

PEOPLE HELPING HORSES
(A NON-PROFIT ORGANIZATION)

Financial Statements

For The Year Ended December 31, 2010

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 (a nonprofit organization) as of December 31, 2010, 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, 2010, and the changes in its net assets 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.
February 7, 2011

PEOPLE HELPING HORSES
Statement of Financial Position
December 31, 2010

ASSETS

CURRENT ASSETS:	
Cash	\$ 75,400
Accounts Receivable	37,643
Marketable Security	27,802
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TOTAL CURRENT ASSETS	140,845
PROPERTY AND EQUIPMENT:	
Equipment	63,138
Accumulated depreciation	(23,802)
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TOTAL PROPERTY AND EQUIPMENT	39,336
TOTAL ASSETS	\$ 180,181

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts Payable	\$ 163,658
Payroll Liabilities Payable	4,895
Current portion of long-term debt	2,367
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TOTAL CURRENT LIABILITIES	170,920
LONG-TERM DEBT, less current portion	10,738
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TOTAL LIABILITIES	181,658
NET ASSETS:	
Unrestricted	(1,477)
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TOTAL NET ASSETS	(1,477)
TOTAL LIABILITIES AND NET ASSETS	\$ 180,181

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

PEOPLE HELPING HORSES
Statement of Activities and Changes in Net Assets
For The Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT:				
Direct Public Support	\$ 936,696	\$ -	\$ -	\$ 936,696
Program Service Revenue	31,417	-	-	31,417
Interest Income	79	-	-	79
Grants	58,455	-	-	58,455
Rental Income	6,000	-	-	6,000
Facilities Use Income	72,633	-	-	72,633
Unrealized gain on marketable securities	12,474	-	-	12,474
TOTAL REVENUE AND OTHER SUPPORT	<u>1,117,754</u>	<u>-</u>	<u>-</u>	<u>1,117,754</u>
EXPENSES:				
Program Expenses	607,332	-	-	607,332
Management and General	106,254	-	-	106,254
Fundraising	574,662	-	-	574,662
TOTAL EXPENSES	<u>1,288,248</u>	<u>-</u>	<u>-</u>	<u>1,288,248</u>
OTHER INCOME AND EXPENSES:				
Loss on Disposal of Asset	178	-	-	178
TOTAL OTHER INCOME AND EXPENSES	<u>178</u>	<u>-</u>	<u>-</u>	<u>178</u>
CHANGES IN NET ASSETS	<u>(170,672)</u>	<u>-</u>	<u>-</u>	<u>(170,672)</u>
NET ASSETS, BEGINNING OF YEAR	<u>169,195</u>	<u>-</u>	<u>-</u>	<u>169,195</u>
NET ASSETS, END OF YEAR	<u>\$ (1,477)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,477)</u>

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

PEOPLE HELPING HORSES
Statement of Functional Expenses
For The Year Ended December 31, 2010

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Bad Debt	\$ 25,307	\$ -	\$ -	\$ 25,307
Bank Charges	-	5,349	-	5,349
Community Outreach	55,270	-	6,141	61,411
Data Processing and Mailing Fees	-	-	117,144	117,144
Depreciation	9,791	1,088	-	10,879
Escrow Agency Fee	-	-	109,920	109,920
Event Expenses	26,371	-	-	26,371
Horse Care Expenses	140,567	-	-	140,567
Horse Show & Seminar Expense	19,220	-	-	19,220
Horse Transport	27,323	-	-	27,323
Insurance Expense	8,952	995	-	9,947
Interest Expense	843	-	-	843
Licenses	-	16,238	-	16,238
List Rental Fee	-	-	24,825	24,825
Meals	2,506	2,507	-	5,013
Miscellaneous	2,751	-	-	2,751
Occupancy	85,500	4,500	-	90,000
Office Expense	-	8,525	-	8,525
Officer's Compensation	37,334	18,668	18,668	74,670
Payroll Tax Expense	14,064	2,942	577	17,583
Postage & Shipping	2,517	-	168,703	171,220
Printing	1,920	-	128,684	130,604
Professional Fees	-	22,683	-	22,683
Repairs and Maintenance	13,748	-	-	13,748
Salaries and Wages	103,919	22,177	-	126,096
Taxes	9,734	-	-	9,734
Travel	1,530	-	-	1,530
Truck Expense	7,103	-	-	7,103
Utilities	11,062	582	-	11,644
TOTAL EXPENSES	<u>\$ 607,332</u>	<u>\$ 106,254</u>	<u>\$ 574,662</u>	<u>\$ 1,288,248</u>

