

J.F. Shea Therapeutic Riding Center, Inc.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

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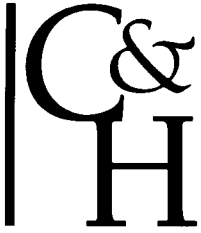
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
J.F. Shea Therapeutic Riding Center, Inc.
San Juan Capistrano, California

We have audited the accompanying statements of financial position of J.F. Shea Therapeutic Riding Center, Inc., a California nonprofit organization, as of December 31, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows 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 audits 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 audits provide reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of J.F. Shea Therapeutic Riding Center, Inc. as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Cangelosi & Holmes, Inc.

April 13, 2009

J.F. Shea Therapeutic Riding Center, Inc.

Statements of Financial Position

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 882,836	\$ 597,514
Accounts receivable, net (note 2)	2,840	25,646
Pledges receivable, current portion (note 3)	239,041	1,271,139
Prepaid expenses	<u>52,660</u>	<u>51,986</u>
Total current assets	<u>1,177,377</u>	<u>1,946,285</u>
Property and equipment		
Horses	209,400	164,900
Automotive	74,328	74,328
Land improvements	194,762	1,722,211
Equestrian facility	1,722,211	1,922,580
Buildings	234,783	194,762
Building Improvements	1,922,580	2,882
Fixtures and equipment	2,882	248,872
Accumulated depreciation	(693,630)	(567,457)
Land	3,700,000	3,700,000
Construction in progress (note 4)	<u>1,360,420</u>	<u>1,155,397</u>
Total property and equipment, net of accumulated depreciation	<u>8,727,736</u>	<u>8,618,475</u>
Other assets		
Pledges receivable, net of current portion (note 3)	115,923	235,797
Investments (note 2)	<u>444,747</u>	<u>355,891</u>
Total other assets	<u>560,670</u>	<u>591,688</u>
Total assets	<u>\$ 10,465,783</u>	<u>\$ 11,156,448</u>

J.F. Shea Therapeutic Riding Center, Inc.

Statements of Financial Position

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 32,725	\$ 24,075
Accrued expenses - construction in progress (note 5)	9,000	4,612
Accrued liabilities	13,659	42,837
Line of credit (note 6)	-	243,394
	<u>55,384</u>	<u>314,918</u>
Total liabilities		
Long term liabilities		
Line of credit (note 6)	-	-
	<u>-</u>	<u>-</u>
Total long term liabilities		
	<u>55,384</u>	<u>314,918</u>
Total liabilities		
Net assets		
Unrestricted	5,429,484	5,443,703
Temporarily restricted (note 7)	4,969,415	5,386,327
Permanently restricted (note 8)	11,500	11,500
	<u>10,410,399</u>	<u>10,841,530</u>
Total net assets		
	<u>\$ 10,465,783</u>	<u>\$ 11,156,448</u>
Total liabilities and net assets		

J.F. Shea Therapeutic Riding Center, Inc.

Statements of Activities

For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Revenue and support		
Contributions	\$ 256,721	\$ 256,272
In-kind contributions (note 2)	104,133	63,699
Special events (note 9)	1,166,187	1,275,463
Program fees	298,482	268,317
Instructor training	11,775	14,564
Interest and dividends	27,273	22,500
Miscellaneous	2,242	2,000
Gain (loss) on investments	(17,650)	26,372
Gain (loss) on sale/disposal of property	(13,120)	(12,492)
Net assets released from restrictions		
Satisfaction of program restrictions	242,113	121,266
Satisfaction of capital restrictions	436,932	1,798,715
Total unrestricted revenue and support	<u>2,515,088</u>	<u>3,836,676</u>
Expenses		
Program	1,703,077	1,457,558
Direct benefits to donors (note 9)	301,812	317,763
Management and general	132,169	148,758
Fundraising	392,249	432,397
Total expenses	<u>2,529,307</u>	<u>2,356,476</u>
(Decrease) increase in unrestricted net assets	<u>(14,219)</u>	<u>1,480,200</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	261,700	3,065,551
Interest and dividends	433	2,900
Net assets released from program restrictions	(242,113)	(121,266)
Net assets released from capital restrictions	(436,932)	(1,798,715)
(Decrease) increase in temporarily restricted net assets	<u>(416,912)</u>	<u>1,148,470</u>
Total (decrease) increase in net assets	(431,131)	2,628,670
Net assets at beginning of year	<u>10,841,530</u>	<u>8,212,860</u>
Net assets at end of year	<u>\$ 10,410,399</u>	<u>\$ 10,841,530</u>

J.F. Shea Therapeutic Riding Center, Inc.

