



Combined Financial Statements,
Supplemental Information
and
Independent Auditors' Report

June 30, 2019 and 2018

Horizons for Homeless Children and Affiliate

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DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
Horizons for Homeless Children

We have audited the accompanying combined financial statements of Horizons for Homeless Children and its Affiliate (collectively, the Agency), which comprise the combined statements of financial position as of June 30, 2019 and 2018, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Horizons for Homeless Children and its Affiliate as of June 30, 2019 and 2018, 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 combined financial statements as a whole. The supplemental schedules of combining statement of financial position and combining statement of activities on pages 25 and 26 are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Emphasis of Matter

As discussed in Note 2 to the combined financial statements, as of and for the years ended June 30, 2019 and 2018, the Agency adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). Our opinion is not modified with respect to this matter.

Daniel Dennis & Company LLP
October 23, 2019

Horizons for Homeless Children and Affiliate
Combined Statements of Financial Position
June 30, 2019 and 2018

| | <i>2019</i> | <i>2018</i> |
|--|-----------------------------|-----------------------------|
| <i>Assets</i> | | |
| <i>Current Assets</i> | | |
| Cash | \$ 1,171,320 | \$ 296,990 |
| Restricted cash | 1,612,256 | - |
| Restricted certificates of deposit | 6,056,581 | - |
| Investments | 3,798 | 7,142,686 |
| Contracts and grants receivable | 566,471 | 566,246 |
| Pledges receivable, net | 2,359,537 | 2,209,810 |
| Due from related party | 75,000 | - |
| Prepaid expenses and other | <u>267,193</u> | <u>300,455</u> |
| Total current assets | <u>12,112,156</u> | <u>10,516,187</u> |
| <i>Property and Equipment, net</i> | <u>417,338</u> | <u>418,004</u> |
| <i>Other Assets</i> | | |
| Note receivable | 13,553,300 | - |
| Investment in limited liability company | 944,873 | 3,609,987 |
| Pledges receivable, net | 4,190,786 | 3,563,917 |
| Deposits | <u>27,317</u> | <u>27,317</u> |
| Total other assets | <u>18,716,276</u> | <u>7,201,221</u> |
| Total assets | <u><u>\$ 31,245,770</u></u> | <u><u>\$ 18,135,412</u></u> |
| <i>Liabilities and Net Assets</i> | | |
| <i>Current Liabilities</i> | | |
| Accounts payable | \$ 128,834 | \$ 192,208 |
| Accrued expenses | 404,800 | 288,628 |
| Accrued interest | 26,632 | - |
| Current portion of note payable | <u>4,042,917</u> | <u>-</u> |
| Total current liabilities | <u>4,603,183</u> | <u>480,836</u> |
| <i>Long-term Liabilities</i> | | |
| Note payable, net of unamortized debt issuance costs | <u>1,869,253</u> | <u>-</u> |
| Total liabilities | <u>6,472,436</u> | <u>480,836</u> |
| <i>Net Assets</i> | | |
| <i>Without donor restrictions:</i> | | |
| Operating | 2,188,971 | 2,010,510 |
| Property and equipment | 417,338 | 418,004 |
| Board designated | <u>9,718,112</u> | <u>9,718,112</u> |
| Total net assets without donor restrictions | 12,324,421 | 12,146,626 |
| <i>With donor restrictions</i> | <u>12,448,913</u> | <u>5,507,950</u> |
| Total net assets | <u>24,773,334</u> | <u>17,654,576</u> |
| Total liabilities and net assets | <u><u>\$ 31,245,770</u></u> | <u><u>\$ 18,135,412</u></u> |

See accompanying notes to the combined financial statements.

Horizons for Homeless Children and Affiliate

Combined Statements of Activities

For the Year Ended June 30, 2019

| | 2019 | | |
|---|--------------------------------------|-----------------------------------|---------------|
| | <i>WITHOUT DONOR RESTRICTION</i> | <i>WITH DONOR RESTRICTION</i> | <i>TOTAL</i> |
| Revenues | | | |
| <i>Program revenues:</i> | | | |
| Contracts, grants and vouchers | \$ 3,874,228 | \$ - | \$ 3,874,228 |
| Donated professional services | 42,332 | - | 42,332 |
| Total program revenues | 3,916,560 | - | 3,916,560 |
| <i>Fundraising revenues:</i> | | | |
| Contributions | 3,376,042 | 205,320 | 3,581,362 |
| Capital campaign contributions | - | 7,156,004 | 7,156,004 |
| Special events | 1,932,684 | - | 1,932,684 |
| Net assets released from restrictions | 420,361 | (420,361) | - |
| Total fundraising revenues | 5,729,087 | 6,940,963 | 12,670,050 |
| <i>Interest income on notes receivable</i> | 573,360 | - | 573,360 |
| Total revenues | 10,219,007 | 6,940,963 | 17,159,970 |
| Expenses | | | |
| <i>Program services:</i> | | | |
| Early education centers | 5,562,661 | - | 5,562,661 |
| Playspace | 843,808 | - | 843,808 |
| Training and technical assistance | 320,718 | - | 320,718 |
| Evaluation | 107,414 | - | 107,414 |
| Family partnership | 158,401 | - | 158,401 |
| Total program services | 6,993,002 | - | 6,993,002 |
| <i>Supporting services:</i> | | | |
| Fundraising | 1,362,763 | - | 1,362,763 |
| Marketing/communications | 417,556 | - | 417,556 |
| General and administrative | 1,247,985 | - | 1,247,985 |
| Total supporting services | 3,028,304 | - | 3,028,304 |
| Total expenses | 10,021,306 | - | 10,021,306 |
| Changes in net assets from operations | 197,701 | 6,940,963 | 7,138,664 |
| Non-operating activity | | | |
| Interest and dividends on investments | 94,296 | - | 94,296 |
| Net realized and unrealized loss on investments | (114,202) | - | (114,202) |
| Total non-operating revenues | (19,906) | - | (19,906) |
| Changes in net assets | 177,795 | 6,940,963 | 7,118,758 |
| Net assets, beginning of year | 12,146,626 | 5,507,950 | 17,654,576 |
| Net assets, end of year | \$ 12,324,421 | \$ 12,448,913 | \$ 24,773,334 |

