HORSEPOWER, INC.

FINANCIAL STATEMENTS

December 31, 2019

HORSEPOWER, INC.

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December 31, 2019

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Officers and Directors
Horsepower, Inc.
High Point, North Carolina

We have reviewed the accompanying financial statements of Horsepower, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, 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 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 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.

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 conformity with accounting principles generally accepted in the United States of America.

Report on 2018 Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated November 4, 2019. We have not performed any auditing procedures since that date. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Apple, Koceja & Associates, PA

Certified Public Accountants
August 31, 2020

HORSEPOWER, INC.

STATEMENT OF FINANCIAL POSITION
As of December 31, 2019
(with comparative totals for December 31, 2018)

	Without donor restrictions	With donor restrictions	Total 2019	Total 2018
ASSETS				
Current Assets				
Cash	$ 78 331	$ -	$ 78 331	$ 90 302
Unconditional promises to give	-	3 000	3 000	6 000
Deposits	-	-	-	3 650
Prepaid expenses	18 863	-	18 863	12 869
Other current assets	416	-	416	1 375
Total current assets	97 610	3 000	100 610	114 196
Property and Equipment				
Buildings	54 949	-	54 949	96 418
Riding arena	-	-	-	92 108
Equipment	54 585	-	54 585	71 588
Horses	31 075	-	31 075	27 850
Less accumulated depreciation	(79 102)	-	(79 102)	(187 569)
Net property and equipment	61 507	-	61 507	100 395
Total assets	$ 159 117	$ 3 000	$ 162 117	$ 214 591
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	$ -	$ -	$ -	$ 8 262
Total current liabilities	-	-	-	8 262
Net Assets				
Without donor restrictions	159 117	-	159 117	195 329
With donor restrictions	-	3 000	3 000	11 000
Total net assets	159 117	3 000	162 117	206 329
Total liabilities and net assets	$ 159 117	$ 3 000	$ 162 117	$ 214 591

HORSEPOWER, INC.

STATEMENT OF ACTIVITIES
For the year ended December 31, 2019
(with comparative totals for December 31, 2018)

	Without donor restrictions	With donor restrictions	Total 2019	Total 2018
Operating Activities				
Support and Revenue				
Contributions and grants	$ 125 159	$ -	$ 125 159	$ 112 842
Donated horses	5 000	-	5 000	4 800
Donated tack equipment	5 966	-	5 966	7 920
Donated relocation costs	39 261	-	39 261	-
Lessons	124 044	-	124 044	112 965
Rentals	625	-	625	8 920
Special events	77 672	-	77 672	96 197
Less: direct benefit to donors	(9 692)	-	(9 692)	(7 404)
Other income	1 187	-	1 187	7 147
Total support and revenue	369 222	-	369 222	343 387
Net assets released from restrictions	8 000	(8 000)	-	-
Total support, revenue, and releases	377 222	(8 000)	369 222	343 387
Functional Expenses				
Program services	292 710	-	292 710	270 631
Management and general	16 762	-	16 762	34 813
Fundraising	27 658	-	27 658	33 728
Total functional expenses	337 130	-	337 130	339 172
Change in net assets from operations	40 092	(8 000)	32 092	4 215
Nonoperating Activities				
Office relocation expense	39 261	-	39 261	-
Loss on disposal of property and equipment	37 043	-	37 043	-
Total nonoperating activities	76 304	-	76 304	-
Change in net assets	(36 212)	(8 000)	(44 212)	4 215
Net assets beginning of year	195 329	11 000	206 329	202 114
Net assets end of year	$ 159 117	$ 3 000	$ 162 117	$ 206 329

See accompanying notes and independent accountant's review report

HORSEPOWER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2019
(with comparative totals for December 31, 2018)