Statements of Functional Expenses

For the Years Ended December 31, 2008 and 2007

	<u>Supporting activities</u>			2008
	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising expenses</u>	<u>Total expenses</u>
Salaries	\$ 643,290	\$ 62,002	\$ 69,754	\$ 775,046
Employee benefits	81,984	7,902	8,890	98,776
Payroll taxes	<u>57,050</u>	<u>5,499</u>	<u>6,186</u>	<u>68,735</u>
Total personnel expenses	782,324	75,403	84,830	942,557
Advertising	44,334	-	4,560	48,894
Bad debts	1,457	140	158	1,755
Bank charges	42,610	4,107	11,927	58,644
Continuing education	1,616	156	175	1,947
Depreciation	135,560	13,066	14,699	163,325
Dues and subscriptions	8,259	796	896	9,951
Equine facilitated therapy	16,716	-	-	16,716
Facility rental	36,567	4,571	4,571	45,709
Feed	66,666	-	-	66,666
Indirect costs of special events	-	-	210,434	210,434
Instructor training expense	8,594	-	-	8,594
Insurance	21,179	-	-	21,179
Miscellaneous	10,010	965	1,085	12,060
Newsletter	7,079	-	-	7,079
Other campaign direct expenses	-	-	23,030	23,030
Postage	8,731	842	947	10,520
Professional services	244,245	16,065	18,074	278,384
Public relations	17,117	1,650	1,856	20,623
Recognition	4,250	410	461	5,121
Repairs and maintenance	127,450	-	-	127,450
Staff development	700	67	76	843
Supplies	90,669	11,334	11,334	113,337
Utilities and telephone	26,944	2,597	2,922	32,463
Workshops expense	<u>-</u>	<u>-</u>	<u>214</u>	<u>214</u>
Total functional expenses	<u>\$ 1,703,077</u>	<u>\$ 132,169</u>	<u>\$ 392,249</u>	<u>\$ 2,227,495</u>

J.F. Shea Therapeutic Riding Center, Inc.

Statements of Functional Expenses

For the Years Ended December 31, 2008 and 2007

	<u>Supporting activities</u>			2007 Total expenses
	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising expenses</u>	
Salaries	\$ 599,397	\$ 57,773	\$ 64,995	\$ 722,165
Employee benefits	66,395	6,400	7,200	79,995
Payroll taxes	44,134	4,254	4,786	53,174
Total personnel expenses	709,926	68,427	76,981	855,334
Advertising	43,520	-	9,220	52,740
Bad debts	14,523	1,400	2,162	18,085
Bank charges	32,470	3,130	3,521	39,121
Continuing education	12,375	1,193	1,342	14,910
Depreciation	135,979	13,106	14,745	163,830
Dues and subscriptions	3,585	346	389	4,320
Equine facilitated therapy	172	-	-	172
Facility rental	35,393	4,424	4,424	44,241
Feed	30,517	-	-	30,517
Indirect costs of special events	-	-	271,159	271,159
Instructor training expense	5,110	-	-	5,110
Insurance	20,216	-	-	20,216
Miscellaneous	34,381	3,313	3,725	41,419
Newsletter	3,574	-	-	3,574
Other campaign direct expenses	-	-	7,951	7,951
Postage	6,971	672	756	8,399
Professional services	138,008	39,291	10,746	188,045
Public relations	12,835	1,237	1,392	15,464
Recognition	4,316	416	468	5,200
Repairs and maintenance	112,336	-	-	112,336
Staff development	1,905	184	207	2,296
Supplies	71,080	8,885	8,885	88,850
Utilities and telephone	28,366	2,734	3,076	34,176
Workshops expense	-	-	11,248	11,248
Total functional expenses	\$ <u>1,457,558</u>	\$ <u>148,758</u>	\$ <u>432,397</u>	\$ <u>2,038,713</u>