See accompanying notes to the combined financial statements.

Horizons for Homeless Children and Affiliate
Combined Statements of Activities – *continued*
For the Year Ended June 30, 2018

| | 2018 | | |
|---|--------------------------------------|-----------------------------------|----------------------|
| | <i>WITHOUT DONOR RESTRICTION</i> | <i>WITH DONOR RESTRICTION</i> | <i>TOTAL</i> |
| Revenues | | | |
| <i>Program revenues:</i> | | | |
| Contracts, grants and vouchers | \$ 3,513,878 | \$ - | \$ 3,513,878 |
| Donated professional services | 208,755 | - | 208,755 |
| 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 | - | 4,292,196 | 4,292,196 |
| Special events | 1,803,010 | - | 1,803,010 |
| Net assets released from restrictions | 211,780 | (211,780) | - |
| Total fundraising revenues | <u>5,817,275</u> | <u>5,215,970</u> | <u>11,033,245</u> |
| Total revenues | <u>9,539,908</u> | <u>5,215,970</u> | <u>14,755,878</u> |
| Expenses | | | |
| <i>Program services:</i> | | | |
| Early education centers | 5,341,874 | - | 5,341,874 |
| Playspace | 820,709 | - | 820,709 |
| Training and technical assistance | 233,166 | - | 233,166 |
| Evaluation | 95,441 | - | 95,441 |
| Family partnership | 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>162,315</u> | <u>5,215,970</u> | <u>5,378,285</u> |
| Non-operating activity | | | |
| 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>474,160</u> | <u>5,215,970</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>\$ 12,146,626</u> | <u>\$ 5,507,950</u> | <u>\$ 17,654,576</u> |

See accompanying notes to the combined financial statements.

Horizons for Homeless Children and Affiliate
Combined Statements Functional Expenses
For the Year Ended June 30, 2019

2019

| | PROGRAM SERVICES | | | | | SUPPORTING SERVICES | | | | TOTAL |
|-------------------------------------|-------------------------------|------------|--|------------|-----------------------|-----------------------------|------------------|-----------------------------------|---------------------------------------|---------------|
| | EARLY EDUCATION CENTERS | PLAYSPACE | TRAINING AND TECHNICAL ASSISTANCE | EVALUATION | FAMILY PARTNERSHIP | TOTAL PROGRAM SERVICE | FUND- RAISING | MARKETING/ COMMUNI- CATIONS | GENERAL AND ADMINIS- TRATIVE | |
| EXPENSES: | | | | | | | | | | |
| Salaries and related expenses: | | | | | | | | | | |
| Salaries | \$ 3,399,862 | \$ 529,348 | \$ 146,096 | \$ 77,432 | \$ 40,375 | \$ 4,193,113 | \$ 641,391 | \$ 195,978 | \$ 545,830 | \$ 5,576,312 |
| Employee benefits | 448,633 | 65,779 | 25,951 | 6,113 | 3,087 | 549,563 | 85,952 | 17,412 | 75,427 | 728,354 |
| Payroll taxes | 288,307 | 44,597 | 12,373 | 6,549 | 3,385 | 355,211 | 55,140 | 16,489 | 57,278 | 484,118 |
| Temporary help | 8,821 | 3,745 | - | 187 | 72,200 | 84,953 | 600 | 400 | 10,918 | 96,871 |
| Total salaries and related expenses | 4,145,623 | 643,469 | 184,420 | 90,281 | 119,047 | 5,182,840 | 783,083 | 230,279 | 689,453 | 6,885,655 |
| Occupancy | 629,976 | 34,512 | 16,960 | 9,350 | 9,597 | 700,395 | 116,873 | 18,118 | 105,674 | 941,060 |
| Interest | 214,044 | 32,469 | 12,341 | 4,133 | 6,095 | 269,082 | 52,437 | 16,067 | 48,021 | 385,607 |
| Services and professional fees | 21,928 | 30,178 | 918 | 856 | 11,924 | 65,804 | 35,019 | 140,771 | 268,120 | 509,714 |
| Supplies | 266,604 | 36,324 | 2,216 | 158 | 145 | 305,447 | 10,708 | 480 | 12,152 | 328,787 |
| Major fundraising events | - | - | - | - | - | - | 289,212 | - | - | 289,212 |
| Office | 36,684 | 13,865 | 7,082 | 1,476 | 10,563 | 69,670 | 59,618 | 3,483 | 38,737 | 171,508 |
| Donated professional services | - | - | - | - | - | - | - | - | 22,248 | 22,248 |
| Miscellaneous | 101,546 | 18,760 | 1,733 | - | - | 122,039 | 422 | 685 | 2,872 | 126,018 |
| Depreciation | 45,418 | 7,850 | 1,133 | 625 | 641 | 55,667 | 6,241 | 1,211 | 5,064 | 68,183 |
| Transportation | 3,710 | 15,359 | 941 | 35 | 389 | 20,434 | 4,370 | 762 | 6,496 | 32,062 |
| Bad debt | 67,972 | - | - | - | - | 67,972 | - | - | - | 67,972 |
| Training and meetings | 29,156 | 11,022 | 92,974 | 500 | - | 133,652 | 4,780 | 5,700 | 49,148 | 193,280 |
| Total expenses | \$ 5,562,661 | \$ 843,808 | \$ 320,718 | \$ 107,414 | \$ 158,401 | \$ 6,993,002 | \$ 1,362,763 | \$ 417,556 | \$ 1,247,985 | \$ 10,021,306 |

