Combined Financial Statements,
Supplemental Information
and
Independent Auditors' Report

June 30, 2022 and 2021

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

Opinion

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, 2022 and 2021, 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.

In our opinion, the accompanying combined financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statement of financial position and combining statement of activities is presented for purposes of additional analysis and is 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 audits 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Daniel Dennis & Company LLP

October 26, 2022

Horizons for Homeless Children and Affiliate
Combined Statements of Financial Position
June 30, 2022 and 2021

	2022	*2021*
Assets		
Current Assets		
Cash and restricted cash	$ 6,442,480	$ 4,009,258
Restricted certificates of deposit	-	6,169,249
Investments	5,384,937	204,107
Contracts and grants receivable	1,399,778	529,885
Pledges receivable, net	1,340,878	1,965,230
Prepaid expenses and other	190,193	191,768
Total current assets	14,758,266	13,069,497
Property and Equipment, net	9,862,757	10,398,523
Other Assets		
Note receivable	13,553,300	13,553,300
Investment in limited liability company	4,209,828	3,883,547
Pledges receivable, net	633,895	1,315,010
Deposits	-	27,317
Total other assets	18,397,023	18,779,174
Total assets	$ 43,018,046	$ 42,247,194
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 160,084	$ 185,638
Accounts payable - construction	-	61,960
Accrued expenses	993,364	671,277
Deferred revenue	20,000	243,224
Deferred lease	618,002	236,343
Current portion of note payable, net	1,871,234	3,729,264
Total current liabilities	3,662,684	5,127,706
Long-term Liabilities		
Note payable, net	-	2,634,750
Total liabilities	3,662,684	7,762,456
Net Assets		
Without donor restrictions:		
Operating	10,982,687	9,947,946
Property and equipment	9,862,757	10,336,563
Board designated	15,986,636	11,116,012
Total net assets without donor restrictions	36,832,080	31,400,521
With donor restrictions	2,523,282	3,084,217
Total net assets	39,355,362	34,484,738
Total liabilities and net assets	$ 43,018,046	$ 42,247,194

See accompanying notes to the combined financial statements.

Horizons for Homeless Children and Affiliate
Combined Statements of Activities
For the Year Ended June 30, 2022

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
Revenues			
Program revenues:			
Contracts, grants and vouchers	$ 6,708,277	$ -	$ 6,708,277
Donated professional services	58,733	-	58,733
Total program revenues	6,767,010	-	6,767,010
Fundraising revenues:			
Contributions	4,969,370	838,182	5,807,552
Capital campaign contributions	3,230,472	-	3,230,472
Special events	2,098,597	-	2,098,597
Net assets released from restrictions	1,399,117	(1,399,117)	-
Total fundraising revenues	11,697,556	(560,935)	11,136,621
Interest income on notes receivable	745,160	-	745,160
Total revenues	19,209,726	(560,935)	18,648,791
Expenses			
Program services:			
Early education centers	9,133,652	-	9,133,652
Playspace	840,414	-	840,414
Training and technical assistance	76,874	-	76,874
Evaluation	229,179	-	229,179
Policy and advocacy	194,366	-	194,366
Total program services	10,474,485	-	10,474,485
Supporting services:			
Fundraising	1,401,832	-	1,401,832
Marketing/communications	438,168	-	438,168
General and administrative	1,275,458	-	1,275,458
Total supporting services	3,115,458	-	3,115,458
Total expenses	13,589,943	-	13,589,943
Changes in net assets from operations	5,619,783	(560,935)	5,058,848
Non-operating activity			
Rental income	66,129	-	66,129
Interest and dividends on investments	44,213	-	44,213
Net realized and unrealized loss on investments	(298,566)	-	(298,566)
Total non-operating revenues	(188,224)	-	(188,224)
Changes in net assets	5,431,559	(560,935)	4,870,624
Net assets, beginning of year	31,400,521	3,084,217	34,484,738
Net assets, end of year	$ 36,832,080	$ 2,523,282	$ 39,355,362

