



Financial Statements, Supplemental Information  
and  
Independent Auditors' Report

June 30, 2018 and 2017

# Horizons for Homeless Children

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**DANIEL DENNIS & Co**  
Certified Public Accountants

*Independent Auditors' Report*

To the Board of Directors of  
**Horizons for Homeless Children**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Horizons for Homeless Children (a nonprofit organization) (the Agency), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Horizons for Homeless Children as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of functional expenses on page 21 and 22 are presented for purposes of additional analysis and are 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

*Daniel Dennis & Company LLP*

*December 7, 2018*

**Horizons for Homeless Children**  
**Statements of Financial Position**  
June 30, 2018 and 2017

	<i>2018</i>	<i>2017</i>
<b><i>Assets</i></b>		
<hr/>		
<i>Current Assets</i>		
Cash	\$ 296,990	\$ 2,927,754
Investments at fair value	7,142,686	7,852,285
Contracts and grants receivable	566,246	409,559
Promises to give, net	2,209,810	645,243
Prepaid expenses and other	<u>300,455</u>	<u>295,506</u>
Total current assets	<u>10,516,187</u>	<u>12,130,347</u>
 <i>Property and Equipment</i>		
Property and equipment, net	<u>418,004</u>	<u>240,482</u>
 <i>Other Assets</i>		
Investment in limited liability company	3,609,987	154,942
Promises to give, net	3,563,917	75,000
Deposits	<u>27,317</u>	<u>27,317</u>
Total other assets	<u>7,201,221</u>	<u>257,259</u>
Total assets	<u><u>\$ 18,135,412</u></u>	<u><u>\$ 12,628,088</u></u>
 <b><i>Liabilities and Net Assets</i></b>		
<hr/>		
<i>Current Liabilities</i>		
Accounts payable	\$ 192,208	\$ 112,901
Accrued expenses	288,628	543,241
Deferred revenue	<u>-</u>	<u>7,500</u>
Total current liabilities	<u>480,836</u>	<u>663,642</u>
 <i>Net Assets</i>		
Unrestricted:		
Operating	2,408,010	2,585,532
Property and equipment	418,004	240,482
Board designated	<u>9,718,112</u>	<u>8,846,452</u>
Total unrestricted	12,544,126	11,672,466
Temporarily restricted	<u>5,110,450</u>	<u>291,980</u>
Total net assets	<u>17,654,576</u>	<u>11,964,446</u>
Total liabilities and net assets	<u><u>\$ 18,135,412</u></u>	<u><u>\$ 12,628,088</u></u>

*See accompanying notes to the financial statements.*

**Horizons for Homeless Children**  
**Statements of Activities**  
For the Year Ended June 30, 2018

	<b>2018</b>		
	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
<b>Revenues</b>			
<i>Program revenues:</i>			
Contracts, grants and vouchers	\$ 3,513,878	\$ -	\$ 3,513,878
Donated professional services	208,755	-	208,755
Training, conferences and other	-	-	-
Total program revenues	<u>3,722,633</u>	<u>-</u>	<u>3,722,633</u>
<i>Fundraising revenues:</i>			
Contributions	3,802,485	1,135,554	4,938,039
Capital campaign contributions	397,500	3,894,696	4,292,196
Special events	1,803,010	-	1,803,010
Net assets released from restrictions	211,780	(211,780)	-
Total income	<u>6,214,775</u>	<u>4,818,470</u>	<u>11,033,245</u>
Total revenues	<u>9,937,408</u>	<u>4,818,470</u>	<u>14,755,878</u>
<b>Expenses</b>			
<i>Program services:</i>			
Community children's centers	5,341,874	-	5,341,874
Playspace programs	820,709	-	820,709
Training and technical assistance	233,166	-	233,166
Evaluation	95,441	-	95,441
Policy and advocacy	198,596	-	198,596
Total program services	<u>6,689,786</u>	<u>-</u>	<u>6,689,786</u>
<i>Supporting services:</i>			
Fundraising	1,347,069	-	1,347,069
Marketing/communications	438,706	-	438,706
General and administrative	902,032	-	902,032
Total supporting services	<u>2,687,807</u>	<u>-</u>	<u>2,687,807</u>
Total expenses	<u>9,377,593</u>	<u>-</u>	<u>9,377,593</u>
Changes in net assets from operations	<u>559,815</u>	<u>4,818,470</u>	<u>5,378,285</u>
<b>Non-operating activity</b>			
Interest and dividends	88,797	-	88,797
Net realized and unrealized gain on investments	223,048	-	223,048
Total non-operating revenues	<u>311,845</u>	<u>-</u>	<u>311,845</u>
Changes in net assets	<u>871,660</u>	<u>4,818,470</u>	<u>5,690,130</u>
Net assets, beginning of year	<u>11,672,466</u>	<u>291,980</u>	<u>11,964,446</u>
Net assets, end of year	<u>\$ 12,544,126</u>	<u>\$ 5,110,450</u>	<u>\$ 17,654,576</u>