See accompanying notes to the combined financial statements.

Horizons for Homeless Children and Affiliate
Combined Statements Functional Expenses – *continued*
For the Year Ended June 30, 2018

2018

| | PROGRAM SERVICES | | | | | SUPPORTING SERVICES | | | | |
|-------------------------------------|--|------------------|--|-------------------|-------------------------------|--------------------------------------|--------------------------|--|---|--------------|
| | <i>EARLY EDUCATION CENTERS</i> | <i>PLAYSPACE</i> | <i>TRAINING AND TECHNICAL ASSISTANCE</i> | <i>EVALUATION</i> | <i>FAMILY PARTNERSHIP</i> | <i>TOTAL PROGRAM SERVICE</i> | <i>FUND- RAISING</i> | <i>MARKETING/ COMMUNI- CATIONS</i> | <i>GENERAL AND ADMINIS- TRATIVE</i> | <i>TOTAL</i> |
| EXPENSES: | | | | | | | | | | |
| 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 |

See accompanying notes to the combined financial statements.

Horizons for Homeless Children and Affiliate

Combined Statements of Cash Flows For the Years Ended June 30, 2019 and 2018

| | 2019 | 2018 |
|--|---------------------|--------------------|
| <i>Cash Flows from Operating Activities</i> | | |
| Changes in net assets | \$ 7,118,758 | \$ 5,690,130 |
| Adjustments to reconcile changes in net assets to net cash provided by/(used in) operating activities: | | |
| Depreciation | 68,183 | 87,298 |
| Net unrealized and realized loss/(gain) on investments | 114,202 | (223,048) |
| Bad debt | 67,972 | 71,972 |
| Donated stock | (273,450) | (181,581) |
| Donated capitalized services | (20,084) | (183,383) |
| Contributions restricted for capital campaign | (1,848,702) | (352,500) |
| Increase in discount on pledges receivable | (275,465) | (419,416) |
| Changes in operating assets and liabilities | | |
| Contracts and grants receivable | (68,197) | (228,659) |
| Pledges receivable, net | (501,131) | (4,634,068) |
| Prepaid expenses and other | 33,262 | (4,949) |
| Accounts payable | (63,374) | 79,307 |
| Accrued expenses | 116,172 | (254,613) |
| Accrued interest | 26,632 | - |
| Due from related party | (75,000) | - |
| Deferred revenue | - | (7,500) |
| Net cash provided by/(used in) operating activities | <u>4,419,778</u> | <u>(561,010)</u> |
| <i>Cash Flows from Investing Activities</i> | | |
| Proceeds on sales and maturities of investments | 7,207,430 | 1,114,228 |
| Distributions received | 2,755,820 | - |
| Purchase of investments | - | (3,455,045) |
| Funds invested in note receivable | (13,553,300) | - |
| Purchase of restricted certificates of deposit | (6,056,581) | - |
| Change in restricted cash | (1,612,256) | - |
| Acquisition of property and equipment | (47,433) | (81,437) |
| Net cash used in investing activities | <u>(11,306,320)</u> | <u>(2,422,254)</u> |
| <i>Cash Flows from Financing Activities</i> | | |
| Proceeds from notes payable | 10,293,541 | - |
| Payments on notes payable | (4,381,371) | - |
| Contributions restricted for capital campaign | 1,848,702 | 352,500 |
| Net cash provided by financing activities | <u>7,760,872</u> | <u>352,500</u> |
| Net change in cash | 874,330 | (2,630,764) |
| Cash, beginning of year | <u>296,990</u> | <u>2,927,754</u> |
| Cash, end of year | <u>\$ 1,171,320</u> | <u>\$ 296,990</u> |
| <i>Supplemental Disclosure of Cash Flow Information</i> | | |
| Interest paid | <u>\$ 343,713</u> | <u>\$ -</u> |

See accompanying notes to the combined financial statements.