		Support Services				
	Total Program Services	Management and General	Fund Raising	Total Support Services	Total Expenses 2019	Total Expenses 2018
Salaries	$ 156 928	$ 6 500	$ 19 500	$ 26 000	$ 182 928	$ 169 522
Payroll taxes	12 610	522	1 567	2 089	14 699	13 863
Health insurance	11 047	585	1 364	1 949	12 996	8 668
Total personnel-related expenses	180 585	7 607	22 431	30 038	210 623	192 053
Contract labor	4 232	-	-	-	4 232	1 725
Dues, memberships, and subscriptions	2 140	-	-	-	2 140	1 900
Education	465	-	-	-	465	2 691
Farrier	4 910	-	-	-	4 910	4 702
Feed and hay	17 959	-	-	-	17 959	21 074
Horse supplies	6 439	-	-	-	6 439	3 834
Insurance - general	14 942	390	1 170	1 560	16 502	19 507
Occupancy	8 420	850	250	1 100	9 520	11 621
Office supplies	3 906	996	427	1 423	5 329	5 640
Postage and delivery	556	-	1 310	1 310	1 866	1 359
Professional services	476	5 550	-	5 550	6 026	5 336
Promotional expenses	2 709	169	1 470	1 639	4 348	8 455
Rent	1 800	-	-	-	1 800	9 155
Repairs and maintenance	2 844	-	-	-	2 844	586
Service charges	137	-	-	-	137	136
Telephone	5 000	400	600	1 000	6 000	5 015
Travel	7 443	800	-	800	8 243	7 062
Veterinarians	11 460	-	-	-	11 460	12 325
Tack equipment expense	5 966	-	-	-	5 966	7 920
Miscellaneous	-	-	-	-	-	6 778
Total expenses before depreciation	282 389	16 762	27 658	44 420	326 809	329 608
Depreciation	10 321	-	-	-	10 321	9 564
Total	$ 292 710	$ 16 762	$ 27 658	$ 44 420	$ 337 130	$ 339 172

HORSEPOWER, INC.

STATEMENT OF CASH FLOWS
For the year ended December 31, 2019
(with comparative totals for December 31, 2018)

	2019	2018
Cash flows from operating activities:		
Increase (decrease) in net assets	$ (44 212)	$ 4 215
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	10 321	9 564
Loss on disposal of property and equipment	37 043	6 546
Donated property and equipment	(5 000)	(6 300)
Changes in current assets and liabilities:		
(Increase) decrease in:		
Promises to give	3 000	3 000
Deposits	3 650	(3 650)
Prepaid expenses	(5 994)	(2 214)
Other current assets	959	(1 070)
Increase (decrease) in:		
Accounts payable and other current liabilities	(8 262)	8 061
Deferred revenue	-	(6 630)
Net cash provided by (used in) operating activities	(8 495)	11 522
Cash flows from investing activities:		
Purchase of property and equipment	(3 476)	-
Net cash provided by (used in) investing activities	(3 476)	-
Cash flows from financing activities:	-	-
Increase (decrease) in cash and cash equivalents	(11 971)	11 522
Cash and cash equivalents, beginning of year	90 302	78 780
Cash and cash equivalents, end of year	$ 78 331	$ 90 302

See accompanying notes and independent accountant's review report

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

Horsepower, Inc. is a North Carolina nonprofit organization formed in 1995, whose mission is to promote and enhance the welfare of individuals with disabilities by providing a program of therapeutic, educational and recreational value. Individuals who are mentally, physically, emotionally and/or socially challenged are empowered through the use of horses in a safe and controlled atmosphere. The Organization is supported through public contributions, foundation and corporate grants, and program fees in the Triad region of North Carolina. Horsepower Foundation, Inc. (a nonprofit organization) was formed in 2013 to raise funds and assets for the benefit of Horsepower, Inc.

Basis of Presentation

The financial statements were prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP"). The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of all revenues and expenses that are an integral part of its programs and supporting activities. Nonoperating activities consist of revenues and expenses considered to be of a more unusual or nonrecurring nature.

Cash Equivalents and Supplemental Disclosure for Statement of Cash Flows

For purposes of reporting cash flows, the Organization considers all checking accounts and savings accounts to be cash equivalents. The Organization paid no income taxes during the year.

Contributions and Promises to Give

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as assets released from restrictions. All contributions are considered to be available without donor restrictions unless specifically restricted by the donor.

