

**PEOPLE HELPING HORSES
(A NON-PROFIT ORGANIZATION)**

Financial Statements

For the Year Ended December 31, 2006

PEOPLE HELPING HORSES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
People Helping Horses
Arlington, Washington

We have audited the accompanying Statement of Financial Position of People Helping Horses as of December 31, 2006, and the related Statements of Activities and Changes in Net Assets, Functional Expenses, and Cash Flows for the year 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 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 of material misstatements. 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 above present fairly, in all material respects, the financial position of People Helping Horses as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Terry W. Greer, Inc., P.S.
January 31, 2008

PEOPLE HELPING HORSES
Statement of Financial Position
December 31, 2006

| | ASSETS |
|-----------------------------|-------------------------|
| CURRENT ASSETS: | |
| Cash in Banks | \$ 22,079 |
| Prepaid Expenses | 2,600 |
| TOTAL CURRENT ASSETS | <u>24,679</u> |
| TOTAL ASSETS | <u><u>\$ 24,679</u></u> |

LIABILITIES AND NET ASSETS

| | |
|---|-------------------------|
| CURRENT LIABILITIES: | |
| Escrow Accounts Payable | \$ 66,600 |
| Loans from Officer - Gretchen Salstrom | 27,490 |
| TOTAL CURRENT LIABILITIES | <u>94,090</u> |
| NET ASSETS: | |
| Unrestricted | (69,411) |
| Temporarily Restricted | - |
| TOTAL NET ASSETS | <u>(69,411)</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 24,679</u></u> |

PEOPLE HELPING HORSES
Statement of Activities
December 31, 2006

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|--------------------|---------------------------|---------------------------|--------------------|
| REVENUE AND OTHER SUPPORT: | | | | |
| Direct Public Support | \$ 451,189 | | \$ - | \$ 451,189 |
| Program Service Revenue | 43,681 | | - | 43,681 |
| Interest income | 13 | | - | 13 |
| TOTAL REVENUE AND OTHER SUPPORT | 494,883 | - | - | 494,883 |
| EXPENSES: | | | | |
| Program Expenses: | 90,056 | - | - | 90,056 |
| Management and General | 2,086 | - | - | 2,086 |
| Fundraising | 447,255 | - | - | 447,255 |
| TOTAL EXPENSES | 539,397 | - | - | 539,397 |
| CHANGES IN NET ASSETS | (44,514) | - | - | (44,514) |
| NET ASSETS, BEGINNING OF YEAR | (24,897) | - | - | (24,897) |
| NET ASSETS, END OF YEAR | \$ (69,411) | \$ - | \$ - | \$ (69,411) |

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

PEOPLE HELPING HORSES
Statement of Functional Expenses
December 31, 2006

| | Program Services | Management and General | Fund Raising | Total |
|------------------------------|---------------------|---------------------------|-------------------|-------------------|
| Data Processing Fee | - | - | 16,011 | 16,011 |
| Direct Mail Fee | - | - | 56,917 | 56,917 |
| Fairier Expenses | 3,483 | - | - | 3,483 |
| Escrow Agency Fee | - | - | 71,869 | 71,869 |
| Advertising | 4,970 | - | - | 4,970 |
| Contribution Processing fee | - | - | 7,696 | 7,696 |
| Bank Charges | - | 703 | - | 703 |
| Horse Care Expenses | 1,164 | - | - | 1,164 |
| Horse Show & Seminar Expense | 39,509 | - | - | 39,509 |
| Licenses | - | 825 | - | 825 |
| List Rental Fee | - | - | 42,891 | 42,891 |
| Mailer Premiums Fee | - | - | 40,920 | 40,920 |
| Barn Rental | 35,955 | - | - | 35,955 |
| Postage & Shipping | - | - | 139,249 | 139,249 |
| Printing | - | - | 71,704 | 71,704 |
| Supplies | - | 557 | - | 557 |
| Veterinary Expenses | 4,976 | - | - | 4,976 |
| TOTAL EXPENSES | \$ 90,056 | \$ 2,086 | \$ 447,255 | \$ 539,397 |