Horizons for Homeless Children and Affiliate

Notes to the Combined Financial Statements

June 30, 2019 and 2018

1. *Nature of Operations*

The accompanying combined financial statements reflect the financial activity of Horizons for Homeless Children and its Affiliate, HHC QALICB, Inc., collectively referred to as the Agency. All inter-affiliate balances and transactions have been eliminated in the combined financial statements.

Horizons for Homeless Children (Horizons) 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. Horizons 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.

Horizons 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). Horizons is also exempt from state income taxes. Donors may deduct contributions made to Horizons within the IRC regulations.

HHC QALICB, Inc. was formed in July 2019 as a supporting organization to Horizons, within the meaning of Section 509(a)(3) of the IRC, and will be operated at all times exclusively for the benefit of Horizons. HHC QALICB, Inc. is exempt from income taxes under section 501(c)(3) of the IRC and is also exempt from state income taxes. Management of Horizons are members of the board of directors of HHC QALICB, Inc. and therefore Horizons controls HHC QALICB, Inc.

Program services rendered by the Agency are summarized as follows:

Early Education Centers

The Agency operates one of Massachusetts top ranked early education programs, which starts children along the path toward success at school. The Agency's early education program is designed to address the unique challenges and trauma that children experiencing homelessness face.

Playspace

The Agency provides children in shelters play experiences that let them be kids for a few hours each week. Through the playspace program, the Agency builds playrooms, coordinate activities and work with staff in more than 90 shelters across Massachusetts.

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.

Horizons for Homeless Children and Affiliate
Notes to the Combined Financial Statements – *continued*
June 30, 2019 and 2018

1. Nature of Operations – continued

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.

Family Partnership

Through the family partnership program, by recognizing that parents are the greatest factor in their child's success, Agency staff provide support, encouragement and practical guidance for getting families' lives back on track.

2. Significant Accounting Policies

Basis of Accounting

The Agency prepares its combined 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 combined statement of financial position and the combined 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, 2019 and 2018.

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:

Net assets without donor restrictions - 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. Net assets without donor restriction denoted as property and equipment represent equity in such property and equipment.

Net assets without donor restrictions 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, 2019 and 2018, was \$9,718,112. The Board voted to designate \$871,660 from net assets without donor restriction during fiscal year 2018.

Horizons for Homeless Children and Affiliate
Notes to the Combined Financial Statements – *continued*
June 30, 2019 and 2018

2. Significant Accounting Policies – continued

Classification of Net Assets – continued

Net assets with donor restrictions – includes net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service.

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. Grants and contributions without donor restrictions are recorded when cash, securities or an unconditional promise to give is received.

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 net assets with donor restrictions. The Agency reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restriction 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.

Pledges Receivable

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, 2019 and 2018, management deemed that no allowance for doubtful accounts was necessary on contracts and grants receivable.

Horizons for Homeless Children and Affiliate
Notes to the Combined Financial Statements – *continued*
June 30, 2019 and 2018

2. Significant Accounting Policies – continued

Note Receivable

The note receivable is carried at its unpaid principal balance. Management believes the note receivable is collectible, therefore there is no allowance for the loan losses. Interest on loan is recognized over the term of the loan using the simple-interest method on principal amounts outstanding.

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.

The Agency has an investment in a liability company in which the Agency's ownership percentage is approximately 36%. This investment is recorded on the equity method of accounting. Under the equity method, the investment is carried at cost and adjusted for the Agency's share of income, losses, additional investments and cash distributions from the entity. The Agency ceases recognition of losses for financial statement purposes once the cost of the investment is reduced to zero. Changes in the value of the investment, which are other than temporary, are recognized as necessary.

Certificates of deposit are investments that are not debt or equity securities and are recorded at cost.

Fair Value Measurement

FASB 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.

Horizons for Homeless Children and Affiliate
Notes to the Combined Financial Statements – *continued*
June 30, 2019 and 2018

2. Significant Accounting Policies – continued

Fair Value Measurement – continued

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 |

Functional Allocation of Expenses

The combined statements of activities 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 combined 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs related. Amortization of debt issuance costs is reported as a component of interest expense.

Horizons for Homeless Children and Affiliate
Notes to the Combined Financial Statements – *continued*
June 30, 2019 and 2018

2. Significant Accounting Policies – continued

Tax Positions

The Agency is subject to income tax on net income that is derived from business activities that are unrelated to its' exempt purposes or for any amount which a deduction is not allowable because of IRC Section 274 for any qualified transportation fringe. The Agency has determined that it is subject to unrelated business income tax (UBIT) on qualified parking provided to its employees which is considered qualified transportation fringe in accordance with IRC Section 274. For the years ended June 30, 2019 and 2018, the Agency estimated a UBIT liability of \$10,324 and \$0, respectively.