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

Donated Services

Donated services are recorded if they create or enhance a non-financial asset or if the services received require specialized skills that would have otherwise been purchased by the Organization.

A substantial number of volunteers donate significant amounts of their time to the Organization and its programs; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as donated services.

Property and Equipment

The Organization capitalizes purchased property and equipment in excess of $1,000 at cost. In the case of donated assets, property and equipment is stated at the estimated fair value at date of donation. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose or long-term use. Property and equipment are depreciated using the straight-line method over the estimated useful lives, ranging from 3 to 40 years. Expenditures for maintenance and repairs that do not improve or extend the life of an asset are expensed as incurred.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses are reported by natural classification and function in the statement of functional expenses. Most expenses can be directly attributed to the program or supporting functions. Certain categories of expenses are attributed to more than one functional category. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel-related expenses, occupancy, office supplies, postage, and telephone, all of which are allocated on the basis of estimates of time and effort.

Income Tax Status

The Organization is exempt from income tax status under Section 501(c)(3) of the Internal Revenue Code (IRC) except on net income derived from unrelated business activities. The Organization has evaluated all tax positions to identify any that might be uncertain. No material uncertain tax positions were identified for the year ended December 31, 2019. Accordingly, no provision for income tax has been recorded in the accompanying financial statements.

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

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Standard

In June, 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, Not-for-Profit Entities (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This accounting standard clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle was adopted for the year ending December 31, 2019. The summarized comparative information for 2018 has not been restated and continues to be reported under the accounting standards in effect in that reporting period. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to beginning net assets was recorded.

Note 2. Liquidity and Availability of Funds

At December 31, 2019 the Organization had $78,331 of financial assets available to meet cash needs for general expenditure over the next twelve months. These financial assets, consisting of cash, are not subject to donor or other contractual restrictions, and they are available for general expenditure during the next year.

As part of the Organization's liquidity management, it has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization is substantially supported by contributions, grants, and fees, all of which are anticipated to continue and be available as its general expenditures and liabilities come due.

Note 3. Unconditional Promises to Give

Unconditional promises to give at December 31, 2019 consisted of $3,000 pledges receivable due in less than one year.

Management has determined that the promises to give are fully collectible. Therefore, no allowance for uncollectible accounts was considered necessary at December 31, 2019.

Note 4. Net Assets with Donor Restrictions

At December 31, 2019, net assets with donor restrictions consisted of $3,000 time restricted unconditional promises to give.

Note 5. Net Assets Released from Restrictions

Net assets of $3,000 were released from donor restrictions by expiration of time restrictions and $5,000 were released from donor restrictions by expending funds that satisfied the restricted purposes.

Note 6. Lease Obligations

The Organization is obligated under a non-cancelable, ten-year lease to pay $2,750 per month to Horsepower Foundation, Inc. During 2015, the entities agreed to suspend monthly payments under the lease until construction is completed and the Organization relocates its operations to the Foundation's property. Construction was completed in December 2018, and the Organization completed its relocation in October 2019. No lease payments were made during 2019. A new cancelable lease agreement was effective in April 2020.

Note 7. Retirement Plan

The Organization sponsors a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code, covering substantially all employees. Under the plan, employees contribute a specified percentage of their salary, or a fixed dollar amount, to the plan. The Organization makes no contribution to the plan.

Note 8. Related Party Transactions

During 2019, the Organization donated accounting and other related services at an estimated cost of $6,300 to Horsepower Foundation, Inc.

During 2019 the Organization received donated tack equipment valued at $5,966 from Horsepower Foundation, Inc. The Organization recognized the $5,966 as donated tack equipment revenue and tack equipment expense. Also, the organization recognized as income and expense $39,261 paid by Horsepower Foundation, Inc. on behalf of the Organization for office relocation cost.

Note 9. Comparative Amounts

The financial statements include prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2018, from which the summarized information was derived. Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation. These reclassifications have no effect on net income.

Note 10. Subsequent Events

The Organization has evaluated events and transactions through August 31, 2020, which is the date the financial statements were available to be issued.

The COVID-19 outbreak is disrupting business and affecting a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on our clients, donors, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.