

SPIRIT OPEN EQUESTRIAN PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

(1) ORGANIZATION AND ACCOUNTING POLICIES

Spirit Open Equestrian Program, Inc. ("Spirit OEP") was incorporated January 17, 2007 in the Commonwealth of Virginia. The organization's mission is to provide education, personal growth and therapy using horses for children and adults with all types of abilities and disabilities. Spirit OEP supplies a broad-reaching program with therapeutic equestrian instruction. Spirit OEP believes that its equestrian experiences not only improve the riders' equestrian skills, but also promote self-esteem, communications skills and personal growth.

Spirit OEP is operated by volunteers and is governed by a seven-member board of directors. All riding instructors are certified by the _____ and receive per lesion compensation as independent contractors.

The financial statements are prepared on the accrual method of accounting. Revenues, (riders' fees) are recorded when earned. Contributions are recorded when received. Expenses are recorded when incurred. Property donations are recorded at the estimated fair market value.

(2) INCOME TAXES

Spirit OEP is exempt from income taxation under Section 501 (c) (3) of the Internal Revenue Code and, therefore, has made no provision for Federal or Commonwealth of Virginia income taxes. In addition, the Internal Revenue Service has determined that Spirit OEP is not a "private foundation."

(3) DONATIONS

Spirit OEP's policy is to offer riding instruction at a nominal cost to the participants. Accordingly, most of the costs and expenses of operating the program are funded through cash and property donations. During 2007, Spirit OEP received the use of three horses to be used in the program. Spirit OEP is

obligated to take care of the horses until Spirit OEP can no longer use the horses for any reason (age, condition, behaving problems, etc.) at which time the horses will be returned to the original donators.

Also, during 2007 Spirit OEP operated from a home in Great Falls, Virginia with a small pasture and barn. The property was made available to Spirit OEP without charge by the owner. No attempt was made in the accompanying financial statements to place a value on this donation. Spirit OEP is currently exploring options for a more permanent arrangement for facilities.