As of June 30, 2019, the Agency has evaluated the tax position taken in its previously filed returns and those expected to be taken in its fiscal year 2019 returns and believe they are *more-likely-than-not* of being sustained if examined by Federal or state tax authorities. 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 2016 - 2018).

Adoption of New Accounting Pronouncements

During 2019, the Agency adopted the provisions of the FASB Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities: Topic 958: Presentation of Financial Statements for Not-for-Profit Entities*. The amendments in this ASU affect not-for-profit entities and the users of their general-purpose financial statements. Under this new accounting policy, the Agency retrospectively presented changes in terminology used to describe categories of net assets throughout the combined financial statements – net assets with donor restriction and net assets without donor restriction – and additional disclosures regarding the liquidity and availability of assets. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets are reported as net assets with donor restrictions. A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of and for the fiscal year ended June 30, 2018 is presented below:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|---------------------|
| As previously presented: | | | |
| Capital campaign contributions | \$ 397,500 | \$ 3,894,696 | \$ 4,292,196 |
| Reclassifications to implement ASU 2016-14: | | | |
| Capital campaign contributions | <u>(397,500)</u> | <u>397,500</u> | <u>-</u> |
| Capital campaign contributions as restated for June 30, 2018 | <u>\$ -</u> | <u>\$ 4,292,196</u> | <u>\$ 4,292,196</u> |

Reclassifications

Certain 2018 amounts have been reclassified to conform to the 2019 financial statement presentation.

Horizons for Homeless Children and Affiliate
Notes to the Combined Financial Statements – *continued*
June 30, 2019 and 2018

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.

The investment portfolio at fair value as of June 30, 2019 and 2018, is as follows:

| <i>Description</i> | <i>2019</i> | | | <i>Total</i> |
|---|---------------------|----------------|----------------|---------------------|
| | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | |
| Investments measured at fair value | | | | |
| Common stock | <u>\$ 3,798</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,798</u> |
| | | | | |
| <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> |

* 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 statements of financial position.

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 combined financial statements.

Horizons for Homeless Children and Affiliate
Notes to the Combined Financial Statements – *continued*
June 30, 2019 and 2018

3. Investments – continued

Investment in Limited Liability Company

During fiscal year 2017, Horizons became a member of Horizons Watermark LLC (HWLLC). HWLLC was created to acquire and develop land located in Roxbury, Massachusetts. Horizon’s share of interest in HWLLC is equal to Horizon’s percentage interest as defined by HWLLC’s operating agreement. The percentage interest is determined from time to time and is equal to Horizon’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, Horizons contributed its required equity contribution of \$3,000,000. Horizons 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 Horizons percentage interest as defined by the operating agreement.

During fiscal year 2019, Horizons assigned and contributed all of its interest in HWLLC to its Affiliate, HHC QALICB, Inc. as a grant. Also in fiscal year 2019, HWLLC distributed approximately \$2.7 million to HHC QALICB, Inc. and subsequently HHC QALICB, Inc. granted these funds to Horizons. The net grant activity between Horizons and HHC QALICB, Inc. has been eliminated in the combined financial statements.

At June 30, 2019 and 2018, the Agency’s capital balance was \$944,873 and \$3,609,987, respectively. The following summarizes the financial information of HWLLC as of and for the years ended June 30, 2019 and 2018:

| | <i>2019</i> | <i>2018</i> |
|-------------------------------|---------------------|---------------------|
| Total assets | \$ 52,258,164 | \$ 7,165,281 |
| Total liabilities | <u>49,235,726</u> | <u>-</u> |
| Net assets | <u>\$ 3,022,438</u> | <u>\$ 7,165,281</u> |
| Revenue | \$ 364,357 | \$ - |
| Expenses | <u>153,979</u> | <u>-</u> |
| Net income | <u>\$ 210,378</u> | <u>\$ -</u> |
| Agency's equity in net assets | <u>\$ 944,873</u> | <u>\$ 3,609,987</u> |

4. Pledges Receivable

Approximately 79% and 71% of the Agency's pledges receivable at June 30, 2019 and June 30, 2018, were from five and three donors, respectively. As of June 30, 2019 and 2018, approximately 18% and 34%, respectively, of the Agency's pledges receivable were from members of the Board of Directors.

Horizons for Homeless Children and Affiliate
Notes to the Combined Financial Statements – *continued*
June 30, 2019 and 2018

4. *Pledges Receivable - continued*

Pledges receivable are expected to be collected as follows as of June 30:

| | <i>2019</i> | <i>2018</i> |
|---|---------------------|---------------------|
| Unconditional promises to be collected in: | | |
| One year or less | \$ 2,433,509 | \$ 2,215,810 |
| One to five years | 4,485,667 | 3,383,333 |
| Greater than five years | <u>400,000</u> | <u>600,000</u> |
| Total pledges receivable | 7,319,176 | 6,199,143 |
| Less - discount (rate of 5.32% and 2.95%, respectively) | (694,881) | (419,416) |
| Less - allowance | <u>(73,972)</u> | <u>(6,000)</u> |
| Net pledges receivable | <u>\$ 6,550,323</u> | <u>\$ 5,773,727</u> |

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 June 30, 2019 and 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 combined statements of activities until the promises to give are legally enforceable or collected. The total gift intentions at June 30, 2019 and 2018 totaled \$6,060,000 and \$4,650,000, respectively.