*See accompanying notes to the financial statements.*

**Horizons for Homeless Children**  
**Statements of Activities – *continued***  
**For the Year Ended June 30, 2017**

	<b>2017</b>		
<b>Revenues</b>	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
<i>Program revenues:</i>			
Contracts, grants and vouchers	\$ 2,859,109	\$ -	\$ 2,859,109
Donated professional services	62,979	-	62,979
Training, conferences and other	105	-	105
Total program revenues	2,922,193	-	2,922,193
<i>Fundraising revenues:</i>			
Contributions	3,243,918	225,000	3,468,918
Capital campaign contributions	-	20,000	20,000
Special events	1,806,214	-	1,806,214
Net assets released from restrictions	266,671	(266,671)	-
Total income	5,316,803	(21,671)	5,295,132
Total revenues	8,238,996	(21,671)	8,217,325
<b>Expenses</b>			
<i>Program services:</i>			
Community children's centers	5,082,094	-	5,082,094
Playspace programs	1,119,951	-	1,119,951
Training and technical assistance	216,117	-	216,117
Evaluation	110,330	-	110,330
Policy and advocacy	275,221	-	275,221
Total program services	6,803,713	-	6,803,713
<i>Supporting services:</i>			
Fundraising	1,515,360	-	1,515,360
Marketing/communications	312,120	-	312,120
General and administrative	1,337,165	-	1,337,165
Total supporting services	3,164,645	-	3,164,645
Total expenses	9,968,358	-	9,968,358
Changes in net assets from operations	(1,729,362)	(21,671)	(1,751,033)
<b>Non-operating activity</b>			
Interest and dividends	41,868	-	41,868
Net realized and unrealized gain on investments	778,495	-	778,495
Total non-operating revenues	820,363	-	820,363
Changes in net assets	(908,999)	(21,671)	(930,670)
<b>Net assets, beginning of year</b>	12,581,465	313,651	12,895,116
<b>Net assets, end of year</b>	\$ 11,672,466	\$ 291,980	\$ 11,964,446

*See accompanying notes to the financial statements.*

**Horizons for Homeless Children**  
**Statements of Cash Flows**  
For the Years Ended June 30, 2018 and 2017

	<i>2018</i>	<i>2017</i>
<i>Cash Flows from Operating Activities</i>		
Changes in net assets	\$ 5,690,130	\$ (930,670)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	87,298	74,072
Net unrealized and realized gain on investments	(223,048)	(778,495)
Bad debt	71,972	-
Donated stock	(181,581)	(164,494)
Donated capitalized services	(183,383)	-
Contributions restricted for capital campaign	(352,500)	-
Increase in discount on pledges receivable	(419,416)	-
Changes in operating assets and liabilities		
Contracts and grants receivable	(228,659)	(78,792)
Pledges receivable, net	(4,634,068)	(126,427)
Prepaid expenses and other	(4,949)	(112,795)
Accounts payable	79,307	(9,288)
Accrued expenses	(254,613)	(47,600)
Deferred revenue	(7,500)	6,500
Net cash used in operating activities	(561,010)	(2,167,989)
<i>Cash Flows from Investing Activities</i>		
Proceeds on sales and maturities of investments	1,114,228	4,291,942
Acquisition of property and equipment	(81,437)	(52,170)
Purchase of investments	(3,455,045)	(319,436)
Net cash (used in)/provided by investing activities	(2,422,254)	3,920,336
<i>Cash Flows from Financing Activities</i>		
Contributions restricted for capital campaign	352,500	-
Net cash provided by financing activities	352,500	-
Net (decrease)/increase in cash	(2,630,764)	1,752,347
Cash, beginning of year	2,927,754	1,175,407
Cash, end of year	\$ 296,990	\$ 2,927,754

*See accompanying notes to the financial statements.*



**Horizons for Homeless Children**  
Notes to the Financial Statements  
June 30, 2018 and 2017

**1. *Nature of Operations***

Horizons for Homeless Children (the Agency) works to improve the lives of young homeless children and to help their families succeed by providing high quality early education, opportunities for play, and comprehensive family support services. The Agency provides customized play and education that children who have experienced the traumas of homelessness need in order to overcome the effects of trauma and to be ready for school.

