

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

Financial Statements

For the Year Ended December 31, 2008

PEOPLE HELPING HORSES

TABLE OF CONTENTS

Page No.

INDEPENDENT AUDITOR'S REPORT 1

FINANCIAL STATEMENTS

Statement of Financial Position 2

Statement of Activities & Changes in Net Assets 3

Statement of Functional Expenses 4

Statement of Cash Flows 5

NOTES TO THE FINANCIAL STATEMENTS 6-9



TERRY W. GREER, Inc., P.S.
Certified Public Accountants
P.O. Box 879
9332 - 271st St. NW
Stanwood, WA 98292

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, 2008, 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, 2008, 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.
July 20, 2009

PEOPLE HELPING HORSES
Statement of Financial Position
December 31, 2008

ASSETS	
CURRENT ASSETS:	
Cash in Banks	\$ 589
Cash in Direct Mail Trust Account	81,732
Accounts Receivable	27,639
Securities	15,328
Prepaid Expenses	11,190
TOTAL CURRENT ASSETS	136,478
LONG TERM ASSETS:	
Note Receivable - Gretchen Salstrom	31,502
TOTAL LONG TERM ASSETS	31,502
PROPERTY AND EQUIPMENT:	
Equipment	20,387
Accumulated depreciation	(4,077)
TOTAL PROPERTY AND EQUIPMENT	16,310
TOTAL ASSETS	\$ 184,290
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts Payable	\$ 15,215
Escrow Accounts Payable	22,789
Payroll Liabilities Payable	11,830
TOTAL CURRENT LIABILITIES	49,835
NET ASSETS:	
Unrestricted	119,128
Temporarily Restricted	15,328
TOTAL NET ASSETS	134,456
TOTAL LIABILITIES AND NET ASSETS	\$ 184,290

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

PEOPLE HELPING HORSES
Statement of Activities and Changes in Net Assets
December 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT:				
Direct Public Support	\$ 1,203,306	\$ 15,328	\$ -	\$ 1,218,634
Program Service Revenue	75,889	-	-	75,889
Interest Income	116	-	-	116
Grants	63,000	-	-	63,000
Rental Income	16,500	-	-	16,500
Facilities Use Income	255,688	-	-	255,688
TOTAL REVENUE AND OTHER SUPPORT	1,614,499	15,328	-	1,629,827
EXPENSES:				
Program Expenses	735,616	-	-	735,616
Management and General	132,942	-	-	132,942
Fundraising	714,565	-	-	714,565
TOTAL EXPENSES	1,583,123	-	-	1,583,123
CHANGES IN NET ASSETS	31,376	15,328	-	46,704
NET ASSETS, BEGINNING OF YEAR	87,751	-	-	87,751
NET ASSETS, END OF YEAR	\$ 119,128	\$ 15,328	\$ -	\$ 134,456

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

PEOPLE HELPING HORSES
Statement of Functional Expenses
December 31, 2008

	Program Services	Management and General	Fund Raising	Total
Escrow Agency Fee	\$ -	\$ -	\$ 108,408	\$ 108,408
Data Processing Fees	-	-	176,840	176,840
Advertising	2,021	-	-	2,021
Truck Expense	3,023	-	-	3,023
Bank Charges	-	1,568	-	1,568
Grants / Donations	90,000	-	-	90,000
Depreciation	3,669	408	-	4,077
Clinic Expense	25,215	-	-	25,215
Horse Care Expenses	181,378	-	-	181,378
Horse Show & Seminar Expense	6,696	-	-	6,696
Internet / Web Expenses	-	338	-	338
Professional Fees	-	29,238	-	29,238
Licenses	-	8,065	-	8,065
List Rental Fee	-	-	21,342	21,342
Meals	-	8,821	-	8,821
Miscellaneous	16	-	-	16
Office Expense	-	2,534	-	2,534
Postage & Shipping	-	-	268,780	268,780
Printing	-	-	120,294	120,294
Travel	3,045	-	-	3,045
Utilities	16,214	-	-	16,214
Event Expenses	82,151	-	-	82,151
Program Service Expenses	87,164	-	-	87,164
Insurance Expense	-	8,506	-	8,506
Occupancy	90,253	-	-	90,253
Salaries and Wages	96,927	48,464	16,155	161,545
Payroll Tax Expense	16,481	8,241	2,747	27,469
Repairs and Maintenance	31,362	-	-	31,362
Taxes	-	16,760	-	16,760
TOTAL EXPENSES	\$ 735,616	\$ 132,942	\$ 714,565	\$ 1,583,123

