

SIRE, INC.
dba SIRE – HOUSTON’S THERAPEUTIC
EQUESTRIAN CENTERS
(A Texas Non-Profit Organization)

FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

GAINER DONNELLY & DESROCHES

SIRE, INC.
dba SIRE – HOUSTON’S THERAPEUTIC EQUESTRIAN CENTERS
(A Texas Non-Profit Organization)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
SIRE, Inc.
Hockley, Texas

We have audited the accompanying statements of financial position of SIRE, Inc., dba SIRE – Houston's Therapeutic Equestrian Centers (SIRE), a Texas Non-Profit Organization as of December 31, 2009 and 2008, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of SIRE, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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 SIRE, Inc. as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Gainer Donnelly & Desroches LLP
July 27, 2010

SIRE, INC.
 dba SIRE - HOUSTON'S THERAPEUTIC EQUESTRIAN CENTERS
 (A Texas Non-Profit Organization)
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2009 AND 2008

	ASSETS	
	2009	2008
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 131,772	\$ 258,578
Accounts Receivable	31,989	29,708
Pledges Receivable, Net	134,856	103,555
Prepaid Expenses	3,000	5,000
Total Current Assets	301,617	396,841
PLEDGES RECEIVABLE, NET	135,856	198,262
PROPERTY AND EQUIPMENT, NET	914,634	919,335
TOTAL ASSETS	\$ 1,352,107	\$ 1,514,438
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Deferred Revenue	\$ 7,893	\$ 14,778
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Unrestricted	1,267,171	1,397,631
Temporarily Restricted	77,043	102,029
TOTAL NET ASSETS	1,344,214	1,499,660
TOTAL LIABILITIES AND NET ASSETS	\$ 1,352,107	\$ 1,514,438

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

SIRE, INC.
dba SIRE - HOUSTON'S THERAPEUTIC EQUESTRIAN CENTERS
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STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:						
Contributions	\$ 252,244	\$ 65,450	\$ 317,694	\$ 267,743	\$ 44,890	\$ 312,633
Tuition	287,256	-	287,256	204,601	-	204,601
Special Events, Net of Direct Donor Benefit						
Costs of \$134,777 and \$161,208, respectively	244,348	-	244,348	465,539	-	465,539
Investment Income (Loss)	(63)	-	(63)	4,500	-	4,500
Other Income	17,134	-	17,134	71,362	-	71,362
Net Assets Released from Restrictions	90,436	(90,436)	-	120,735	(120,735)	-
Total Revenue and Support	891,355	(24,986)	866,369	1,134,480	(75,845)	1,058,635
EXPENSES:						
Program Services	799,462	-	799,462	897,082	-	897,082
General and Administrative	139,387	-	139,387	183,453	-	183,453
Fundraising	82,966	-	82,966	103,353	-	103,353
Total Expenses	1,021,815	-	1,021,815	1,183,888	-	1,183,888
DECREASE IN NET ASSETS	(130,460)	(24,986)	(155,446)	(49,408)	(75,845)	(125,253)
NET ASSETS AT BEGINNING OF YEAR	1,397,631	102,029	1,499,660	1,447,039	177,874	1,624,913
NET ASSETS AT END OF YEAR	\$ 1,267,171	\$ 77,043	\$ 1,344,214	\$ 1,397,631	\$ 102,029	\$ 1,499,660