The Agency is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Agency is also exempt from state income taxes. Donors may deduct contributions made to the Agency within the IRC regulations.

Program services rendered by the Agency can be summarized as follows:

*Community Children's Centers*

Our community children's centers began in Boston in 1994 and provide comprehensive early education services specifically focused on the needs of young homeless children, ages two months through five years, while providing parents with support services and resources to break the cycle of homelessness and become self-sufficient. The Agency operates three centers serving a total of 175 children each weekday. Since the program began in 1994, the Agency has serviced more than 3,000 homeless children and their families and helped them move toward self-sufficiency.

*Playspace Program*

The playspace program has been providing greater Boston family homeless shelters with playspaces and volunteers known as playspace activity leaders since 1990, and has expanded to provide these services to children in family shelters throughout Massachusetts. Trained volunteers engage children in educational activities, giving each child an opportunity to learn and grow from these interactions, as well as have fun. Since the inception of the program, more than 20,000 volunteers have served for at least two hours per week for six months.

*Training and Technical Assistance*

Through the training and technical assistance program, Agency staff members present workshops and conferences for professionals who work with homeless families, including educators, social workers, shelter staff and government agencies. The goal of the program is to improve the delivery of services for young homeless children and their families in the broader community. Since its creation, the Agency has co-sponsored seven conferences in Massachusetts and delivered numerous workshops and trainings both locally and nationally.

*Evaluation*

The evaluation program is a key program in the Agency's goal of undertaking a more formal process to design programs, evaluate those programs, and utilize information gained to improve outcomes for children and families who participate in the Agency's programs. This program will be instrumental to the Agency's focus on influencing public policy regarding early childhood education and child and family homelessness.

**Horizons for Homeless Children**  
Notes to the Financial Statements - *Continued*  
June 30, 2018 and 2017

**1. *Nature of Operations* – *continued***

*Policy and Advocacy*

The Agency's policy and advocacy work represents a key strategy in the Agency's mission to improve the lives of homeless children and families in Massachusetts. Through the lens of early childhood development, the Agency engages with legislators at the state and federal levels, as well as with other community organizations to advocate for holistic approaches that increase access to high-quality child care, as well as stable, affordable housing opportunities for families across Massachusetts.

**2. *Significant Accounting Policies***

*Basis of Accounting*

The Agency prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification (ASC).

*Cash and Cash Equivalents*

For the purposes of the statement of financial position and the statement of cash flows, the Agency considers all short-term investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents as of June 30, 2018 and 2017.

*Classification of Net Assets*

Net assets, revenue and support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Unrestricted net assets* - includes all resources that are not subject to donor-imposed stipulations or contributions with donor-imposed restrictions that are met during the same fiscal year as the contribution is made. Unrestricted net assets designated by the Board represent funds set aside by internal Board action. These include funds set aside to fund long-term planning and related projects and future operating deficits. Board designated net assets at June 30, 2018 and 2017, was \$9,718,112 and \$8,846,452, respectively. The Board voted to designate \$871,660 from unrestricted net assets during fiscal year 2018. The Board voted to release \$930,000 from designation during fiscal year 2017. Unrestricted net assets denoted as property and equipment represent equity in such property and equipment.

*Temporarily restricted net assets* - subject to legal or donor-imposed stipulations that may or will be met either by actions of the Agency and/or passage of time (see Note 12).

*Permanently restricted net assets* - subject to donor-imposed stipulations that they be maintained permanently by the Agency. Generally, the donor of these assets permits the Agency to use all or part of the income earned on related investments for general or specific purposes. There are no permanently restricted net assets as of June 30, 2018 and 2017.

**Horizons for Homeless Children**  
Notes to the Financial Statements - *Continued*  
June 30, 2018 and 2017

**2. *Significant Accounting Policies – continued***

*Revenue Recognition*

Contracts and grants are recorded over the period covered by the contract or grant as services are provided and costs are incurred. State vouchers for services are recorded as revenue as services are provided. Unrestricted grants and contributions are recorded when cash, securities or an unconditionally promise to give is received. Training, conferences and other revenues are earned as services are provided.

All contributions are considered available for the Agency's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized. Conditional promises to give are not included as support until the conditions are substantially met. Intentions to give are not included as support until collected or formally promised and legally enforceable. Gifts of non-cash assets are recorded at their fair value at the date of contribution, as determined by the donor or the Agency. Special events revenue is recognized in the year the event occurs, however, revenue received in advance is deferred and is included in liabilities as deferred revenue.

*Promises to Give*

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue.