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

PEOPLE HELPING HORSES
Statement of Cash Flows
December 31, 2008

OPERATING ACTIVITIES	\$ 46,704
Change in Net Assets	46,704
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	4,077
Increase in Securities	(15,328)
Increase in Accounts Receivable	(19,781)
Decrease in Prepaid Expenses	7,493
Increase in Accounts Payable	15,215
Decrease in Escrow Account Payable	9,815
Increase in Payroll Taxes Payable	11,830
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>60,026</u>
INVESTING ACTIVITIES	
Purchase of Property and Equipment	(20,387)
NET CASH USED BY INVESTING ACTIVITIES	<u>(20,387)</u>
FINANCING ACTIVITIES	
Note Receivable, Gretchen Salstrom	(31,502)
Loan Repayments	(27,554)
NET CASH USED BY INVESTING ACTIVITIES	<u>(59,055)</u>
NET DECREASE IN CASH	(19,416)
CASH AS OF THE BEGINNING OF THE YEAR	101,739
CASH AS OF THE END OF THE YEAR	<u><u>\$ 82,321</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, 2008

NOTE 1 – ORGANIZATION & OPERATIONS

People Helping Horses (Organization) is a not-for-profit corporation formed in Washington State in 2002. The Organization is a charitable organization supporting free services for horses that are victims of abuse or neglect. Additional educational events conducted by the Organization are proactively seeking to educate the public and the horse community to prevent future abuse and neglect.

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 statement 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, 2008

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, 2008.

Property and Equipment

The Organization records purchases of property and equipment at cost and depreciates over 3, 5, or 7 years, using MACRS for both book and tax depreciation.

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 68% of the Organization's public support is raised through the use of a direct mail campaign. No single donor contributes in excess of 5% of their total donor revenue.

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 2008.

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, 2008

Contributed Services

The Organization relies heavily on the labor of approximately 25 volunteers to operate the premises. These laborers would otherwise be paid minimum wage and the sum total of their contribution in dollars is not material. During the year ended December 31, 2008, the value of contributed services was not recorded or estimated. 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 fundraising counsel for its direct mail fundraising 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 fundraising 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, held by Hagerstown Trust and the net is dispersed to People Helping Horses. From the escrow account, Hagerstown Trust 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 \$30,000 per month. DMP directly pays for mailing and printing expenses from escrow funds. The Organization may draw on the accumulated balance for any unanticipated expense, upon request to DMP.

NOTE 5 – PROPERTY AND EQUIPMENT

At December 31, 2008, Property and Equipment consisted of the following:

Equipment	\$ 20,387
Less Accumulated Depreciation	<u>(4,077)</u>
Total Property and Equipment	\$ <u>16,310</u>

PEOPLE HELPING HORSES
Notes to the Financial Statements
For the Year Ended December 31, 2008

NOTE 6 – OPERATING LEASES

The Organization leases barn facilities, pasture and equipment from Gretchen Salstrom on an operating lease, which ends November 30, 2009. The current lease is for monthly payments of \$7,500 and is renewable.

Lease payments for 2009 will be \$82,500 under the current lease.

NOTE 7 – RELATED PARTIES

The Organization rents the farm facility known as Black Raven Stables (the Farm) from Gretchen Salstrom, the Executive Director and President. The Organization paid \$90,253 in rent through December 31, 2008. All transactions by and between the Organization and the Farm are arm's length transactions.

Gretchen Salstrom received additional taxable fringe benefits in the form of in-kind services provided by the Organization. A 1099-MISC in the amount of \$14,625 was issued to reflect the additional benefits received.

Gretchen Salstrom has borrowed via a note receivable from the Organization \$31,502 in fiscal year 2008, a portion of which was subsequently repaid in the first half of 2009. The note is an open end demand note at 6% interest.

NOTE 8 – SUBSEQUENT EVENTS

People Helping Horses is actively applying for additional funding through private and government grants. Specifically, the Organization is negotiating with the Washington State Department of Social and Health Services to fund an on-going therapeutic riding program.

In June of 2009, the Organization entered into a contract with the Stillaguamish Tribe for the right to utilize adjacent vacant land as pasture. There is no cost associated with the contract.