

**Professional Association of Therapeutic
Horsemanship International**
(a nonprofit Colorado corporation)
Denver, Colorado

Financial Statements

June 30, 2016 and 2015

Professional Association of Therapeutic Horsemanship International

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Independent Auditors' Report

To the Board of Directors
Professional Association of Therapeutic
Horsemanship International
Denver, Colorado

We have audited the accompanying financial statements of Professional Association of Therapeutic Horsemanship International (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally 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.

Auditors' Responsibility

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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report (continued)

Opinion

In our opinion, the June 30, 2016 financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Professional Association of Therapeutic Horsemanship International as of June 30, 2016, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses for the year ended June 30, 2016 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Prior Year Financial Statements and Supplementary Information

The financial statements of Professional Association of Therapeutic Horsemanship International as of June 30, 2015, were audited by other auditors whose report dated November 16, 2015, expressed an unmodified opinion on those statements. The supplementary information included in the schedule of functional expenses for the year ended June 30, 2015 was subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Their report stated that the information was fairly stated in all material respects in relation to the financial statements as a whole. They have not performed any auditing procedures on either the financial statements or on the supplementary information since November 16, 2015.

Altruic Advisors, PLLC

Certified Public Accountants

Denver, Colorado
November 11, 2016

Professional Association of Therapeutic Horsemanship International

Statements of Financial Position

June 30	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 969,071	\$ 728,717
Accounts receivable	15,219	15,681
Promises to give	75,136	35,557
Inventories	14,585	19,483
Prepaid expenses	48,839	28,408
Total current assets	<u>1,122,850</u>	<u>827,846</u>
Equipment, net	<u>20,424</u>	<u>27,749</u>
Other Assets		
Intangible assets	93,025	93,025
Deposits	4,486	4,486
Total other assets	<u>97,511</u>	<u>97,511</u>
Total assets	<u>\$ 1,240,785</u>	<u>\$ 953,106</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 57,002	\$ 33,362
Accrued compensation and benefits	55,661	38,360
Deferred revenue	598,085	604,251
Total current liabilities	<u>710,748</u>	<u>675,973</u>
Long-Term Liabilities		
Deferred revenue	<u>79,925</u>	<u>78,992</u>
Total liabilities	<u>790,673</u>	<u>754,965</u>
Net Assets		
Unrestricted		
Undesignated	263,009	40,421
Board-designated	3,096	6,746
Total unrestricted net assets	<u>266,105</u>	<u>47,167</u>
Temporarily restricted	<u>184,007</u>	<u>150,974</u>
Total net assets	<u>450,112</u>	<u>198,141</u>
Total liabilities and net assets	<u>\$ 1,240,785</u>	<u>\$ 953,106</u>

The accompanying Notes are an integral
part of these financial statements

Professional Association of Therapeutic Horsemanship International

Statement of Activities

Year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Revenue			
Membership dues	\$ 1,087,384	\$ -	\$ 1,087,384
Conference fees and sponsorships	543,968	-	543,968
Fee for service	310,394	-	310,394
Program accreditation and certification	209,497	-	209,497
Merchandise sales, net	81,605	-	81,605
Miscellaneous income	23,298	-	23,298
Interest income	610	-	610
Total revenue	<u>2,256,756</u>	<u>-</u>	<u>2,256,756</u>
Support			
Contributions	435,959	79,603	515,562
Contributions, in-kind	2,000	-	2,000
Net assets released from restrictions	46,570	(46,570)	-
Total support	<u>484,529</u>	<u>33,033</u>	<u>517,562</u>
Total revenue and support	<u>2,741,285</u>	<u>33,033</u>	<u>2,774,318</u>
Functional Expenses			
Program services	1,965,137	-	1,965,137
Supporting services			
General and administrative	497,264	-	497,264
Fundraising	59,946	-	59,946
Total functional expenses	<u>2,522,347</u>	<u>-</u>	<u>2,522,347</u>
Change in Net Assets	218,938	33,033	251,971
Net Assets, Beginning of Year	<u>47,167</u>	<u>150,974</u>	<u>198,141</u>
Net Assets, End of Year	<u>\$ 266,105</u>	<u>\$ 184,007</u>	<u>\$ 450,112</u>