*Contracts and Grants Receivable*

Contracts and grants receivable are stated at unpaid balances, less an allowance for doubtful accounts. The allowance is based on collection experience and other circumstances that may affect the ability of agencies and donors to meet their obligations. It is the Agency's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of June 30, 2018 and 2017, management deemed that no allowance for doubtful accounts was necessary on contracts and grants receivable.

*Investments*

Investments are recorded at fair value. Investment income includes interest and dividends and is recorded when earned. Realized gains and losses from investment transactions and changes in fair value (unrealized gains and losses) of investments are recorded as incurred. Investments are not insured and are subject to ongoing market fluctuations.

Investments in a multi-asset fund are valued at net asset value (NAV) per share or ownership interest of the investment.

**Horizons for Homeless Children**  
Notes to the Financial Statements - *Continued*  
June 30, 2018 and 2017

**2. Significant Accounting Policies – continued**

The Agency has an investment in a liability company in which the Agency’s ownership percentage is approximately 36%. This investment is recorded based on the equity method.

*Fair Value Measurement*

FASB *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are as follows:

Level 1            Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2            Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3            Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

*Property and Equipment and Depreciation*

Purchased property and equipment are recorded at cost. Additions with a cost or fair value of less than \$1,000 are expensed. Donated property and equipment are recorded at fair value at the time of donation. Depreciation is computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	Lesser of lease term or useful life
Website, computer and office equipment	3 – 5 years

**Horizons for Homeless Children**  
Notes to the Financial Statements - *Continued*  
June 30, 2018 and 2017

**2. Significant Accounting Policies – continued**

*Functional Allocation of Expenses*

The statements of activities and changes in net assets reflect expenses on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services functions. Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program or cost category.

*Estimates*

The preparation of financial statements in accordance with U.S. GAAP 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.

*Tax Positions*

The Agency accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. Unrelated business income, of which there was none for the fiscal years ended June 30, 2018 and 2017, would be subject to Federal and state income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes. The Agency has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2018 and 2017. The Agency's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years (fiscal years 2015 - 2017).

*Reclassifications*

Certain 2017 amounts have been reclassified to conform to the 2018 financial statement presentation.

**3. Investments**

The following is a description of the valuation methodologies used for assets measured at fair value.

*Government Bond Funds and Common Stock*

Value is based upon estimated fair value, as reported by the third party fund manager. The fund manager utilizes the quoted prices for the underlying holdings as its basis for fair value measurement.

**Horizons for Homeless Children**  
Notes to the Financial Statements - *Continued*  
June 30, 2018 and 2017

3. ***Investments - continued***

The investment portfolio at fair value as of June 30, 2018 and 2017, is as follows:

<i>Description</i>	<i>2018</i>			<i>Total</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
Investments measured at fair value				
Government bond funds	\$ 2,689,307	\$ -	\$ -	\$ 2,689,307
Common stock	<u>233,942</u>	<u>-</u>	<u>-</u>	<u>233,942</u>
Total measured at fair value	<u>\$ 2,923,249</u>	<u>\$ -</u>	<u>\$ -</u>	2,923,249
Investment measured at net asset value*				
TIFF-Multi-asset funds				<u>4,219,437</u>
Total investments				<u>\$ 7,142,686</u>

<i>Description</i>	<i>2017</i>			<i>Total</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
Investments measured at fair value				
Government bond funds	\$ 2,885,468	\$ -	\$ -	\$ 2,885,468
Common stock	<u>50,280</u>	<u>-</u>	<u>-</u>	<u>50,280</u>
Total measured at fair value	<u>\$ 2,935,748</u>	<u>\$ -</u>	<u>\$ -</u>	2,935,748
Investment measured at net asset value*				
TIFF-Multi-asset funds				<u>4,916,537</u>
Total investments				<u>\$ 7,852,285</u>

\* Certain investments that are measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

**Horizons for Homeless Children**  
Notes to the Financial Statements - *Continued*  
June 30, 2018 and 2017

**3. Investments – continued**

Investment income consisted of the following for the years ended June 30:

	<i>2018</i>	<i>2017</i>
Interest and dividends	\$ 88,797	\$ 41,868
Net unrealized gains	177,632	763,101
Realized gains	<u>45,416</u>	<u>15,394</u>
Total investment income	<u>\$ 311,845</u>	<u>\$ 820,363</u>

Investments are reflected at fair value and NAV, which is subject to significant fluctuations on a daily basis. The investments are subject to market fluctuations and due to the level of risk associated with investments. It is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the financial statements.