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, 2021

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
Revenues			
Program revenues:			
Contracts, grants and vouchers	$ 4,015,080	$ -	$ 4,015,080
Donated professional services	144,528	-	144,528
Total program revenues	4,159,608	-	4,159,608
Fundraising revenues:			
Contributions	4,732,913	125,000	4,857,913
Capital campaign contributions	3,205,475	175,000	3,380,475
Special events	1,760,663	-	1,760,663
Net assets released from restrictions	13,179,903	(13,179,903)	-
Total fundraising revenues	22,878,954	(12,879,903)	9,999,051
Interest income on notes receivable	745,160	-	745,160
Total revenues	27,783,722	(12,879,903)	14,903,819
Expenses			
Program services:			
Early education centers	6,704,895	-	6,704,895
Playspace	887,246	-	887,246
Training and technical assistance	139,454	-	139,454
Evaluation	76,603	-	76,603
Policy and advocacy	154,448	-	154,448
Total program services	7,962,646	-	7,962,646
Supporting services:			
Fundraising	1,237,631	-	1,237,631
Marketing/communications	433,404	-	433,404
General and administrative	880,864	-	880,864
Total supporting services	2,551,899	-	2,551,899
Total expenses	10,514,545	-	10,514,545
Changes in net assets from operations	17,269,177	(12,879,903)	4,389,274
Non-operating activity			
Forgiveness of debt	1,176,929	-	1,176,929
Interest and dividends	88,286	-	88,286
Net realized and unrealized loss on investments	(856,192)	-	(856,192)
Total non-operating revenues	409,023	-	409,023
Changes in net assets	17,678,200	(12,879,903)	4,798,297
Net assets, beginning of year	13,722,321	15,964,120	29,686,441
Net assets, end of year	$ 31,400,521	$ 3,084,217	$ 34,484,738

See accompanying notes to the combined financial statements.

Horizons for Homeless Children and Affiliate
Combined Statements Functional Expenses
For the Year Ended June 30, 2022

	PROGRAM SERVICES						SUPPORTING SERVICES			
	EARLY EDUCATION CENTERS	*PLAYSPACE*	*TRAINING AND TECHNICAL ASSISTANCE*	*EVALUATION*	*POLICY AND ADVOCACY*	*TOTAL PROGRAM SERVICE*	*FUND-RAISING*	*MARKETING/ COMMUNI-CATIONS*	*GENERAL AND ADMINIS-TRATIVE*	*TOTAL*
EXPENSES:										
Salaries and related expenses:										
Salaries	$ 4,789,316	$ 543,124	$ 48,609	$ 130,617	$ 93,500	$ 5,605,166	$ 750,663	$ 222,781	$ 680,220	$ 7,258,830
Employee benefits	611,756	69,220	8,462	5,802	5,418	700,658	32,668	31,300	86,355	850,981
Payroll taxes	402,599	39,080	3,158	10,633	5,763	461,233	54,721	16,332	43,705	575,991
Total salaries and related expenses	5,803,671	651,424	60,229	147,052	104,681	6,767,057	838,052	270,413	810,280	8,685,802
Occupancy	1,475,199	38,770	591	19,058	296	1,533,914	83,608	34,328	143,592	1,795,442
Interest	120,129	3,040	107	1,538	54	124,868	6,880	2,902	31,984	166,634
Services and professional fees	424,946	43,251	7,413	51,003	73,351	599,964	68,507	102,571	99,158	870,200
Supplies	362,098	35,115	268	160	133	397,774	8,400	817	4,796	411,787
Major fundraising events	-	-	-	-	-	-	205,253	-	-	205,253
Office	83,967	8,444	213	109	13,789	106,522	105,352	3,808	15,911	231,593
Donated professional services	41,869	4,071	582	291	291	47,104	3,489	1,745	6,397	58,735
Miscellaneous	28,741	10,611	226	1,417	475	41,470	10,315	1,072	35,820	88,677
Depreciation	534,291	10,912	-	7,075	18	552,296	29,673	12,268	51,500	645,737
Transportation	141	7,729	-	-	-	7,870	1,462	-	120	9,452
Bad debt	136,153	12,235	1,748	874	874	151,884	17,290	5,243	23,329	197,746
Training and meetings	122,447	14,812	5,497	602	404	143,762	23,551	3,001	52,571	222,885
Total expenses	$ 9,133,652	$ 840,414	$ 76,874	$ 229,179	$ 194,366	$ 10,474,485	$ 1,401,832	$ 438,168	$ 1,275,458	$ 13,589,943