J.F. Shea Therapeutic Riding Center, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	\$ (431,131)	\$ 2,628,670
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
In-kind donations of property and equipment	(83,986)	(18,000)
Proceeds from sale of assets	201	-
Loss on disposal of property	13,120	12,492
(Gain) loss on investments	17,650	(26,372)
Depreciation	163,325	163,830
Changes in operating assets and liabilities		
(Increase) decrease in:		
Accounts receivable	22,806	(9,490)
Pledges receivable	1,151,972	(1,243,304)
Prepaid expenses	(674)	(43,677)
Increase (decrease) in:		
Accounts payable	8,648	(16,684)
Accrued expenses - construction in progress	4,388	(216,002)
Accrued liabilities	(29,178)	2,859
Net cash provided by operating activities	<u>837,141</u>	<u>1,234,322</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,884)	(12,197)
Construction in progress	(196,035)	(192,702)
Investment sales	751,590	2,452,000
Investment purchases	(858,096)	(2,222,015)
Net cash (used by) provided by investing activities	<u>(308,425)</u>	<u>25,086</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit advances	3,378	334,491
Paydowns on line of credit	(246,772)	(1,727,517)
Net cash used by financing activities	<u>(243,394)</u>	<u>(1,393,026)</u>
Net increase (decrease) in cash	285,322	(133,618)
Cash and cash equivalents at beginning of year	<u>597,514</u>	<u>731,132</u>
Cash and cash equivalents at end of year	<u>\$ 882,836</u>	<u>\$ 597,514</u>

J.F. Shea Therapeutic Riding Center, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2008 and 2007

Supplemental Information:

During the years ended December 31, 2008 and 2007, the Shea Center advanced funds on a line of credit to cover construction costs. Cash paid for interest totaled \$3,570 and \$119,550 during the years ended December 31, 2008 and 2007, respectively. These amounts were reflected in construction in progress at December 31, 2008 and 2007.

The Shea Center received donated horses totaling \$72,500 and \$0 during the years ended December 31, 2008 and 2007, respectively. The Shea Center received donated vehicles and equipment during the years ended December 31, 2008 and 2007 totaling \$2,500 and \$16,000, respectively. The Shea Center received donated materials and services in connection with the construction project during the years ended December 31, 2008 and 2007, totaling \$8,896 and \$2,000, respectively.

J.F. Shea Therapeutic Riding Center, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2008 and 2007

Note 1 - Organization

The J. F. Shea Therapeutic Riding Center, Inc. (the Shea Center), home of the Fran Joswick Therapeutic Riding Program, is a nonprofit California corporation, organized in 1979. The Shea Center provides therapeutic riding and hippotherapy, which are medically recognized forms of therapeutic intervention for a number of disabilities.

The Shea Center's clients primarily have cognitive or physical disabilities, such as Cerebral Palsy, learning disabilities, Down Syndrome, Multiple Sclerosis, spinal cord or head injuries, and Autism. The Shea Center has partnerships with other service organizations and local school districts and is also a training facility for administrators and instructors from throughout the U.S. and fifteen (15) other countries in the therapeutic riding industry.

In 2002, the Shea Center received a gift of land valued at \$3.7 million for its permanent facility from the J.F. Shea Co., Inc., and it was in recognition of this gift that the name change from Fran Joswick Therapeutic Riding Center to J.F. Shea Therapeutic Riding Center occurred.

Note 2 - Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Shea Center are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted net assets generally result from revenues generated by receiving unrestricted contributions, providing services and receiving interest from investments, less expenses incurred in providing program related services, raising contributions and performing administrative functions.

Unrestricted, board designated net assets are comprised of resources which the Board of Directors has established as being designated for future capital expansion and operating cash reserves.

Temporarily restricted net assets include gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. See Note 7.

Permanently restricted net assets are received by donors who stipulate that resources be maintained permanently but permit the Shea Center to expend all of the income (or other economic benefits) derived from the donated assets. See Note 8.

J.F. Shea Therapeutic Riding Center, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2008 and 2007

Note 2 - Summary of significant accounting policies (continued)

Contributions and pledges receivable

Unconditional contributions, including pledges recorded at estimated net realizable value, are recognized as revenues in the period in which they are received. The Shea Center reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Accounts receivable

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated on the basis of historical collection trends, type of customer, the age of outstanding receivables, and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectibility of those balances, and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. During the years ended December 31, 2008 and 2007, there were no allowances for doubtful accounts.

Bequests

The Shea Center has been named a beneficiary in four known bequests. Bequests are not recognized as support until all of the following conditions are met: the demise of testator, the amount of bequest is known, the Shea Center is certain that, based on the estates' net assets, the amount bequeathed is realizable and the probate court has declared the will valid.

None of these gifts have been recorded in the accompanying financial statements because donors' wills have not yet been declared valid by the probate court and/or the value of the amounts to be received is not yet determinable. The Shea Center will record all such gifts as the value is determined.