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

PEOPLE HELPING HORSES
Statement of Cash Flows
For The Year Ended December 31, 2010

OPERATING ACTIVITIES	
Change in Net Assets	\$ (170,672)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	10,879
Increase in Accounts Receivable	(15,114)
Increase in Accounts Payable	152,461
Decrease in Escrow Accounts Payable	(27,665)
Decrease in Payroll Taxes Payable	(3,676)
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NET CASH USED BY OPERATING ACTIVITIES	(53,788)
INVESTING ACTIVITIES	
Increase in value of marketable security	(12,474)
Purchase of Property and Equipment	(29,076)
Disposition of Property and Equipment	178
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NET CASH USED BY INVESTING ACTIVITIES	(41,372)
FINANCING ACTIVITIES	
Note Receivable, Kimberly Lance	12,538
Note Receivable, Gretchen Salstrom	22,498
Proceeds from long-term borrowings	15,357
Payments on long-term debt	(2,252)
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NET CASH PROVIDED BY INVESTING ACTIVITIES	48,141
NET DECREASE IN CASH	(47,019)
CASH AS OF THE BEGINNING OF THE YEAR	122,419
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CASH AS OF THE END OF THE YEAR	\$ 75,400
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SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash paid for interest	\$ 843
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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, 2010

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 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.

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.

PEOPLE HELPING HORSES
Notes to the Financial Statements
For the Year Ended December 31, 2010

Marketable Security

The marketable security is an investment in an equity security with a readily determinable fair market value reported as such in the statement of financial position based on quoted market prices. Realized and unrealized gains and losses are included in the statement of activities and changes in net assets.

Property and Equipment

Property and equipment are recorded at fair value at the date of gift or purchase price if the life of the asset is more than one year and the value is \$500 or more. Depreciation is taken 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 80% 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 2010.

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 general 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, 2010

Contributed Services

The Organization relies heavily on the labor of approximately 25 volunteers to operate the premises. During the year ended December 31, 2010, the value of contributed services was not recorded or estimated. Consequently, the value of contributed services is not included in these financial 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 Huntsinger & Jeffer, Inc., (H&J) to act as fundraising counsel for its direct mail fundraising program. H&J will negotiate, arrange and enter into agreements on behalf of the Organization for any materials and services to be used in the direct mail fundraising program. H&J prepares artwork, prints and mails the solicitations. All contributions resulting from these solicitations are received directly by People Helping Horses.

At the end of the fiscal year a considerable amount owing H&J was unpaid. These unpaid invoices make up a substantial portion of the accounts payable at December 31, 2010.

NOTE 4 – PROPERTY AND EQUIPMENT

At December 31, 2010, Property and Equipment consisted of the following:

Leasehold Improvements	\$ 5,675
Office Equipment	3,929
Stable Equipment	25,734
Therapeutic Riding Horses	7,500
Vehicles	<u>20,300</u>
	63,138
Less Accumulated Depreciation	<u>(23,802)</u>
Total Property and Equipment	<u>\$ 39,336</u>

Depreciation expense for 2010 was \$10,879.

PEOPLE HELPING HORSES
Notes to the Financial Statements
For the Year Ended December 31, 2010

NOTE 5 – LONG-TERM DEBT

Long-term debt consists of the following:

4.99% Note payable to finance company, payable \$247 per month, secured by tractor and loader and the personal guarantee of the Organization's President	\$ 13,105
Less current portion	<u>(2,367)</u>
Long-Term Debt	<u>\$ 10,738</u>

Future scheduled maturities of long-term debt are as follows:

Year ended December 31,	
2011	\$ 2,367
2012	2,488
2013	2,615
2014	2,748
2015	<u>2,887</u>
	<u>\$ 13,105</u>

NOTE 6 – OPERATING LEASES

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

Rental payments for 2011 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, 2010.

On January 6, 2010, the Organization entered into a one year renewable agreement with a Board member to provide photography services. The Organization paid \$4,200 in 2010 for his services.

NOTE 8 –SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 7, 2011, the date these financial statements were available to be issued. No reportable events were discovered.