6. *Property and Equipment*

Property and equipment consisted of the following at June 30:

| | <i>2019</i> | <i>2018</i> |
|---------------------------------|--------------------|--------------------|
| Leasehold improvements | \$ 2,032,189 | \$ 2,032,189 |
| Computer and office equipment | 598,539 | 591,672 |
| Website | 88,486 | 88,486 |
| Development in process | <u>346,570</u> | <u>285,920</u> |
| Total property and equipment | 3,065,784 | 2,998,267 |
| Less - accumulated depreciation | <u>(2,648,446)</u> | <u>(2,580,263)</u> |
| Net property and equipment | <u>\$ 417,338</u> | <u>\$ 418,004</u> |

Horizons for Homeless Children and Affiliate
Notes to the Combined Financial Statements – *continued*
June 30, 2019 and 2018

6. *Property and Equipment – continued*

Included in property and equipment are approximately \$2,440,000 and \$2,420,000 of fully depreciated assets which are still being utilized by the Agency as of June 30, 2019 and 2018, respectively.

Development in process is the Agency's costs relating to the buildout of the Agency's future office space in conjunction with Agency's lease between the Agency and HWLLC (see Note 11).

Depreciation expense was \$68,183 and \$87,298 for the years ended June 30, 2019 and 2018, respectively.

7. *Note Receivable*

The Agency entered into a promissory note receivable agreement with TNT-HW 1 NMTC Fund, LLC (TNT) 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. For the years ended June 30, 2019 and 2018, the Agency earned interest of \$573,360 and \$0, respectively. As of June 30, 2019 and 2018, TNT owes the Agency \$13,553,300 and \$0, respectively.

8. *Restricted Certificates of Deposit and Cash*

The Agency entered into a pledge and assignment agreement with Eastern Bank dated September 24, 2018. In accordance with the agreement, the Agency's certificates of deposit and certain cash accounts are pledged as collateral against the note payable. These balances are reported as restricted on the combined statement of financial position.

9. *Note Payable*

The Agency entered into a 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. The note requires payments of principal based on anticipated collections of pledges as defined in the note agreement. Payments of interest are due monthly. 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. During fiscal year 2019, the Agency was advanced \$10,132,171 and management anticipates the remaining balance to be drawn in fiscal year 2021. At June 30, 2019 and 2018, the outstanding principal balance was \$6,007,171 and \$0, respectively.

Horizons for Homeless Children and Affiliate
Notes to the Combined Financial Statements – *continued*
June 30, 2019 and 2018

9. Note Payable – continued

The Agency entered into a promissory note agreement with Children’s Investment Fund, Inc. dated July 23, 2018 in the amount of \$163,000, which bears interest at a rate of 6% per annum. During fiscal year ended June 30, 2019, the Agency was advanced \$161,370, which the Agency repaid in full during 2019.

Notes payable are shown net of unamortized debt issuance costs of \$95,001 and \$0, as of June 30, 2019 and 2018, respectively. Debt issuance costs of \$110,263 are being amortized using the straight line method. For the fiscal years ended June 30, 2019 and 2018, amortization expense was \$15,262 and \$0, respectively, and was included in interest expense in the combined statement of functional expenses. Accumulated amortization at June 30, 2019 and 2018 was \$15,262 and \$0, respectively.

Maturity of the note payable for the next five years and thereafter is as follows:

| Fiscal Year Ended June 30, | |
|----------------------------|---------------------|
| 2020 | \$ 4,042,917 |
| 2021 | 1,964,254 |
| Total | <u>\$ 6,007,171</u> |

10. Line of Credit

The Agency has available a \$900,000 revolving line of credit with BlueHub Loan Fund Inc. expiring on October 1, 2021 secured by the Agency’s assets. Borrowings are due on demand and interest is payable monthly at 6.5%. There was no outstanding balance as of June 30, 2019 and 2018.

11. Lease Agreements

The Agency leases equipment and space under various operating leases expiring through December, 2043. The initial terms of these lease agreements are from two to twenty-five 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 \$607,000 and \$597,000 for the years ended June 30, 2019 and 2018, respectively.

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

| <i>June 30,</i> | <i>Amount</i> |
|-----------------|---------------|
| 2020 | \$ 399,094 |
| 2021 | \$ 655,463 |
| 2022 | \$ 785,500 |
| 2023 | \$ 830,000 |
| 2024 | \$ 851,000 |

Horizons for Homeless Children and Affiliate
Notes to the Combined Financial Statements – *continued*
June 30, 2019 and 2018

12. 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 combined 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, 2019 and 2018, was \$42,332 and \$208,755, respectively. For the years ended June 30, 2019 and 2018, the Agency capitalized \$20,084 and \$183,383, respectively, of the total donated professional services in development in process.

