2,425	1,167	898	4,490
Other	1,735	-	-	1,735
Office Expense and Supplies	507	620	282	1,409
Dues and Fees	709	493	-	1,202
Printing and Reproduction	633	222	-	855
Postage and Delivery	241	50	328	619
Maintenance	612	-	-	612
Training	550	-	-	550
Volunteer Support	275	-	-	275
Insurance	114	-	-	114
Total	<u>\$ 189,010</u>	<u>\$ 36,607</u>	<u>\$ 18,380</u>	<u>\$ 243,997</u>

See the accompanying Independent Auditors' Report and notes to the financial statements

**Rainbow Center 4-H Therapeutic Equestrian Program, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2010 and 2009**

**NOTE 1: ORGANIZATION**

Rainbow Center 4-H Therapeutic Equestrian Program, Inc. (“the Organization”) is a non-partisan, not-for-profit organization whose purposes are to foster and encourage the development and operation of horseback riding and other related activities for therapeutic purposes for the handicapped, including those who are mentally challenged, physically handicapped, emotionally disturbed, have learning disabilities, speech impairments, hearing impairments, visual impairments, and multiple handicaps.

The Organization promotes programs to enhance the general welfare and safety of the handicapped and will initiate and conduct such other programs and activities as may in any manner be related to these objectives. The programs will be conducted under the guidelines established by the North American Riding for the Handicapped Association, Inc.

The Organization will educate the general public to the benefits of the programs and to seek good public relations and support. Other programs include providing additional educational and community service opportunities to 4-Hers and creating a team spirit among all who are engaged in the program.

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

Accrual Basis of Accounting - The Organization maintains its accounting records on the accrual basis, which is in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenue is recognized when earned and expenses when an obligation is incurred.

Cash and Cash Equivalents - The total of cash and cash equivalents is the balance of the checking, savings, money market, and certificate of deposit accounts.

Contributions - The Organization reports gifts of cash and other assets as restricted support if they are received with donor or time stipulations that limit the use of the donated assets. When the donor or time 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 restrictions.

The Organization reports gifts of capital items 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 and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Rainbow Center 4-H Therapeutic Equestrian Program, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2010 and 2009**

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

Furniture and Equipment - Current purchases of furniture and equipment in excess of \$250 are recorded at cost. Items of furniture and equipment that are donated are recorded at their fair-market value. Depreciation is taken on a straight-line basis over their estimated useful lives.

Livestock - Livestock is recorded at cost. Depreciation is taken on a straight-line basis over ten years.

Income Tax Status - The Organization is exempt from federal income tax as described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, contributions to the Organization are deductible for federal income, estate, and gift tax purposes. In addition, the Organization has been classified by the Internal Revenue Service as a public charity and is not a private foundation.

**NOTE 3: CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

	<u>2010</u>	<u>2009</u>
Cash	\$694,749	\$809,050
Money Market	-	10,730
Total	<u>\$694,749</u>	<u>\$819,780</u>

**NOTE 4: TEMPORARILY RESTRICTED NET ASSETS**

The following temporarily restricted assets are available for the following purposes or periods:

<u>Program Activities:</u>	<u>2010</u>	<u>2009</u>
Scholarship Program	10,724	10,724
Horse Purchases	3,499	3,499
Youth at Risk Program	1,220	1,220
Pledges for Future Operations	<u>9,000</u>	<u>42,277</u>
Total temporarily restricted assets	<u>\$ 24,443</u>	<u>\$ 57,720</u>

**Rainbow Center 4-H Therapeutic Equestrian Program, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2010 and 2009**

**NOTE 5: BOARD DESIGNATED NET ASSETS**

Board designated net assets consist entirely of funds from the sale of the Colvin Lane property and are to be used solely for expenses for the new property located at Silver Lake .