*Investment in Limited Liability Company*

During fiscal year 2017, the Agency became a member of Horizons Watermark LLC (HWLLC). HWLLC was created to acquire and develop land located in Roxbury, Massachusetts. The Agency's share of interest in HWLLC is equal to the Agency's percentage interest as defined by HWLLC's operating agreement. The percentage interest is determined from time to time and is equal to the Agency's share of the net rentable square footage, which is estimated to be 35.9%. As a result, the investment is recorded on the equity basis. During fiscal year 2018, in accordance with the operating agreement, the Agency contributed its required equity contribution of \$3,000,000. The Agency's additional capital, as required by the operating agreement, is equal to 50% of the predevelopment and land purchase costs. Any additional capital required thereafter will be based on the Agency's percentage interest as defined by the operating agreement. At June 30, 2018 and 2017, the Agency's capital balance was \$3,609,987 and \$154,942, respectively. The following summarizes the financial information of HWLLC as of and for the years ended June 30, 2018 and 2017:

	<i>2018</i>	<i>2017</i>
Total assets	<u>\$ 7,165,281</u>	<u>\$ 277,089</u>
Net assets	<u>\$ 7,165,281</u>	<u>\$ 277,089</u>
Agency's equity in net assets	<u>\$ 3,609,987</u>	<u>\$ 154,942</u>

**4. Promises to Give**

Approximately 71% and 42% of the Agency's promises to give at June 30, 2018 and June 30, 2017, were from three and two donors, respectively. As of June 30, 2018 and 2017, approximately 34% and 20%, respectively, of the Agency's promises to give were from members of the Board of Directors.

**Horizons for Homeless Children**  
Notes to the Financial Statements - *Continued*  
June 30, 2018 and 2017

**4. Promises to Give - continued**

Promises to give are expected to be collected as follows as of June 30:

	<i>2018</i>	<i>2017</i>
Unconditional promises to be collected in:		
One year or less	\$ 2,215,810	\$ 651,243
One to five years	3,383,333	75,000
Greater than five years	600,000	-
Total promises to give	6,199,143	726,243
Less - discount (rate of 2.95%)	(419,416)	-
Less - allowance	(6,000)	(6,000)
Net promises to give	\$ 5,773,727	\$ 720,243

The allowance for doubtful accounts is based on collection experience and other circumstances that may affect the ability of donors to meet their obligations. It is the Agency's policy to charge off uncollectible promises to give when management determines the receivable will not be collected.

**5. Intentions to Give**

During fiscal year 2018, the Agency solicited funds from many of its large annual fund donors under a capital campaign for the Agency's buildout relating to its investment in HWLLC (See Note 3). In order to preserve the funding of continuing operations, the Agency asked donors to submit promise cards indicating the donations the donors intend to give for future periods. The promise cards are for budgetary purposes only and do not represent legally enforceable promises to give, and donors may rescind the promise to give at any time. The promise cards clearly indicate that the information provided is a gift intention. These promises to give do not meet the criteria for revenue recognition; therefore, they are not reflected as contributions in the *statement of activities* until the promises to give are legally enforceable or collected. The total gift intentions at June 30, 2018 totaled \$4,650,000.

**6. Donated Goods and Services**

Volunteers and other organizations contribute services to the Agency in support of various aspects of its programs. These services are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donating volunteers, agencies, or by management.

The value of donated professional services provided for the years ended June 30, 2018 and 2017, was \$208,755 and \$62,979, respectively. For the years ended June 30, 2018 and 2017, the Agency capitalized \$183,383 and \$0, respectively, of the total donated professional services in development in process.



**Horizons for Homeless Children**  
Notes to the Financial Statements - *Continued*  
June 30, 2018 and 2017

**6. *Donated Goods and Services – continued***

The Agency receives services of volunteers to fulfill various aspects of its programs. These volunteers contributed over 203,000 and 198,000 hours of service for the years ended June 30, 2018 and 2017, respectively. The hourly value for these services, which is determined by management, was approximately \$25 and \$29 per hour for June 30, 2018 and 2017, respectively. In addition, the Agency receives certain goods which are used in various aspects of its programs. The value of these goods and services is not reflected in the accompanying financial statements, since these donations do not meet the criteria for recognition under standards pertaining to ASC Topic, *Accounting for Contributions Received*.

Total unrecorded donated goods and services were as follows for the years ended June 30:

	<i>2018</i>	<i>2017</i>
Volunteer workers	\$ 5,029,847	\$ 5,767,752
Educational supplies	13,996	94,380
Other	<u>4,000</u>	<u>15,930</u>
Total	<u>\$ 5,047,843</u>	<u>\$ 5,878,062</u>

**7. *Property and Equipment***

Property and equipment consisted of the following at June 30:

	<i>2018</i>	<i>2017</i>
Leasehold improvements	\$2,032,189	\$2,039,655
Computer and office equipment	591,672	575,936
Website	88,486	88,486
Development in process	<u>285,920</u>	<u>40,457</u>
Total property and equipment	2,998,267	2,744,534
Less - accumulated depreciation	<u>(2,580,263)</u>	<u>(2,504,052)</u>
Net property and equipment	<u>\$ 418,004</u>	<u>\$ 240,482</u>

Included in property and equipment are approximately \$2,421,947 and \$2,366,061 of fully depreciated assets which are still being utilized by the Agency as of June 30, 2018 and 2017, respectively.

