

HORSES HELPING THE HANDICAPPED, INC.

FINANCIAL STATEMENTS

December 31, 2009 and 2008

Randy Walker & Co., Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

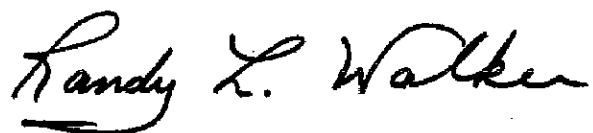
Board of Directors
Horses Helping the Handicapped, Inc.
Pipe Creek, Texas

We have audited the accompanying statements of financial position of Horses Helping the Handicapped, Inc., a non-profit corporation (the Organization) as of December 31, 2009 and 2008, and the related statements of activities for the year ended December 31, 2009 (with comparative totals for 2008) and cash flows for the years 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 the 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 misstatement. 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 Horses Helping the Handicapped, Inc., as of December 31, 2009 and 2008, and the changes in its net assets and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information presented in the "Schedule of Functional Expenses" is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



San Antonio, Texas
October 13, 2010

HORSES HELPING THE HANDICAPPED, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
Cash and Cash Equivalents	\$ 90,108	\$ 73,377
Receivables and Other Assets	3,000	1,091
Property and Equipment, net	<u>32,777</u>	<u>38,592</u>
TOTAL ASSETS	\$ <u>125,885</u>	\$ <u>113,060</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
LIABILITIES		
Other Payables	\$ <u>334</u>	\$ <u>24,004</u>
TOTAL LIABILITIES	<u>334</u>	<u>24,004</u>
 NET ASSETS		
Unrestricted	\$ (44,569)	\$ 20,859
Temporarily restricted	<u>170,120</u>	<u>68,197</u>
TOTAL NET ASSETS	<u>125,551</u>	<u>89,056</u>
TOTAL LIABILITIES & NET ASSETS	\$ <u>125,885</u>	\$ <u>113,060</u>

The accompanying notes are an integral part of this financial statement.

HORSES HELPING THE HANDICAPPED, INC.**STATEMENTS OF ACTIVITIES****For the Year Ended December 31, 2009****(with comparative totals for 2008)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
<u>SUPPORT AND REVENUES</u>				
Contributions	\$ 82,441	\$ 353,395	\$ 435,836	\$ 322,109
Special Events and Activities	37,627	-	37,627	25,813
Program Service Revenue	32,474	-	32,474	21,214
Expense Reimbursements and Miscellaneous	12	-	12	2,266
Net Assets Released from Restrictions	<u>251,472</u>	<u>(251,472)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	<u>404,026</u>	<u>101,923</u>	<u>505,949</u>	<u>371,402</u>
<u>EXPENSES</u>				
Program Services	393,950	-	393,950	288,496
General and Administrative	66,828	-	66,828	57,279
Fundraising	<u>8,676</u>	<u>-</u>	<u>8,676</u>	<u>20,906</u>
TOTAL EXPENSES	<u>469,454</u>	<u>-</u>	<u>469,454</u>	<u>366,681</u>
CHANGE IN NET ASSETS	(65,428)	101,923	36,495	4,721
NET ASSETS, BEGINNING OF YEAR	<u>20,859</u>	<u>68,197</u>	<u>89,056</u>	<u>84,335</u>
NET ASSETS, END OF YEAR	<u>\$ (44,569)</u>	<u>\$ 170,120</u>	<u>\$ 125,551</u>	<u>\$ 89,056</u>

The accompanying notes are an integral part of this financial statement.

HORSES HELPING THE HANDICAPPED, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase in Net Assets	\$ 36,495	\$ 4,721
Adjustments to Reconcile Net Excess to Net Cash Provided by Operations:		
Depreciation	7,364	8,896
Donated Assets	-	(2,800)
(Increase) in Assets:		
Receivables	(1,909)	-
(Decrease) Increase in Liabilities:		
Other Payables	<u>(23,670)</u>	<u>14,570</u>
Net Cash Provided By Operations	<u>18,280</u>	<u>25,387</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of equipment	<u>(1,549)</u>	<u>(1,857)</u>
Net Cash Used By Investing Activities	<u>(1,549)</u>	<u>(1,857)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	16,731	23,530
Cash and cash equivalents, beginning of year	<u>73,377</u>	<u>49,847</u>
CASH & CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 90,108</u></u>	<u><u>\$ 73,377</u></u>

HORSES HELPING THE HANDICAPPED, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2009 and 2008

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The following statements of Horses Helping the Handicapped, Inc. (the Organization) have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Organization and Nature of Activities

Horses Helping the Handicapped, Inc. is Texas non-profit corporation. The Organization's primary purpose is to educate and rehabilitate disabled people with the use of horses.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization had no permanently restricted net assets at December 31, 2009 and 2008.

Income Taxes

Horses Helping the Handicapped, Inc. is exempt from Federal income taxes under Section 501 (c)(3) of the Internal Revenue Code, and as such qualifies for the maximum charitable contributions deduction by donors.