Concentrations of credit risk

During 2008 and 2007, the Shea Center maintained its cash accounts at a single financial institution. Excess funds held in operating and capital campaign accounts are swept nightly into money market funds maintained by the same financial institution. Balances held in bank accounts are FDIC insured up to \$100,000 per financial institution (the limit was increased to \$250,000 as of December 31), and balances held in sweep accounts are SIPC insured up to \$500,000. The uninsured bank accounts as of December 31, 2008 and 2007, total \$0 and \$0, respectively. The total of the uninsured money market funds at December 31, 2008 and 2007 amounts to \$692,816 and \$299,035, respectively. The Shea Center has not experienced any losses in such accounts, and management believes the Shea Center is not exposed to any significant credit risks on cash and cash equivalents.

J.F. Shea Therapeutic Riding Center, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2008 and 2007

Note 2 – Summary of significant accounting policies (continued)

Investments

The Shea Center values its investments at fair value. Unrealized gains or losses (including investments bought, sold and held during the year) are reflected in the statement of activities as gains or losses on investments. Investments at December 31, 2008 and 2007 consist of money market mutual funds and corporate commercial paper investments totaling of \$444,747 and \$355,891, respectively.

Property and equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$1,000 and the useful life is greater than one year.

The estimated useful lives of property and equipment are as follows:

	<u>Years</u>
Horses	7
Automotive	5
Buildings and improvements	31.5
Fixtures and equipment	5 - 7

Depreciation expense for the years ended December 31, 2008 and 2007 totaled \$16,325 and \$163,830, respectively.

Functional allocation of expenses

Costs of providing the Shea Center's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program services and support activities by a method that best measures the relative degree of benefit. The Shea Center uses salary dollars to allocate indirect costs.

Donated materials and services

Contributions of donated non-cash assets are recorded at fair values in the period in which they are received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair values in the period in which they are received.

J.F. Shea Therapeutic Riding Center, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2008 and 2007

Note 2 – Summary of significant accounting policies (continued)

The Shea Center received donations of services, equipment and horses during the years ended December 31, 2007 and 2008. Donations of services during the years ended December 31, 2008 and 2007 totaled \$20,147 and \$45,699, respectively. Donations of equipment during the years ended December 31, 2008 and 2007 totaled \$2,500 and \$16,000, respectively. Donations of horses during the years ended December 31, 2008 and 2007 totaled \$72,500 and \$0, respectively.

The Shea Center also received donated materials and services in connection with the construction project. Donated construction materials and services for the years ended December 31, 2008 and 2007 totaled \$8,986 and \$2,000, respectively.

Additionally, a number of unpaid volunteers have made significant contributions of their time to the Shea Center. However, the value of these services is not reflected in these financial statements, because the criteria for recognition have not been satisfied.

Income tax exemptions

The Shea Center is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. The Shea Center is not a private foundation.

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 affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Note 3 - Pledges receivable

Pledges receivable are recorded as support when pledged, unless designated otherwise. An allowance for doubtful accounts has been established for uncollectible pledges. The present value of the pledges receivable has been calculated using a discount rate of 5%. The total amount of pledges receivable at December 31, 2007 is expected to be collected as follows:

	Years Ending December 31,	
	2009	239,041
	2010	78,300
	2011	<u>50,000</u>
Total		367,341
Less: Discount on pledges receivable		(8,377)
Less: Allowance for uncollectible pledges		<u>(4,000)</u>
Present value of pledges receivable		<u>\$ 354,964</u>

J.F. Shea Therapeutic Riding Center, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2008 and 2007

Note 4 - Construction in progress

During 2005, the Shea Center began a significant construction project, preliminarily estimated to cost \$6,839,000 and revised at December 31, 2006 to \$7,200,000. The Shea Center obtained a line of credit of \$3,300,000 collateralized by a first trust deed position on the real estate owned by the Shea Center, from a financial institution in order to finance the completion of the project. Funds advanced from the line of credit were used to help pay for construction costs incurred during the years ended December 31, 2008 and 2007. Funds raised through a capital campaign effort are used to pay down the line of credit. At December 31, 2008 and 2007, the balance on the line of credit was \$0 and \$243,394, respectively (note 6).

During the year ended December 31, 2006, the Shea Center completed portions of the construction project. The construction project was delayed during 2007 while additional capital was being raised. Cumulative construction in progress expenditures pertaining to the facility construction totaled \$5,199,973 and \$4,994,950 through December 31, 2008 and 2007, respectively. Completed construction as of December 31, 2006 totaled \$3,839,553, and these costs were capitalized as buildings, land improvements and an equestrian facility. The remaining construction in progress total of \$1,360,420 and \$1,155,397, applies to facilities still in progress as of December 31, 2008 and 2007, respectively.

Note 5 - Accrued expenses – construction in progress

Accrued expenses consist of costs for the construction project incurred prior to December 31, 2008 and 2007 but not paid until after year end. The total of accrued expenses at December 31, 2008 and 2007 were \$9,000 and \$4,612, respectively.