The Agency receives services of volunteers to fulfill various aspects of its programs. These volunteers contributed over 181,000 and 203,000 hours of service for the years ended June 30, 2019 and 2018, respectively. The hourly value for these services, which is determined by management, was approximately \$25 per hour for June 30, 2019 and 2018. 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>2019</i> | <i>2018</i> |
|----------------------|--------------|--------------|
| Volunteer workers | \$ 4,604,458 | \$ 5,029,847 |
| Educational supplies | 28,208 | 13,996 |
| Other | 1,820 | 4,000 |
| Total | \$ 4,634,486 | \$ 5,047,843 |

13. 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 \$47,473 and \$60,327 to the plan for the years ended June 30, 2019 and 2018, respectively.

14. Concentration of Credit Risk

Approximately 40% and 69% of contracts and grants receivable at June 30, 2019 and 2018, respectively, are due from two not-for-profit organizations.

The Agency maintains its cash balances in Massachusetts banks. The Federal Deposit Insurance Corporation (FDIC) insures balances at the banks 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 and Affiliate
Notes to the Combined Financial Statements – *continued*
June 30, 2019 and 2018

15. Related Parties

During the year ended June 30, 2019, the Agency paid for construction costs on behalf of HWLLC totaling \$75,000 which was outstanding as of June 30, 2019.

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, 2019 and 2018, pro-bono legal services received from such related parties was valued at \$42,332 and \$25,372, respectively (see Note 12). In addition, a portion of the Agency's pledges receivable were from members of the Board of Directors (see Note 4)

16. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following uses at June 30:

| | 2019 | 2018 |
|---|----------------------|---------------------|
| Purpose and time restrictions: | | |
| Pledges for capital projects | \$ 12,085,789 | \$ 4,659,000 |
| Community Children Centers | 100,000 | 100,000 |
| Time restrictions: | | |
| Pledges for operations | 843,333 | 1,085,500 |
| Operations | 25,000 | 50,000 |
| Purpose restrictions: | | |
| Young professionals group | 9,672 | 16,200 |
| Training and Technical Assistance program | 80,000 | 16,666 |
| Less - present value discount | <u>(694,881)</u> | <u>(419,416)</u> |
| Total | <u>\$ 12,448,913</u> | <u>\$ 5,507,950</u> |

Net assets released from net assets with donor restrictions during fiscal years 2019 and 2018 comprised of:

| | 2019 | 2018 |
|-----------------------------------|-------------------|-------------------|
| Purpose and time restrictions: | | |
| Community Children Centers | \$ 100,000 | \$ 100,000 |
| Time restrictions: | | |
| Operations | 25,000 | 75,000 |
| Pledges - operations | 272,167 | - |
| Purpose restrictions for: | | |
| Director of Family Engagement | 6,528 | 22,860 |
| Training and Technical Assistance | 16,666 | |
| Young professionals group | <u>-</u> | <u>13,920</u> |
| Total | <u>\$ 420,361</u> | <u>\$ 211,780</u> |

Horizons for Homeless Children and Affiliate
Notes to the Combined Financial Statements – *continued*
June 30, 2019 and 2018

17. 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, 2019 combined 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, 2019 and 2018, or on the changes in its net assets for the years then ended.

18. Commitments

The Agency entered into a 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. As of June 30, 2019 and 2018, the Agency has not drawn down any funds from this loan.

The Agency entered into a guarantee agreement dated September 24, 2018 which the Agency guarantees completion and payment of the of all project costs associated with the project development relating to HWLLC (see Note 3).

19. Availability and Liquidity

Financial assets available for general expenditures within one year, and without donor or other restrictions limiting their use, as of June 30, 2019 include the following:

| | |
|--|--------------|
| Unrestricted cash | \$ 1,091,320 |
| Investments | 3,798 |
| Contracts and grants receivable | 566,471 |
| Unrestricted pledges due within one year | 273,334 |
| Total | \$ 1,934,923 |

Horizons for Homeless Children and Affiliate
Notes to the Combined Financial Statements – *continued*
June 30, 2019 and 2018

19. *Availability and Liquidity – continued*

As part of the Agency's liquidity plan, the Agency maintains 75 days of operating cash on hand with the inclusion of Agency \$900,000 line of credit.

The Agency also deposits required collateral funds for its note payable into certificates of deposit and money market accounts. Furthermore, the Agency's pledges receivable for the capital campaign are restricted for the repayment of the principal on the Agency's note payable.