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SIRE, INC.
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STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009				2008			
	Programs	General and Administrative	Fundraising	Total	Programs	General and Administrative	Fundraising	Total
Personnel Costs:								
Salaries	\$ 462,138	\$ 96,473	\$ 35,613	\$ 594,224	\$ 515,721	\$ 88,050	\$ 36,061	\$ 639,832
Payroll Taxes, Workman's Compensation and Benefits	68,884	10,114	4,657	83,655	66,245	16,849	4,554	87,648
Total Personnel Costs	531,022	106,587	40,270	677,879	581,966	104,899	40,615	727,480
Contract Labor	1,522	-	37,800	39,322	5,472	6,415	38,180	50,067
Occupancy	68,773	1,000	-	69,773	91,434	3,293	-	94,727
Equine	78,292	-	-	78,292	72,846	-	-	72,846
Depreciation	44,241	-	-	44,241	43,918	-	-	43,918
Supplies	23,830	2,416	317	26,563	26,878	6,999	2,405	36,282
Insurance	12,923	(822)	-	12,101	16,043	296	-	16,339
Printing	1,383	76	1,209	2,668	8,314	238	2,746	11,298
Telephone	11,844	211	-	12,055	11,110	580	-	11,690
Workshops and Training	1,562	770	-	2,332	260	1,664	17,419	19,343
Equipment Expenses	11,805	-	-	11,805	16,290	-	-	16,290
Dues and Subscriptions	2,753	1,532	177	4,462	3,302	2,229	188	5,719
Postage	1,635	2,184	3,041	6,860	3,115	2,100	1,638	6,853
Professional Fees	-	8,225	-	8,225	-	7,450	-	7,450
Technology	3,222	8,568	-	11,790	2,767	9,303	-	12,070
Travel	4,655	258	152	5,065	13,367	3,705	162	17,234
Bad Debt Expense	-	8,382	-	8,382	-	34,282	-	34,282
Total Expenses	<u>\$ 799,462</u>	<u>\$ 139,387</u>	<u>\$ 82,966</u>	<u>\$ 1,021,815</u>	<u>\$ 897,082</u>	<u>\$ 183,453</u>	<u>\$ 103,353</u>	<u>\$ 1,183,888</u>

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

SIRE, INC.
 dba SIRE - HOUSTON'S THERAPEUTIC EQUESTRIAN CENTERS
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 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in Net Assets	\$ (155,446)	\$ (125,253)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Bad Debt Expense	8,382	34,282
Depreciation	44,241	43,918
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(2,281)	17,235
Grants Receivable	-	50,000
Pledges Receivable	22,723	(86,663)
Prepaid Expenses	2,000	(4,000)
Deferred Revenue	<u>(6,885)</u>	<u>4,276</u>
Net Cash Used in Operating Activities	<u>(87,266)</u>	<u>(66,205)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	<u>(39,540)</u>	<u>(82,370)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(126,806)	(148,575)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>258,578</u>	<u>407,153</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 131,772</u>	<u>\$ 258,578</u>

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

SIRE, INC.
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION

SIRE, Inc., dba SIRE – Houston’s Therapeutic Equestrian Centers (“SIRE”) is a nonprofit corporation incorporated under the laws of the state of Texas in 1985. The mission of SIRE is to improve the quality of life for people with disabilities through therapeutic horseback riding and related activities. SIRE provides riding and related activities in Hockley, Texas, and the Spring and Fort Bend areas of Houston, Texas.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Basis of Accounting

SIRE’s financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. SIRE’s resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor imposed restrictions. Accordingly, net assets of SIRE and changes therein are classified and reported as follows:

- Unrestricted - net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.
- Temporarily Restricted - net assets whose use by SIRE is subject to donor imposed stipulations that can be fulfilled by action of SIRE pursuant to those stipulations or that expire by the passage of time.
- Permanently Restricted - net assets subject to donor imposed stipulations that assets be maintained permanently by SIRE.

Support that is restricted by the donor and is to be used in future periods or for a specific purpose is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash Equivalents

SIRE considers all highly liquid investments with initial maturities of three months or less at the time of purchase to be cash equivalents.

Accounts and Grant Receivables

SIRE extends credit to its clients for tuition. Receivables over 30 days are considered past due. SIRE considers tuition and grant receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when the determination is made.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Pledges Receivable

Pledges are recorded as revenue in the year they are received unless they contain a conditional promise to give. Conditional promises to give are not included as revenue until the conditions have been substantially met. Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are discounted to estimate the present value of future cash flows, if material. An allowance for uncollectible pledges receivable is recorded based on a combination of write-off history, aging analysis, and any specific known troubled accounts. At December 31, 2009 and 2008, SIRE reserved \$28,602 for uncollectible pledges.

Property and Equipment

Property and equipment are recorded at cost, or in the case of donated property, at the approximate fair value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives which range from five to forty years. Maintenance and repairs are charged to expense while expenditures for improvements are capitalized.