Development in process is the Agency's costs relating to the buildout of the Agency's future office in conjunction with Agency's investment in HWLLC (see Note 3).

**Horizons for Homeless Children**  
Notes to the Financial Statements - *Continued*  
June 30, 2018 and 2017

**7. *Property and Equipment – continued***

Depreciation expense was \$87,298 and \$74,072 for the years ended June 30, 2018 and 2017, respectively.

**8. *Pension Plan***

The Agency has a defined contribution pension plan covering all employees. Participation in the plan is voluntary and contributions are limited by the IRC. The Agency made discretionary matching contributions of \$60,327 and \$39,043 to the plan for the years ended June 30, 2018 and 2017, respectively.

**9. *Lease Agreements***

The Agency leases equipment and space under various operating leases expiring through January, 2025. The initial terms of these lease agreements are from two to twenty years. The facility leases require the Agency to maintain certain insurance coverage and pay for its proportionate share of real estate taxes and operating expenses. Rent expense under the facility leases was approximately \$597,000 and \$620,000 for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease payments under these agreements for the next five years are as follows:

<i>June 30,</i>	<i>Amount</i>
2019	\$ 504,836
2020	\$ 399,094
2021	\$ 323,663
2022	\$ 319,600
2023	\$ 319,600

**10. *Concentration of Credit Risk***

The Agency receives a portion of its revenues (approximately 12% and 20% in fiscal years 2018 and 2017, respectively) from the Massachusetts Department of Early Education and Care (EEC) under unit-rate contracts. Approximately 30% and 32% of the contracts and grants receivable as of June 30, 2018 and 2017, respectively, are due from EEC.

Approximately 69% and 50% of contracts and grants receivable at June 30, 2018 and 2017, respectively, are due from two not-for-profit organizations.

The Agency maintains its cash balances in a Massachusetts bank. The Federal Deposit Insurance Corporation (FDIC) insures balances at the bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Agency has not experienced any losses in these accounts. The Agency believes it is not exposed to any significant credit risk on its operating cash balance.

**Horizons for Homeless Children**  
Notes to the Financial Statements - *Continued*  
June 30, 2018 and 2017

**11. Related Parties**

On occasion, the Agency transacts with individuals or entities that have a family or business relationship with members of the Agency's Board of Directors or management. During the years ended June 30, 2018 and 2017, pro-bono legal services received from such related parties was valued at \$208,755 and \$62,979, respectively (see Note 6). In addition, a portion of the Agency's promises to give were from members of the Board of Directors (see Note 4).

**12. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following uses at June 30:

	2018	2017
Purpose and time restrictions:		
Promises to give for capital projects	\$ 4,261,500	\$ 20,000
Community Children Centers	100,000	100,000
Time restrictions:		
Promises to give for operations	1,085,500	-
Operations	50,000	119,000
Purpose restrictions:		
Director of Family Engagement	-	22,860
Young professionals group	16,200	30,120
Training and Technical Assistance program	16,666	-
Less - present value discount	<u>(419,416)</u>	<u>-</u>
Total	<u>\$ 5,110,450</u>	<u>\$ 291,980</u>

Temporarily restricted net assets released during fiscal years 2018 and 2017 comprised of:

	2018	2017
Purpose and time restrictions:		
Community Children Centers	\$ 100,000	\$ 35,000
Time restrictions:		
Operations	75,000	140,557
Purpose restrictions for:		
Director of Family Engagement	22,860	80,000
Young professionals group	<u>13,920</u>	<u>11,114</u>
Total	<u>\$ 211,780</u>	<u>\$ 266,671</u>

**Horizons for Homeless Children**  
Notes to the Financial Statements - *Continued*  
June 30, 2018 and 2017

**13. Contingencies**

In the ordinary course of the Agency's business, the Agency is, from time-to-time, involved in disputes concerning individuals' employment with the Agency and/or litigation with outside parties. The Agency denies any wrongdoing in these cases and is taking the appropriate legal steps in defense of these disputes. It is the Agency's opinion that any potential settlement would not be material to the accompanying June 30, 2018 financial statements.