20. *Subsequent Events*

Subsequent events have been evaluated through October 23, 2019, which is the date the combined financial statements were available to be issued. No material subsequent events have occurred since June 30 2019, that require recognition or disclosure in these combined financial statement

Supplementary Information

Horizons for Homeless Children and Affiliate
 Supplemental Schedule – Combining Statement of Financial Position
 June 30, 2019

| | <i>Horizons for Homeless Children</i> | <i>HHC QALICB, Inc.</i> | <i>Total</i> |
|--|---|-----------------------------|----------------------|
| <i>Current Assets</i> | | | |
| Cash | \$ 1,171,320 | \$ - | \$ 1,171,320 |
| Restricted cash | 1,612,256 | - | 1,612,256 |
| Restricted certificates of deposit | 6,056,581 | - | 6,056,581 |
| Investments | 3,798 | - | 3,798 |
| Contracts and grants receivable | 566,471 | - | 566,471 |
| Pledges receivable, net | 2,359,537 | - | 2,359,537 |
| Due from related party | 75,000 | - | 75,000 |
| Prepaid expenses and other | <u>267,193</u> | <u>-</u> | <u>267,193</u> |
| Total current assets | <u>12,112,156</u> | <u>-</u> | <u>12,112,156</u> |
| <i>Property and Equipment</i> | | | |
| Property and equipment, net | <u>417,338</u> | <u>-</u> | <u>417,338</u> |
| <i>Other Assets</i> | | | |
| Note receivable | 13,553,300 | - | 13,553,300 |
| Investment in limited liability company | - | 944,873 | 944,873 |
| Pledges receivable, net | 4,190,786 | - | 4,190,786 |
| Deposits | <u>27,317</u> | <u>-</u> | <u>27,317</u> |
| Total other assets | <u>17,771,403</u> | <u>944,873</u> | <u>18,716,276</u> |
| Total assets | <u>\$ 30,300,897</u> | <u>\$ 944,873</u> | <u>\$ 31,245,770</u> |
| <i>Current Liabilities</i> | | | |
| Accounts payable | \$ 128,834 | \$ - | \$ 128,834 |
| Accrued expenses | 404,800 | - | 404,800 |
| Accrued interest | 26,632 | - | 26,632 |
| Note payable current portion | <u>4,042,917</u> | <u>-</u> | <u>4,042,917</u> |
| Total current liabilities | <u>4,603,183</u> | <u>-</u> | <u>4,603,183</u> |
| <i>Long-term Liabilities</i> | | | |
| Note payable, net of unamortized debt issuance costs | <u>1,869,253</u> | <u>-</u> | <u>1,869,253</u> |
| Total liabilities | 6,472,436 | - | 6,472,436 |
| <i>Net Assets</i> | <u>23,828,461</u> | <u>944,873</u> | <u>24,773,334</u> |
| Total liabilities and net assets | <u>\$ 30,300,897</u> | <u>\$ 944,873</u> | <u>\$ 31,245,770</u> |

Horizons for Homeless Children and Affiliate
 Supplemental Schedule – Combining Statement of Activities
 For the Year Ended June 30, 2019

| | <i>Horizons for Homeless Children</i> | <i>HHC QALICB, Inc.</i> | <i>Total</i> |
|---|---|-----------------------------|----------------------|
| Revenues | | | |
| <i>Program revenues:</i> | | | |
| Contracts, grants and vouchers | \$ 3,874,228 | \$ - | \$ 3,874,228 |
| Donated professional services | <u>42,332</u> | <u>-</u> | <u>42,332</u> |
| Total program revenues | <u>3,916,560</u> | <u>-</u> | <u>3,916,560</u> |
| <i>Fundraising revenues:</i> | | | |
| Contributions | 3,581,362 | | 3,581,362 |
| Capital campaign contributions | 7,156,004 | - | 7,156,004 |
| Special events | <u>1,932,684</u> | <u>-</u> | <u>1,932,684</u> |
| Total fundraising revenues | <u>12,670,050</u> | <u>-</u> | <u>12,670,050</u> |
| <i>Interest income on notes receivable</i> | <u>573,360</u> | <u>-</u> | <u>573,360</u> |
| Total revenues | <u>17,159,970</u> | <u>-</u> | <u>17,159,970</u> |
| Expenses | | | |
| Program services | 6,993,002 | - | 6,993,002 |
| Supporting services | <u>3,028,304</u> | <u>-</u> | <u>3,028,304</u> |
| Total expenses | <u>10,021,306</u> | <u>-</u> | <u>10,021,306</u> |
| Changes in net assets from operations | <u>7,138,664</u> | <u>-</u> | <u>7,138,664</u> |
| Non-operating activity | | | |
| Contributions (to Affiliate)/from Horizons | (849,484) | 849,484 | - |
| Interest and dividends on investments | 94,296 | - | 94,296 |
| Net realized and unrealized loss on investments | <u>(209,591)</u> | <u>95,389</u> | <u>(114,202)</u> |
| Total non-operating revenues | <u>(964,779)</u> | <u>944,873</u> | <u>(19,906)</u> |
| Changes in net assets | <u>6,173,885</u> | <u>944,873</u> | <u>7,118,758</u> |
| Net assets, beginning of year | <u>17,654,576</u> | <u>-</u> | <u>17,654,576</u> |
| Net assets, end of year | <u>\$ 23,828,461</u> | <u>\$ 944,873</u> | <u>\$ 24,773,334</u> |