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

PEOPLE HELPING HORSES
Statement of Cash Flows
December 31, 2006

| | |
|--|-------------------------|
| OPERATING ACTIVITIES | |
| Change in Net Assets | \$ (44,514) |
| Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities | |
| Increase in prepaid expenses | (2,601) |
| Increase in Accounts Payable | 68,943 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>21,828</u> |
| INVESTING ACTIVITIES | |
| Purchase of Investments | - |
| Purchase of Property and Equipment | - |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>-</u> |
| NET INCREASE IN CASH | 21,828 |
| CASH AS OF THE BEGINNING OF THE YEAR | 251 |
| CASH AS OF THE END OF THE YEAR | <u><u>\$ 22,079</u></u> |

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

 **PEOPLE HELPING HORSES** 
Notes to the Financial Statements
For the Year Ended December 31, 2006

NOTE 1 – ORGANIZATION & OPERATIONS

People Helping Horses (Organization) is a not-for-profit corporation organized in Washington State in 2002. The Organization is a charitable foundation supporting free services for horses that are victims of abuse or neglect.

People Helping Horses was founded to provide funds to relieve horses from abuse, neglect, and abandonment.

The day-to-day operation of the Organization is performed exclusively by volunteers.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Basis of Presentation

Financial statements presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statement of Not-For-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to following three classes of net assets:

Unrestricted net assets, including operating activity and board-designated amounts.

Temporarily restricted net assets are considered to be assets subject to donor-imposed stipulations that may be met either by actions of People Helping Horses and/or passage of time.

Permanently restricted net assets are considered to be assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The organization may be permitted to use all or a part of the return on related investments for general or specific purposes.

Cash Equivalents

The Organization considers all cash in checking and savings accounts, as well as highly liquid investments with an initial maturity of three months or less, to be cash equivalents.

PEOPLE HELPING HORSES
Notes to the Financial Statements
For the Year Ended December 31, 2006

Accounts Receivable

The Organization does not maintain an allowance for estimated uncollectible accounts. Due to the nature of the services provided, bad debts are relatively rare. When an account is determined to be uncollectible, it is deducted from accounts receivable and charged to bad debts. There were no bad debts recorded during the year ending December 31, 2006.

Contributions

All money received is recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Concentration of Support

Approximately 98% of the Organization's public support is received through the use of a direct mail campaign.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Tax Exempt Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). There is no unrelated business taxable income for 2006.

Functional Expenses

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

Advertising Costs

The Organization expenses advertising costs as they occur.

PEOPLE HELPING HORSES
Notes to the Financial Statements
For the Year Ended December 31, 2006

Contributed Services

During the year ended December 31, 2006, the value of contributed services was not recorded or estimated, even though it was substantial. Consequently, the value of contributed services is not included in these statements.

NOTE 3 – DIRECT MAIL FUNDRAISING COUNSEL AGREEMENT

The Organization receives substantially all of the support revenue from the activities of a direct mail program. The Organization has an agreement with Fund Raising Strategies, Inc., (FRS) to act as fund raising counsel for its direct mail fund raising program. FRS does not solicit on behalf of the Organization. FRS will negotiate, arrange and enter into agreement on behalf of the Organization for any materials and services to be used in the direct mail fund raising program.

NOTE 4 – RELATED PARTIES

The Organization rents barn space from Black Raven Stables, Inc. Gretchen Salstrom is an officer of that corporation, as well as the founder and president of People Helping Horses. All transactions by and between the Organization and Black Raven Stables, Inc. are arm's length transactions.

NOTE 5 – SUBSEQUENT EVENTS

People Helping Horses received a substantial grant from the San Diego Foundation which was used to help fund a rescue ranch in California. Events scheduled for 2007 include a Horse Festival and an auction.