Property and Equipment

Purchased property and equipment are stated at cost. Donated assets are recorded at estimated market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Building and Improvements	40 years
Furniture and equipment	5 - 10 years
Horses	7 years

HORSES HELPING THE HANDICAPPED, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2009 and 2008

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)

In-Kind Contributions

The Organization occupies, for a nominal charge, certain facilities used for its program services. In addition, the Organization receives in-kind veterinary and ferrier services and other supplies. The estimated fair value of donated boarding, services and other expenses are reported in the accompanying financial statements at the date of receipt. For the years ended December 31, 2009 and 2008, amounts contributed as in-kind services and donations approximated \$24,965 and \$63,167, respectively.

Contributions Receivable

The Organization considers its contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Subsequent Events

The Organization has evaluated subsequent events through October 13, 2010, which is the date the financial statements were available to be issued.

NOTE 2 – PROPERTY AND EQUIPMENT

At December 31, 2009 and 2008, the cost and accumulated depreciation of property and equipment were as follows:

	<u>2009</u>	<u>2008</u>
Buildings and Improvements	\$ 54,923	\$ 54,923
Furniture and Equipment	23,356	21,807
Horses	25,629	20,629
	<u>103,908</u>	<u>97,359</u>
Less Accumulated Depreciation	<u>(71,131)</u>	<u>(58,767)</u>
Total	<u>\$ 32,777</u>	<u>\$ 38,592</u>

Depreciation expense was \$7,364 and \$8,896 for the year ended December 31, 2009 and 2008, respectively.

NOTE 3 – SIGNIFICANT SOURCE OF SUPPORT

Approximately 39% and 12% of Horses Helping the Handicapped, Inc.'s support was provided by grant funds from the Methodist Healthcare Ministries for the years ending December 31, 2009 and 2008, respectively.

HORSES HELPING THE HANDICAPPED, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2009 and 2008

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily Restricted net assets are comprised of the following at December 31, 2009 and 2008:

	2009	2008
Equine Program Expansion	\$ 158,950	\$ 60,412
Hiring Program Staff & Volunteers	11,170	7,785
Total	\$ 170,120	\$ 68,197

NOTE 5 – RELATED PARTY TRANSACTIONS

Horses Helping the Handicapped, Inc. operates on a ranch owned by a board member and a key personnel. The ranch provides services and the use of facilities under a lease agreement approved by the board of directors, (see Note 6). The amount paid to these individuals for services was \$24,000 and \$19,705 for the years ending December 31, 2009 and 2008, respectively.

A board member also provided consulting services for the Organization during the year. The amount compensated to the board member for these services was \$20,000 and \$8,300 for the years ending December 31, 2009 and 2008, respectively.

NOTE 6 – LEASE AGREEMENTS

As stated in Note 5, the Organization has a lease agreement with Alders Nido Ranch, which is owned and operated by the aforementioned related parties. The Organization entered into a lease agreement with new terms beginning September 1, 2008 and ending August 1, 2033, although the lease is cancelable provided that six month's notice is given. Rental payments are payable in installments of \$2,000 a month at \$24,000 per year. Future minimum rental payments required under the terms of these agreements are as follows for the years ending December 31:

2010	\$	24,000
2011		24,000
2012		24,000
2013		24,000
Thereafter		472,000
Total	\$	568,000

NOTE 7 – RECLASSIFICATION

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation.

SUPPLEMENTAL INFORMATION

HORSES HELPING THE HANDICAPPED, INC.**SCHEDULE OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2009

(with comparative totals for December 31, 2008)

	2009				2008
	Program	General & Administrative	Fundraising	Total	
Personnel Expenses - Salaried	\$ 170,780	\$ 35,575	\$ -	\$ 206,355	\$ 95,512
Personnel - Contract Support	54,496	13,284	-	67,780	119,940
Horse Care	66,881	-	-	66,881	43,448
Rent and Boarding	24,000	-	-	24,000	19,337
Payroll Taxes	18,729	-	-	18,729	9,325
Equipment	9,315	1,101	-	10,416	2,693
Fundraising	-	-	8,676	8,676	20,906
Depreciation	7,364	-	-	7,364	8,896
Administrative Fees and Services	-	6,862	-	6,862	1,255
Training	6,184	-	-	6,184	6,922
Volunteer Programs	5,475	-	-	5,475	3,592
Consultants and Professional Services	-	5,150	-	5,150	8,920
Other Program Expenses	5,025	-	-	5,025	2,362
Repairs and Maintenance	4,464	-	-	4,464	1,410
Printing and Publications	4,270	44	-	4,314	6,388
Supplies	3,601	632	-	4,233	2,413
Travel	4,066	-	-	4,066	2,336
Telephone	2,909	934	-	3,843	2,390
Miscellaneous Expense	-	2,929	-	2,929	740
Insurance	2,298	-	-	2,298	3,505
Conferences and Meetings	1,922	-	-	1,922	475
Utilities	1,520	43	-	1,563	1,644
Postage and Shipping	651	274	-	925	2,272
Total Expenses	\$ <u>393,950</u>	\$ <u>66,828</u>	\$ <u>8,676</u>	\$ <u>469,454</u>	\$ <u>366,681</u>

See accountant's report.