Note 6 - Line of Credit

The Shea Center has a revolving line of credit with Wells Fargo Bank to be used for the capital expansion project. The line of credit had a borrowing line of \$3,300,000 until it was renewed in December 2008 with a borrowing limit of \$2,700,000 and a maturity date of January 1, 2014. Upon renewal, payments are interest only for the first two years and for the next three years, payments will be calculated using a 25 year amortization schedule. Interest is charged on the line of credit at a variable rate based on the Wells Fargo Bank prime rate. At December 31, 2008 and 2007, the rate was 6.50% and 7.25% per annum, respectively. The line of credit is secured by real property.

J.F. Shea Therapeutic Riding Center, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2008 and 2007

Note 7 - Temporarily restricted net assets

Temporarily restricted net assets at December 31, 2008 and 2007, consist of the following:

	<u>2008</u>	<u>2007</u>
Donated land	\$ 3,700,000	\$ 3,700,000
Capital campaign	1,076,771	1,476,344
Wounded warriors	88,000	100,000
Scholarships and Spanish language programs	41,437	66,436
Horse sponsorships	34,208	29,946
Grants	29,000	10,000
Other	<u>0</u>	<u>3,601</u>
Total temporarily restricted net assets	\$ <u>4,969,415</u>	\$ <u>5,386,327</u>

Note 8 - Permanently restricted net assets

Permanently restricted net assets represent contributions where the donor has stipulated that the principal is to remain intact in perpetuity and only the income can be expended for the program services. The total amount of permanently restricted net assets at December 31, 2008 and 2007 is \$11,500 and \$11,500, respectively.

Note 9 - Special events

Special events for the years ended December 31, 2008 and 2007, consisted of the following:

	<u>2008</u>			
	<u>Income</u>	<u>Direct Benefit to Donors</u>	<u>Indirect Costs</u>	<u>Net</u>
Bar-be-cue	\$ 414,334	\$ 109,392	\$ 102,321	\$ 202,621
Black tie gala	675,371	186,876	106,768	381,727
Other events	<u>76,482</u>	<u>5,544</u>	<u>1,345</u>	<u>69,593</u>
	\$ <u>1,166,187</u>	\$ <u>301,812</u>	\$ <u>210,434</u>	\$ <u>653,941</u>
	<u>2007</u>			
	<u>Income</u>	<u>Direct Benefit to Donors</u>	<u>Indirect Costs</u>	<u>Net</u>
Bar-be-cue	\$ 368,623	\$ 85,211	\$ 59,055	\$ 224,357
Black tie gala	672,369	186,311	113,660	372,398
Golf tournament	206,571	46,241	50,645	109,685
Other events	<u>27,900</u>	<u>-</u>	<u>47,799</u>	<u>(19,899)</u>
	\$ <u>1,275,463</u>	\$ <u>317,763</u>	\$ <u>271,159</u>	\$ <u>686,541</u>

J.F. Shea Therapeutic Riding Center, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2008 and 2007

Note 9 - Special events (continued)

Generally accepted accounting principles require that revenue and expenses from special events be reported in the statement activities as gross amounts if the events are part of the organization's ongoing major activities. Direct benefit to donors comprises costs related to the event from which the attendees derive a benefit.

Note 10 - Related party transactions

A member of the Shea Center's Board of Directors during the years ended December 31, 2008 and 2007 was the owner of a law firm, which Shea Center used for legal services. The legal service fee paid to the firm during the years ended December 31, 2008 and 2007 were \$1,985 and \$2,905, respectively.

A member of the Shea Center's Board of Directors donated attorney services during the years ended December 31, 2008 and 2007. The value of these services for the year ended December 31, 2008 and 2007 was estimated at \$1,890 and \$1,245, respectively.

During the years ended December 31, 2008 and 2007, Shea Center board members pledged donations of approximately \$22,500 and \$2,408,050, respectively. Payments received from board members totaled \$947,700 and \$1,175,050, respectively. Balances of pledges receivable from board members totaled \$103,800 and \$1,284,500, respectively.

Note 11 - Operating lease commitments

The Shea Center leases four modular trailers and office equipment under non-cancelable operating leases with expiration dates ranging from 2009 to 2011. Future minimum lease payments under these agreements are as follows:

Years Ending <u>December 31,</u>	
2009	22,218
2010	8,745
2011	<u>3,319</u>
	<u>\$ 34,282</u>

Rental expense for the years ended December 31, 2008 and 2007 was \$45,709 and \$44,241, respectively.