The Agency receives a portion of its funding from the Commonwealth of Massachusetts and the Federal government under unit-rate contracts. Payments to the Agency are subject to audit by the appropriate government agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Agency as of June 30, 2018 and 2017, or on the changes in its net assets for the years then ended.

**14. Subsequent Events**

Subsequent events have been evaluated through December 7, 2018, which is the date the financial statements were available to be issued.

Subsequent to year end, the Agency entered into the following agreements:

Twenty-five year lease agreement with Horizons Watermark LLC, dated September 24, 2018 and expiring December 31, 2043. The purpose is to lease land and a building, which is currently under development in Roxbury, Massachusetts. The Agency plans to occupy approximately 48,000 square feet of space. After construction of the building and the premises are completed, a condominium association will be formed consisting of two units (the Conversion Date) of which the Agency will occupy one of the units. Payments are required in accordance with the lease agreement and begin on the Conversion Date. Basic rent payments are as follows:

<i>Period of Time</i>	<i>Annual Rent</i>
Conversion Date through December 31, 2021	\$ 762,000
January 1, 2022 through December 31, 2022	\$ 809,000
January 1, 2023 through December 31, 2024	\$ 851,000
January 1, 2025 through December 31, 2028	\$ 906,000
January 1, 2029 through December 31, 2043	\$ 1,371,000

Promissory note agreement with Eastern Bank dated September 24, 2018 in the amount of \$12,527,510 which bears interest at a rate of 5.32% per annum and matures in September 2022. This note is secured by the following; (a) leasehold mortgage, security agreement and assignment of leases and rents (b) pledge and security agreement on the Agency's note receivable entered into during September 2018 and (c) all of the Agency's assets and capital campaign pledges listed in the loan and security agreement, excluding grants designated to support the day-to-day operations or restricted for non-capital purposes. In addition, the note agreement contains various covenants as required in the loan and security agreement.

**Horizons for Homeless Children**  
Notes to the Financial Statements - *Continued*  
June 30, 2018 and 2017

**14. *Subsequent Events – continued***

Promissory note agreement with Eastern Bank dated September 24, 2018 in the amount of \$6,500,000, which bears interest at a fixed rate at the prevailing same-term FHLB Index plus a margin of 2.35%. The note matures in September 2028 and is secured by the following; (a) leasehold mortgage, security agreement and assignment of leases and rents (b) pledge and security agreement on the Agency's note receivable entered into during September 2018 and (c) all of the Agency's assets and capital campaign pledges listed in the loan and security agreement, excluding grants designated to support the day-to-day operations or restricted for non-capital purposes. In addition, the note agreement contains various covenants as required in the loan and security agreement.

Promissory note receivable with TNT-HW 1 NMTC Fund, LLC dated September 24, 2018 in the amount of \$13,553,300, which bears interest at 5.498% per annum. The note matures in June 2039 and is secured by the pledge agreement. In addition, the note agreement contains various covenants as required in the pledge agreement.

The Agency entered into an account control agreement with Eastern Bank dated September 24, 2018. The agreement assigns control of the Agency's TIFF multi-asset fund to Eastern Bank.

The Agency assigned its interest in Horizons Watermark LLC to HHC QALICB, Inc. HHC QALICB, Inc. was organized in July 2018 as an exempt organization under section 501(c)(3) of the IRC and operates as a supporting organization, within the meaning of section 509(a)(3) of the IRC, to the Agency. The Agency controls HHC QALICB, Inc. from a majority of directors in the organization.

## **Supplementary Information**

**Horizons for Homeless Children**  
**Supplemental Schedule of Functional Expenses**  
**For the Year Ended June 30, 2018**

