

HORSES WITH HEARTS, INC.

FINANCIAL STATEMENTS

December 31, 2017

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT ON FINANCIAL STATEMENTS

To the Board of Directors
Horses With Hearts, Inc.
Martinsburg, WV

We have reviewed the accompanying financial statements of Horses With Hearts, Inc. (a non-profit corporation) which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance accounting principles general accepted in the United States of America this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Decker & Company PLLC

August 3, 2018

Horses With Hearts, Inc.
STATEMENT OF FINANCIAL POSITION
 December 31, 2017

ASSETS

	<u>Total</u>
Current Assets	
Cash and cash equivalents	\$ 64,399
Investments	<u>3,649</u>
Total current assets	<u>68,048</u>
Property and Equipment (at cost)	
Land and land improvements	293,179
Buildings	32,029
Construction work in progress	31,709
Equipment	18,019
Horses	<u>7,750</u>
	382,686
Less accumulated depreciation	<u>(26,579)</u>
Net property and equipment (at cost)	<u>356,107</u>
Total assets	<u>\$ 424,155</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Credit card payable	\$ <u>594</u>
Total current liabilities	<u>594</u>
Net Assets	<u>423,561</u>
Total liabilities and net assets	<u>\$ 424,155</u>

See independent accountants' review report and notes to the financial statements.

Horses With Hearts, Inc.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended December 31, 2017

SUPPORT AND REVENUE

Fundraising	\$	56,117
Contributions		54,956
Program fees		15,893
Banquet		3,389
Sales		1,768
Interest & dividend income		194
		132,317
Total support and revenue		132,317

EXPENSES

Fundraising expense		15,703
Occupancy expense		10,297
Office expense		9,842
Depreciation expense		8,705
Contract labor		7,944
Supplies		7,059
Professional fees		5,545
Veterinary fees		5,399
Horse expense		5,109
Advertising		4,841
Banquet cost		3,328
Insurance		2,512
Volunteer appreciation		1,381
Dues & licenses		1,325
Conferences & seminars		1,092
Rent		1,004
Other expenses		540
Training expense		450
Fuel		314
Postage & printing		294
Unrealized loss on investments		258
Accreditation		236
Repairs		206
Meals & entertainment		110
		93,494
Total expenses		93,494
Change in net assets		38,823
Net assets, beginning of year		384,738
Net assets, end of year	\$	423,561

See independent accountants' review report and notes to the financial statements.

Horses With Hearts, Inc.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 38,823
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	8,705
Increase in credit card payable	<u>459</u>
Net cash provided by operating activities	<u>47,987</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(10,736)
Increase in construction work in progress	(31,709)
Net decrease in investments	<u>168</u>
Net cash used in investing activities	<u>(42,277)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
	<u>-</u>
Net increase in cash and cash equivalents	<u>5,710</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>58,689</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 64,399</u>

See independent accountant's review report and notes to the financial statements.

Horses With Hearts, Inc.
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Horses With Hearts, Inc. ("Organization") is presented to assist in understanding the Organization's financial statements. The financial statements and notes are the representation of the Organization's management, who are responsible for their integrity and objectivity.

Nature of Operations

Horses With Hearts, Inc. is a West Virginia non-profit corporation chartered in 2005. Its mission is to improve the quality of life for special needs individuals through equine assisted activities. The organization is located in Berkeley County.

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principals generally accepted in the United States of America. Under this basis, revenues are recognized when earned and expenses when incurred.

Estimates

The Organization uses estimates and assumptions in preparing financial statements. Those estimates and assumptions may effect certain reported amounts of assets, liabilities, revenues and expenses. Actual amounts may vary from those estimates.

Basis of Presentation

Financial statement presentation follows the requirements of the Not-for-Profit of Financial Statements Topic of the FASB Accounting Standards Codification. Under the Standards, the Organization is required to report information regarding its financial position to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no temporarily or permanently restricted net assets at December 31, 2017.

Cash and cash equivalents

For purposes of the statement of cash flows Horses With Hearts, Inc. considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in equity securities with readily determinable fair values and debt securities are considered to be available for sale securities which are carried at fair value in the statement of financial position with gains and losses included as unrestricted in the statement of activities and changes in net assets.

Horses With Hearts, Inc.
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Purchased property and equipment are stated at cost. Donated assets are recorded at estimated fair market value at the date of contribution. Normal repairs and maintenance are expensed. Depreciation on equipment and building assets is calculated by use of the straight-line method over the estimated useful lives of the assets, 5 to 39 years.

Income tax status

The Organization is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, Horses With Hearts, Inc. qualifies for charitable contribution deductions. The information returns for the years ended December 31, 2015, 2016 and 2017 are generally subject to examination for three years after they were filed.

Advertising cost

Advertising costs are charged to operations when incurred. The Organization incurred advertising cost of \$4,841 for the year ended December 31, 2017.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The organization reports donor-restricted contributions whose restrictions are met in the same year as unrestricted contributions.

Contributed Services

The Organization receives a substantial amount of donated services from volunteers who assist in fund raising and special projects. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under the Not-for Profit Entities Revenue Recognition Topic of the FASB Accounting Standards Codification.

INVESTMENTS

In September 2014, the Organization was gifted equity securities, which were recorded as an In-kind contribution. The equity securities are available-for-sale recognized at fair market value. Gains, losses, or change in fair market value are recorded as unrealized holdings. The equity security transactions consisted of the following:

December 31, 2016 balance	\$ 3,818
Additions (net of fees)	89
Unrealized loss	(258)
December 31, 2017 balance	<u>\$ 3,649</u>

Horses With Hearts, Inc.
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2017

COMMITMENT

In April 2014, the Organization was donated 31.66 acres of land from Trinity United Methodist Church, which was recorded at fair market value. The deed contained a reversion agreement which specifies the first 10 year period requires the land to be used for the Organization's stated mission. If organizational operations cease or vary in any way from the mission stated within the deed, the land will revert back to the Church.

SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition through August 3, 2018, the date the at the financial statements were available to be issued.