The accompanying Notes are an integral
part of these financial statements

Professional Association of Therapeutic Horsemanship International

Statement of Activities

Year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Revenue			
Membership dues	\$ 1,040,457	\$ -	\$ 1,040,457
Conference fees and sponsorships	414,614	-	414,614
Fee for service	230,234	-	230,234
Program accreditation and certification	157,114	-	157,114
Merchandise sales, net	45,929	-	45,929
Miscellaneous income	36,275	-	36,275
Interest income	890	-	890
Total revenue	<u>1,925,513</u>	<u>-</u>	<u>1,925,513</u>
Support			
Contributions	574,211	45,337	619,548
Contributions, in-kind	10,650	-	10,650
Net assets released from restrictions	34,408	(34,408)	-
Total support	<u>619,269</u>	<u>10,929</u>	<u>630,198</u>
Total revenue and support	<u>2,544,782</u>	<u>10,929</u>	<u>2,555,711</u>
Functional Expenses			
Program services	1,940,963	-	1,940,963
Supporting services			
General and administrative	495,314	-	495,314
Fundraising	80,437	-	80,437
Total functional expenses	<u>2,516,714</u>	<u>-</u>	<u>2,516,714</u>
Change in Net Assets	28,068	10,929	38,997
Net Assets, Beginning of Year	<u>19,099</u>	<u>140,045</u>	<u>159,144</u>
Net Assets, End of Year	<u>\$ 47,167</u>	<u>\$ 150,974</u>	<u>\$ 198,141</u>

The accompanying Notes are an integral
part of these financial statements

Professional Association of Therapeutic Horsemanship International

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended June 30	2016	2015
Cash Flows From Operating Activities		
Change in net assets	\$ 251,971	\$ 38,997
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	12,218	13,771
Provision for bad debts	-	2,243
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	462	(20,296)
Promises to give	(39,579)	17,700
Inventories	4,898	13,439
Prepaid expenses	(20,431)	10,638
Accounts payable	23,640	(67,301)
Accrued compensation and benefits	17,301	(10,939)
Deferred revenue	(5,233)	(11,131)
Net cash provided (used) by operating activities	<u>245,247</u>	<u>(12,879)</u>
Cash Flows From Investing Activities		
Purchases of equipment	(4,893)	(7,116)
Net cash used by investing activities	<u>(4,893)</u>	<u>(7,116)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	240,354	(19,995)
Cash and Cash Equivalents, Beginning of Year	728,717	748,712
Cash and Cash Equivalents, End of Year	\$ 969,071	\$ 728,717

Professional Association of Therapeutic Horsemanship International

Notes to Financial Statements

June 30, 2016 and 2015

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Operations. Professional Association of Therapeutic Horsemanship International ("the Organization") is a Colorado non-profit corporation established in 1969 whose mission and principal activities are to change and enrich lives by promoting excellence in equine-assisted activities and therapies for children and adults who are challenged physically, emotionally, or mentally. The Organization's revenues and other support are derived principally from membership dues, program service fees, fees from conference attendance and sponsorships, and charitable contributions from interested parties.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Accounting. The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Net Asset Classification. The Organization has adopted accounting standards which require that the organization distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. These standards require that resources be classified for reporting purposes into three net asset categories according to externally (donor) imposed restrictions. The three net asset categories are as follows:

Unrestricted net assets. Net assets 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. Once the stipulation is met, the assets are released from restriction and the expenditure is recorded in the activities of unrestricted net assets.

Permanently restricted net assets. Permanently restricted net assets are subject to donor-imposed stipulations that require the donated assets to be maintained in perpetuity. The Organization does not currently have any permanently restricted net assets.

Cash and Cash Equivalents. The Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Accounts Receivable. Accounts receivable are stated net of allowances for uncollectible accounts. At the time accounts receivable are originated, the Organization considers an allowance for doubtful accounts based on the creditworthiness of the member. The allowance is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future uncollectible amounts. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Organization on an ongoing basis.

Professional Association of Therapeutic Horsemanship International

Notes to Financial Statements

June 30, 2016 and 2015

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Accounts Receivable (continued). As of June 30, 2016 and 2015, management believes all accounts receivable are fully collectible, and accordingly, no allowance for doubtful accounts has been recorded.

Promises to Give. Unconditional promises to give are recognized as revenue in the period received. Promises to give are recorded at the amount the Organization expects to receive, allowing for estimated uncollectible pledges. The allowance for uncollectible promises to give is estimated based on management's review of specific contributions outstanding. As of June 30, 2016 and 2015, management believes all promises to give are fully collectible, and accordingly, no allowance for doubtful accounts has been recorded. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Inventories. Inventories consisting of association merchandise and equine therapy resource materials is stated at the lower of cost (first-in, first-out method) or market. Donated items, if any, are recorded at fair value at the date of receipt.

Equipment. It is the Organization's policy to capitalize equipment at cost for purchases over \$500, while repair and maintenance items are charged to expense. Donations of equipment are capitalized at their estimated fair value at the date of gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Equipment is depreciated using straight-line methods over the estimated useful lives of the assets, which is generally three to seven years for equipment and software and three to five years for furniture and fixtures. Depreciation expense totaled \$12,218 and \$13,771 for the years ended June 30, 2016 and 2015, respectively.