Impairment of Long-Lived Assets

SIRE’s long-lived assets are evaluated for impairment in accordance with generally accepted accounting principles which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. This review requires significant judgments both in assessing events and circumstances as well as estimating future cash flows. Should events indicate that any of the assets are impaired, the amount of such impairment will be measured as the difference between the carrying value and the fair value of the impaired asset and the impairment will be recorded in earnings during the period of such impairment.

Deferred Revenue

All tuition prior to December 31, 2009 and 2008 and applicable to the 2010 and 2009 spring terms, respectively, has been reported as deferred revenue on the statements of financial position.

Revenue Recognition

Clients are charged based on the nature and amount of the transactions performed by SIRE on the customers’ behalf. Tuition income and special event income are recognized as revenue when the services or products are provided.

SIRE subsidizes tuition for all clients. During 2009 and 2008, respectively, 14% and 12% of clients received additional reduced tuition from the published tuition rates.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Donated Materials and Services

Donated materials and equipment associated with the facilities are recorded as support at their fair market values at date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

A substantial number of volunteers have contributed significant amounts of time in conjunction with the program services and fundraising campaigns of SIRE for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under accounting principles generally accepted in the United States of America. In 2009 and 2008, approximately 31,700 and 31,300 volunteer hours were performed at an estimated value of approximately \$642,000 and \$624,000.

Fair Value Considerations

SIRE uses fair value to measure financial and certain nonfinancial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs-Level 1) and the lowest priority to a reporting entity’s internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs-Level 3).

The fair value option allows entities to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. If an organization elects the fair value option for an eligible item, changes in that item’s fair value in subsequent reporting periods must be recognized in current earnings. SIRE did not elect the fair value option for the measurement of any eligible assets or liabilities.

SIRE’s financial instruments (primarily cash and cash equivalents, receivables, and payables) are carried in the financial statements at amounts that reasonably approximate fair value.

Functional Expenses

The majority of expenses can generally be directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses have been allocated among the programs and supporting services benefited based on various determinations by management.

Income Taxes

SIRE, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

In 2009, SIRE adopted a new accounting standard that clarifies the accounting for uncertainty in income taxes recognized for financial statement reporting purposes as applied to nonprofit organizations. Based on its evaluation, SIRE has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. SIRE’s evaluation was performed for the tax periods ended December 31, 2006 through December 31, 2009 for U.S. Federal tax years which principally remain subject to examination by major tax jurisdictions as of December 31, 2009.

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 NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates that have the most impact on financial position and results of operations primarily relate to the collectability of accounts and pledges receivable and the useful lives of property and equipment. Management believes these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Subsequent Events

SIRE has evaluated subsequent events through the time the financial statements are available for issuance on July 27, 2010. No matters were identified affecting the accompanying financial statements.

NOTE 3 – PLEDGES RECEIVABLE

Pledges are due to be collected as follows at December 31:

	2009	2008
Less than One Year	\$ 134,856	\$ 103,555
One to Five Years	135,856	198,262
Total Pledges Receivable	\$ 270,712	\$ 301,817

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2009	2008
Land	\$ 237,442	\$ 237,442
Buildings and Improvements	820,560	571,796
Equipment	188,461	171,471
Horses	11,500	11,500
Construction-In-Process	47,477	273,691
	1,305,440	1,265,900
Less: Accumulated Depreciation	(390,806)	(346,565)
Property and Equipment, Net	\$ 914,634	\$ 919,335

Depreciation expense for the years ended December 31, 2009 and 2008 totaled \$44,241 and \$43,918, respectively.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2009</u>	<u>2008</u>
Spring Site	\$ 69,943	\$ 94,323
Periods after December 31	<u>7,100</u>	<u>7,706</u>
Total Temporarily Restricted Net Assets	\$ <u>77,043</u>	\$ <u>102,029</u>

NOTE 6 – NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended December 31, 2009 and 2008, temporarily restricted net assets of \$90,436 and \$120,735, respectively, were released from donor restrictions by satisfying donor restrictions.

NOTE 7 – COMMITMENTS

SIRE has a \$100,000 line of credit with a bank. The line of credit bears interest at prime plus 1% and has no stated maturity. At December 31, 2009 and 2008, there were no borrowings outstanding under this line of credit.