

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

**Financial Statements**

**For the Year Ended December 31, 2009**

**PEOPLE HELPING HORSES**

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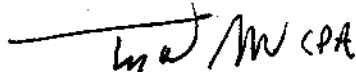
## INDEPENDENT AUDITOR'S REPORT

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, 2009, 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, 2009, 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.

Terry W. Greer, Inc., P.S.  
March 29, 2010

**PEOPLE HELPING HORSES**  
**Statement of Financial Position**  
**December 31, 2009**

**ASSETS**

**CURRENT ASSETS:**

Cash in Banks	\$	26,764
Cash in Direct Mail Trust Account		95,655
Accounts Receivable		22,529
Securities		15,328

<b>TOTAL CURRENT ASSETS</b>		<u>160,276</u>
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**LONG TERM ASSETS:**

Note Receivable - Kimberly Lance		12,537
Note Receivable - Gretchen Salstrom		22,498

<b>TOTAL LONG TERM ASSETS</b>		<u>35,035</u>
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**PROPERTY AND EQUIPMENT:**

Equipment		34,462
Accumulated depreciation		(13,145)

<b>TOTAL PROPERTY AND EQUIPMENT</b>		<u>21,317</u>
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**TOTAL ASSETS**

	\$	<u>216,628</u>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts Payable	\$	11,196
Escrow Accounts Payable		27,665
Payroll Liabilites Payable		8,571

<b>TOTAL CURRENT LIABILITIES</b>		<u>47,432</u>
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**NET ASSETS:**

Unrestricted		169,196
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<b>TOTAL NET ASSETS</b>		<u>169,196</u>
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**TOTAL LIABILITIES AND NET ASSETS**

	\$	<u>216,628</u>
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The accompanying notes are an integral part of these financial statements.

**PEOPLE HELPING HORSES**  
**Statement of Activities and Changes in Net Assets**  
**December 31, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND OTHER SUPPORT:</b>				
Direct Public Support	\$ 1,097,703	\$ -	\$ -	\$ 1,097,703
Program Service Revenue	76,902	-	-	76,902
Interest Income	372	-	-	372
Grants	6,500	-	-	6,500
Rental Income	18,000	-	-	18,000
Facilities Use Income	135,190	-	-	135,190
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<u>1,334,667</u>	<u>-</u>	<u>-</u>	<u>1,334,667</u>
<b>EXPENSES:</b>				
Program Expenses	681,313	-	-	681,313
Management and General	72,624	-	-	72,624
Fundraising	545,991	-	-	545,991
<b>TOTAL EXPENSES</b>	<u>1,299,928</u>	<u>-</u>	<u>-</u>	<u>1,299,928</u>
<b>CHANGES IN NET ASSETS</b>	34,739	-	-	34,739
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>134,457</u>	<u>-</u>	<u>-</u>	<u>134,457</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 169,196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,196</u>

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

**PEOPLE HELPING HORSES**  
**Statement of Functional Expenses**  
**December 31, 2009**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Escrow Agency Fee	\$ -	\$ -	\$ 86,289	\$ 86,289
Data Processing Fees	-	-	136,111	136,111
Advertising	-	1,724	-	1,724
Truck Expense	6,998	-	-	6,998
Bank Charges	-	1,725	-	1,725
Depreciation	8,161	907	-	9,068
Clinic Expense	46,922	-	-	46,922
Horse Care Expenses	170,158	-	-	170,158
Horse Show & Seminar Expense	3,319	-	-	3,319
Interest Expense	601	-	-	601
Professional Fees	-	14,391	-	14,391
Licenses	-	4,827	-	4,827
List Rental Fee	-	-	15,475	15,475
Meals	4,445	4,446	-	8,891
Office Expense	-	8,349	-	8,349
Postage & Shipping	2,828	-	189,531	192,359
Printing	1,325	-	88,789	90,114
Travel	6,118	-	-	6,118
Utilities	12,268	646	-	12,914
Event Expenses	37,695	-	-	37,695
Program Service Expenses	87,832	-	-	87,832
Insurance Expense	9,926	1,103	-	11,029
Occupancy	85,500	4,500	-	90,000
Officer's Salary	27,971	13,986	13,986	55,943
Salaries and Wages	109,592	13,699	13,700	136,991
Payroll Tax Expense	16,668	2,321	2,110	21,099
Repairs and Maintenance	14,168	-	-	14,168
Taxes	28,818	-	-	28,818
<b>TOTAL EXPENSES</b>	<b>\$ 681,313</b>	<b>\$ 72,624</b>	<b>\$ 545,991</b>	<b>\$ 1,299,928</b>

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

**PEOPLE HELPING HORSES**  
**Statement of Cash Flows**  
**December 31, 2009**

<b>OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ 34,739
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	9,068
Decrease in Accounts Receivable	5,109
Decrease in Prepaid Expenses	11,190
Decrease in Accounts Payable	(4,017)
Increase in Escrow Accounts Payable	4,876
Decrease in Payroll Taxes Payable	(3,259)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>57,706</u>
<b>INVESTING ACTIVITIES</b>	
Purchase of Property and Equipment	(11,575)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(11,575)</u>
<b>FINANCING ACTIVITIES</b>	
Note Receivable, Kimberly Lance	(12,537)
Note Receivable, Gretchen Salstrom	9,004
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(3,534)</u>
<b>NET INCREASE IN CASH</b>	42,597
<b>CASH AS OF THE BEGINNING OF THE YEAR</b>	82,322
<b>CASH AS OF THE END OF THE YEAR</b>	<u>\$ 124,919</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, 2009**

**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. In 2009, the Organization expanded its programming to include a therapeutic riding program for disabled and disadvantaged children.

**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 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 the 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, 2009**

**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, 2009.

**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 84% 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 2009.

**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, 2009**

**Contributed Services**

The Organization relies heavily on the labor of approximately 25 volunteers to operate the premises. During the year ended December 31, 2009, 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.

**PEOPLE HELPING HORSES**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2009**

**NOTE 5 – PROPERTY AND EQUIPMENT**

At December 31, 2009, Property and Equipment consisted of the following:

Equipment	\$ 23,787
Leasehold Improvements	5,675
Therapeutic Riding Horses	7,500
Less Accumulated Depreciation	<u>( 13,645)</u>
Total Property and Equipment	<u>\$ 23,317</u>

Depreciation expense for 2009 was \$9,568.

**NOTE 6 – OPERATING LEASES**

The Organization rents barn facilities, pasture and equipment from the Executive Director on a month-to-month agreement. The current agreement is for monthly payments of \$7,500.

Rental payments for 2010 will be \$90,000.

**NOTE 7 – RELATED PARTIES**

The Organization rents the farm facility known as Black Raven Stables from the Executive Director and President. The Organization paid \$90,000 in rent through December 31, 2009.

The Executive Director has a balance owing the Organization at December 31, 2009 of \$22,498. This note is an open end demand note with 6% interest.