

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

Financial Statements

For the Year Ended December 31, 2007

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, 2007, 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, 2007, 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.
May 1, 2008

PEOPLE HELPING HORSES
Statement of Financial Position
December 31, 2007

CURRENT ASSETS:	ASSETS
Cash in Banks	\$ 24,845
Cash in Direct Mail Trust Account	76,894
Accounts Receivable	7,857
Prepaid Expenses	18,683
TOTAL CURRENT ASSETS	<u>128,279</u>
TOTAL ASSETS	<u>\$ 128,279</u>
	LIABILITIES AND NET ASSETS
CURRENT LIABILITIES:	
Escrow Accounts Payable	\$ 12,974
TOTAL CURRENT LIABILITIES	<u>12,974</u>
LONG TERM LIABILITIES	
Note Payable - Gretchen Salstrom	27,554
TOTAL LONG TERM LIABILITIES	<u>27,554</u>
NET ASSETS:	
Unrestricted	87,751
TOTAL NET ASSETS	<u>87,751</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 128,279</u>

PEOPLE HELPING HORSES
Statement of Activities
For the Year Ended December 31, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT:				
Direct Public Support	\$ 908,900	\$ -	\$ -	\$ 908,900
Program Service Revenue	35,056	-	-	35,056
Interest Income	103	-	-	103
Grants	74,000	-	-	74,000
Facilities Use Income	1,008	-	-	1,008
TOTAL REVENUE AND OTHER SUPPORT	1,019,067	-	-	1,019,067
EXPENSES:				
Program Expenses:				
Management and General	212,103	-	-	212,103
Fundraising	40,075	-	-	40,075
	609,726	-	-	609,726
TOTAL EXPENSES	861,904	-	-	861,904
CHANGES IN NET ASSETS	157,163	-	-	157,163
NET ASSETS, BEGINNING OF YEAR	(69,412)	-	-	(69,412)
NET ASSETS, END OF YEAR	\$ 87,751	\$ -	\$ -	\$ 87,751

PEOPLE HELPING HORSES
Statement of Functional Expenses
For the Year Ended December 31, 2007

	Program Services	Management and General	Fund Raising	Total
Escrow Agency Fee	\$ -	\$ -	\$ 114,439	\$ 114,439
Data Processing Fees	-	-	122,320	122,320
Truck Expense	3,949	-	-	3,949
Bank Charges	-	1,239	-	1,239
Grants / Donations	69,834	-	-	69,834
Clinic Expense	9,576	-	-	9,576
Horse Care Expenses	112,219	-	-	112,219
Horse Show & Seminar Expense	12,601	-	-	12,601
Internet / Web Expenses	-	3,533	-	3,533
Professional Fees	-	30,200	-	30,200
Licenses	-	396	-	396
List Rental Fee	-	-	34,755	34,755
Meals	-	2,293	-	2,293
Office Expense	-	2,414	-	2,414
Postage & Shipping	-	-	216,364	216,364
Printing	-	-	121,848	121,848
Travel	1,884	-	-	1,884
Utilities	2,040	-	-	2,040
TOTAL EXPENSES	\$ 212,103	\$ 40,075	\$ 609,726	\$ 861,904

The accompanying notes are an integral part of these financial statements.
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PEOPLE HELPING HORSES
Statement of Cash Flows
For the Year Ended December 31, 2007

OPERATING ACTIVITIES	
Change in Net Assets	\$ 157,163
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities	
Increase in Accounts Receivable	(7,857)
Increase in Prepaid Expenses	(16,082)
Increase in Escrow Account Payable	(53,626)
NETCASH PROVIDED BY OPERATING ACTIVITIES	<u>79,597</u>
FINANCING ACTIVITIES	
Loan proceeds	<u>63</u>
Net Cash Provided by Financing Activities	<u>63</u>
NET INCREASE IN CASH	79,660
CASH AS OF THE BEGINNING OF THE YEAR	22,078
CASH AS OF THE END OF THE YEAR	<u><u>\$ 101,738</u></u>

PEOPLE HELPING HORSES
Notes to the Financial Statements
For the Year Ended December 31, 2007

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, 2007

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, 2007.

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 85% of the Organization's public support is raised 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 2007.

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.

PEOPLE HELPING HORSES
Notes to the Financial Statements
For the Year Ended December 31, 2007

Contributed Services

During the year ended December 31, 2007, 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. The volunteers perform all necessary services to feed, maintain, rehabilitate, and care for the rescued horses waiting for adoption.

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.

Direct Mail Processors, Inc. (DMP) has been engaged to handle the mail campaign. From information and/or materials furnished by FRS and the Organization. DMP prints, mails, and processes contributions received. Under a Caging and Escrow Agreement between the Organization, Fund Raising Strategies, Inc., and Direct Mail Processors, Inc. funds received by DMP are deposited in an escrow account and the net is dispersed to People Helping Horses. From the escrow account, DMP is directed to pay all invoices agreed on by FRS and the Organization.

NOTE 4 – DIRECT MAIL TRUST ACCOUNT

DMP deposits all funds received from direct mail campaigns into a trust account maintained for People Helping Horses. By agreement, the Organization receives a distribution of \$15,000 per month. DMP directly pays for mailing and printing expenses from these funds. The Organization may draw on the accumulated balance for any unanticipated expense, upon request to DMP.

NOTE 5 – RELATED PARTIES

The Organization rents (boarding) for barn space from Black Raven Stables, Inc. The Organization paid \$91,180 in boarding fees through December 31, 2007. 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.

Gretchen Salstrom has loaned to the Organization \$27,554 since 2005 as the Executive Director of People Helping Horses. The note is an open end demand note at 6% interest.

PEOPLE HELPING HORSES
Notes to the Financial Statements
For the Year Ended December 31, 2007

NOTE 6 - SUBSEQUENT EVENTS

People Helping Horses will continue to receive grants from the San Diego Foundation which helps fund a rescue ranch in California as funds are needed.