	<b>PROGRAM SERVICES</b>						<b>SUPPORTING SERVICES</b>			<b>TOTAL</b>
	<b>COMMUNITY CHILDREN'S CENTERS</b>	<b>PLAYSPACE PROGRAM</b>	<b>TRAINING AND TECHNICAL ASSISTANCE</b>	<b>EVALUATIONS</b>	<b>POLICY AND ADVOCACY</b>	<b>TOTAL PROGRAM SERVICE</b>	<b>FUND-RAISING</b>	<b>MARKETING/ COMMUNICATIONS</b>	<b>GENERAL AND ADMINISTRATIVE</b>	
<b>EXPENSES:</b>										
Salaries and related expenses:										
Salaries	\$ 3,413,484	\$ 534,842	\$ 149,982	\$ 69,021	\$ 102,435	\$ 4,269,764	\$ 653,623	\$ 224,678	\$ 410,910	\$ 5,558,975
Employee benefits	435,024	75,045	17,523	7,973	15,246	550,811	88,138	30,358	76,894	746,201
Payroll taxes	293,696	47,458	11,759	5,369	9,018	367,300	56,147	19,328	48,396	491,171
Temporary help	41,677	10,015	12,350	595	39,122	103,759	2,846	1,015	8,937	116,557
Total salaries and related expenses	4,183,881	667,360	191,614	82,958	165,821	5,291,634	800,754	275,379	545,137	6,912,904
Occupancy	573,481	37,176	15,959	8,798	9,032	644,446	88,332	17,050	101,804	851,632
Services and professional fees	6,627	33,890	17	144	11,834	52,512	31,366	132,843	85,002	301,723
Supplies	279,226	20,926	2,217	327	643	303,339	12,706	1,053	14,044	331,142
Major fundraising events	-	-	-	-	-	-	291,492	-	-	291,492
Office	34,414	18,319	4,485	1,375	8,697	67,290	53,714	3,058	22,230	146,292
Donated professional services	-	-	-	-	-	-	-	-	25,372	25,372
Capital campaign expense	-	-	-	-	-	-	47,129	-	-	47,129
Miscellaneous	69,759	11,268	1,769	-	-	82,796	200	1,745	31,678	116,419
Depreciation	58,033	10,091	1,457	803	824	71,208	8,022	1,556	6,512	87,298
Transportation	5,289	15,693	1,331	-	1,345	23,658	5,324	645	5,402	35,029
Bad debt	71,972	-	-	-	-	71,972	-	-	-	71,972
Training and meetings	59,192	5,986	14,317	1,036	400	80,931	8,030	5,377	64,851	159,189
Total expenses	\$ 5,341,874	\$ 820,709	\$ 233,166	\$ 95,441	\$ 198,596	\$ 6,689,786	\$ 1,347,069	\$ 438,706	\$ 902,032	\$ 9,377,593

**Horizons for Homeless Children**  
**Supplemental Schedule of Functional Expenses**  
**For the Year Ended June 30, 2017**

	<b>PROGRAM SERVICES</b>					<b>SUPPORTING SERVICES</b>				<b>TOTAL</b>
	<i>COMMUNITY CHILDREN'S CENTERS</i>	<i>PLAYSPACE PROGRAM</i>	<i>TRAINING AND TECHNICAL ASSISTANCE</i>	<i>EVALUATIONS</i>	<i>POLICY AND ADVOCACY</i>	<i>TOTAL PROGRAM SERVICE</i>	<i>FUND- RAISING</i>	<i>MARKETING/ COMMUNI- CATIONS</i>	<i>GENERAL AND ADMINIS- TRATIVE</i>	
<b>EXPENSES:</b>										
Salaries and related expenses:										
Salaries	\$ 3,388,856	\$ 713,364	\$ 130,693	\$ 77,924	\$ 152,860	\$ 4,463,697	\$ 838,140	\$ 163,082	\$ 805,569	\$ 6,270,488
Employee benefits	385,335	81,521	13,401	10,132	17,361	507,750	99,234	18,258	92,404	717,646
Payroll taxes	271,466	56,998	10,812	5,987	12,349	357,612	66,877	12,600	62,276	499,365
Temporary help	8,678	2,090	12,200	-	51,538	74,506	9,101	1,000	13,807	98,414
Total salaries and related expenses	4,054,335	853,973	167,106	94,043	234,108	5,403,565	1,013,352	194,940	974,056	7,585,913
Occupancy	582,210	55,381	16,144	13,029	8,681	675,445	81,205	16,718	95,911	869,279
Services and professional fees	18,233	63,843	474	474	11,256	94,280	36,204	80,455	104,753	315,692
Supplies	275,999	56,421	5,524	710	1,650	340,304	8,530	1,906	12,106	362,846
Major fundraising events	-	-	-	-	-	-	285,726	-	-	285,726
Office	30,961	26,608	5,328	1,147	11,057	75,101	54,259	1,827	20,032	151,219
Donated professional services	-	-	-	-	-	-	-	-	62,979	62,979
Miscellaneous	57,520	25,900	139	-	-	83,559	20,890	11,852	174	116,475
Depreciation	48,435	8,526	1,251	904	677	59,793	6,411	1,304	6,564	74,072
Transportation	2,172	27,395	1,104	-	7,780	38,451	4,841	225	7,391	50,908
Training and meetings	12,229	1,904	19,047	23	12	33,215	3,942	2,893	53,199	93,249
Total expenses	\$ 5,082,094	\$ 1,119,951	\$ 216,117	\$ 110,330	\$ 275,221	\$ 6,803,713	\$ 1,515,360	\$ 312,120	\$ 1,337,165	\$ 9,968,358