Intangible Assets. Intangible assets consist of trademarks. Indefinite-lived intangible assets are not amortized, but are tested for impairment annually, or more frequently if circumstances indicate potential impairment, through a comparison of fair value to its carrying amount. The trademarks must be renewed and usage confirmed between five and six years after registration, again at nine to ten years, and every ten years thereafter at minimal cost. The costs incurred to renew the trademarks will be expensed as incurred. The Organization also evaluates whether circumstances warrant a revision to the remaining estimated useful life of each intangible asset annually. If the Organization were to determine that a change in the remaining estimated useful life of an intangible asset was necessary, then the remaining carrying amount of the intangible asset would be amortized prospectively over the revised remaining useful life.

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended June 30, 2016 and 2015.

Professional Association of Therapeutic Horsemanship International

Notes to Financial Statements

June 30, 2016 and 2015

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Revenue Recognition. Revenues are recorded as the services are rendered. Prepaid amounts are recorded as a deferred revenue liability when payments are received. As the services are rendered, revenue is then recorded. Lifetime membership revenues are recognized ratably over the estimated remaining life of the member.

Contributions. Contributions are recognized when the donation is received. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions and grants that are restricted by the donor or grantor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed Services. Contributed services are recognized if services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There were no contributed services for the years ended June 30, 2016 and 2015.

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

The Organization is subject to unrelated business income tax on its advertising income. As of June 30, 2016, the Organization has incurred a net operating loss carryforward of approximately \$300. A deferred tax benefit has not been recorded on the accompanying financial statements as it is not determinable if the Organization will obtain a future benefit from this net operating loss carryforward.

Functional Allocation of Expenses. Direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Reclassifications. Certain amounts from the financial statements for the year ended June 30, 2015 have been reclassified to conform to current year presentation, without affecting the change in net assets.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through November 11, 2016, the date at which the financial statements were available for release.

Professional Association of Therapeutic Horsemanship International

Notes to Financial Statements

June 30, 2016 and 2015

Note 2 – Equipment

Equipment consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Equipment and software	\$ 92,924	\$ 92,619
Furniture and fixtures	28,558	38,154
	<u>121,482</u>	<u>130,773</u>
Less accumulated depreciation	<u>(101,058)</u>	<u>(103,024)</u>
Net equipment	<u>\$ 20,424</u>	<u>\$ 27,749</u>

Note 3 - Temporarily Restricted Net Assets

The balances of temporarily restricted net assets are as follows:

	<u>July 1, 2015</u>			<u>June 30, 2016</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
Time restricted	\$ 35,557	\$ 75,136	\$ 35,557	\$ 75,136
Purpose restricted				
Competition fund	3,598	-	-	3,598
Conference	4,265	-	-	4,265
Disaster relief	-	2,330	-	2,330
Employee fund	351	-	218	133
Equine service for heroes	11,669	747	8,035	4,381
Regional speakers	6,194	-	-	6,194
Research	4,445	-	-	4,445
Rider's assistance fund	63,070	140	300	62,910
Scholarships	21,825	1,250	2,460	20,615
	<u>\$ 150,974</u>	<u>\$ 79,603</u>	<u>\$ 46,570</u>	<u>\$ 184,007</u>
	<u>July 1, 2014</u>			<u>June 30, 2015</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
Time restricted	\$ 17,700	\$ 35,557	\$ 17,700	\$ 35,557
Purpose restricted				
Competition fund	3,598	-	-	3,598
Conference	-	4,265	-	4,265
Employee fund	-	1,000	649	351
Equine service for heroes	21,553	2,925	12,809	11,669
Regional speakers	6,194	-	-	6,194
Research	4,445	-	-	4,445
Rider's assistance fund	63,245	125	300	63,070
Scholarships	23,310	1,465	2,950	21,825
	<u>\$ 140,045</u>	<u>\$ 45,337</u>	<u>\$ 34,408</u>	<u>\$ 150,974</u>

Professional Association of Therapeutic Horsemanship International

Notes to Financial Statements

June 30, 2016 and 2015

Note 4 – Board-designated Net Assets

The Board of Directors has designated \$3,096 and \$6,746 of unrestricted net assets for disaster relief at June 30, 2016 and 2015, respectively. These funds are restricted designations imposed internally and are recorded as unrestricted assets.

Note 5 - Operating Leases and Subsequent Events

The Organization leases its building under a noncancelable operating lease. The lease requires monthly minimum payments of \$6,880, and expires in March 2018. Rent expense, including maintenance, under the lease totaled \$83,086 and \$79,385 for the years ended June 30, 2016 and 2015, respectively.

The Organization leases equipment under multiple noncancelable operating leases, which expire in August 2016 and December 2017. Rent expense, excluding supplies and maintenance, under the leases totaled \$6,894 and \$6,908 for the years ended June 30, 2016 and 2015, respectively.

In August 2016, the Organization leased equipment under a noncancelable operating lease. The lease requires monthly minimum payments of \$1,216, and expires in August 2019.

Future annual minimum lease payments required under the noncancelable operating leases, including agreements signed subsequent to year end, are as follows at June 30, 2016:

Year ended June 30	Facilities	Equipment	Total
2017	\$ 83,715	\$ 15,347	\$ 99,062
2018	65,382	14,826	80,208
2019	-	14,592	14,592
2020	-	2,432	2,432
	<u>\$ 149,097</u>	<u>\$ 47,197</u>	<u>\$ 196,294</u>

Note 6 – Retirement Plan

The Organization provides for a deferred compensation plan under Internal Revenue Code Section 408(p) which allows an employee to contribute up to \$12,000 of their annual compensation. The Organization provides a matching contribution to the plan of up to 3% of the employee's annual compensation. The Organization contributed \$21,338 and \$21,603 to the plan for the years ended June 30, 2016 and 2015, respectively.

Professional Association of Therapeutic Horsemanship International

Schedule of Functional Expenses

Year ended June 30, 2016

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 607,902	\$ 235,120	\$ 26,073	\$ 869,095
Employee benefits	80,066	21,397	3,138	104,601
Payroll taxes	58,142	18,432	2,368	78,942
Total personnel costs	<u>746,110</u>	<u>274,949</u>	<u>31,579</u>	<u>1,052,638</u>
Conferences	390,309	-	-	390,309
Grants	333,292	-	-	333,292
Consulting and purchased services	92,670	76,699	500	169,869
Printing and publications	85,264	1,389	624	87,277
Occupancy	76,439	6,647	-	83,086
Bank and credit card fees	-	48,122	-	48,122
Dues and subscriptions	39,888	6,501	-	46,389
Faculty fees	44,400	-	-	44,400
Travel	33,392	6,001	625	40,018
Postage and shipping	17,845	1,679	16,501	36,025
Region outreach and member benefits	28,838	-	-	28,838
Meetings	-	27,696	-	27,696
Evaluator fees	25,271	-	-	25,271
Miscellaneous expenses	9,865	4,753	9,880	24,498
Telephone	16,577	6,868	237	23,682
Professional development	11,774	1,097	-	12,871
Legal and professional fees	-	12,437	-	12,437
Depreciation	8,553	3,665	-	12,218
Supplies	3,848	4,631	-	8,479
Insurance	802	7,236	-	8,038
Equipment rent	-	6,894	-	6,894
Total expenses	<u>\$ 1,965,137</u>	<u>\$ 497,264</u>	<u>\$ 59,946</u>	<u>\$ 2,522,347</u>

Professional Association of Therapeutic Horsemanship International

Schedule of Functional Expenses

Year ended June 30, 2015

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 561,236	\$ 258,569	\$ 26,210	\$ 846,015
Employee benefits	67,841	23,275	2,818	93,934
Payroll taxes	51,930	22,309	2,296	76,535
Total personnel costs	681,007	304,153	31,324	1,016,484
Grants	482,137	-	-	482,137
Conferences	329,251	-	-	329,251
Consulting and purchased services	64,272	50,870	2,049	117,191
Occupancy	73,034	6,351	-	79,385
Printing and publications	63,747	628	4,523	68,898
Miscellaneous expenses	7,078	24,863	22,799	54,740
Dues and subscriptions	43,356	6,896	-	50,252
Travel	44,880	3,486	1,113	49,479
Bank and credit card fees	-	41,681	-	41,681
Faculty fees	39,900	-	-	39,900
Postage and shipping	18,927	2,280	18,364	39,571
Region outreach and member benefits	35,974	-	-	35,974
Telephone	18,559	7,689	265	26,513
Evaluator fees	18,951	-	-	18,951
Depreciation	9,639	4,132	-	13,771
Legal and professional fees	-	13,633	-	13,633
Supplies	5,664	7,118	-	12,782
Insurance	804	7,228	-	8,032
Meetings	-	7,654	-	7,654
Equipment rent	1,571	5,337	-	6,908
Professional development	2,212	1,315	-	3,527
Total expenses	\$ 1,940,963	\$ 495,314	\$ 80,437	\$ 2,516,714