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, 2021

	PROGRAM SERVICES						SUPPORTING SERVICES			
	EARLY EDUCATION CENTERS	*PLAYSPACE*	*TRAINING AND TECHNICAL ASSISTANCE*	*EVALUATION*	*POLICY AND ADVOCACY*	*TOTAL PROGRAM SERVICE*	*FUND-RAISING*	*MARKETING/ COMMUNI-CATIONS*	*GENERAL AND ADMINIS-TRATIVE*	*TOTAL*
EXPENSES:										
Salaries and related expenses:										
Salaries	$ 3,773,042	$ 602,259	$ 95,168	$ 37,987	$ 71,339	$ 4,579,795	$ 710,142	$ 253,291	$ 514,434	$ 6,057,662
Employee benefits	395,609	78,453	6,068	5,033	9,481	494,644	79,439	33,744	44,440	652,267
Payroll taxes	313,306	49,875	7,126	2,356	3,561	376,224	54,256	18,749	35,940	485,169
Total salaries and related expenses	4,481,957	730,587	108,362	45,376	84,381	5,450,663	843,837	305,784	594,814	7,195,098
Occupancy	1,301,502	60,515	17,366	18,532	1,547	1,399,462	97,867	36,367	108,067	1,641,763
Interest	76,123	1,399	-	905	-	78,427	3,785	1,564	12,989	96,765
Services and professional fees	155,811	25,594	4,590	8,322	58,190	252,507	51,870	73,950	54,441	432,768
Supplies	226,859	25,257	158	82	16	252,372	2,775	187	1,777	257,111
Major fundraising events	-	-	-	-	-	-	77,230	-	-	77,230
Office	36,927	12,298	956	525	9,337	60,043	95,248	4,709	25,905	185,905
Donated professional services	87,187	8,477	1,211	605	605	98,085	7,266	3,633	13,320	122,304
Miscellaneous	119,815	2,012	720	360	347	123,254	41,770	3,452	41,006	209,482
Depreciation	139,372	3,619	202	1,856	18	145,067	7,968	3,270	13,242	169,547
Transportation	25	5,398	-	-	-	5,423	15	-	135	5,573
Bad debt	44,195	4,834	-	-	-	49,029	4,143	-	7,596	60,768
Training and meetings	35,122	7,256	5,889	40	7	48,314	3,857	488	7,572	60,231
Total expenses	$ 6,704,895	$ 887,246	$ 139,454	$ 76,603	$ 154,448	$ 7,962,646	$ 1,237,631	$ 433,404	$ 880,864	$ 10,514,545

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, 2022 and 2021

	2022	*2021*
Cash Flows from Operating Activities		
Changes in net assets	$ 4,870,624	$ 4,798,297
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	645,737	169,547
Net unrealized and realized loss on investments	298,566	856,192
Donated stock	461,215	321,234
Donated capitalized services and furniture	-	(27,900)
Contributions restricted for capital campaign	(100,000)	(250,000)
Debt forgiveness	-	(1,176,929)
Discount on pledges receivable	169,890	151,449
Changes in operating assets and liabilities		
Contracts and grants receivable	(869,893)	182,199
Pledges receivable, net	1,135,577	1,623,486
Prepaid expenses and other	1,575	41,262
Accounts payable	(25,554)	(543,314)
Accrued expenses	322,087	342,164
Accrued interest	-	(10,918)
Deferred revenue	(223,224)	84,732
Deferred lease	381,659	236,343
Net cash provided by operating activities	7,068,259	6,797,844
Cash Flows from Investing Activities		
Proceeds on sales and maturities of investments	6,411,816	50,022
Equity contributions made	(11,473)	(1,072,656)
Purchase of investments	(6,464,263)	(49,696)
Acquisition of property and equipment	(171,931)	(9,577,221)
Net cash used in investing activities	(235,851)	(10,649,551)
Cash Flows from Financing Activities		
Proceeds from notes payable	-	11,059,361
Payments on notes payable	(4,499,186)	(7,481,639)
Contributions restricted for capital campaign	100,000	250,000
Net cash (used in)/provided by financing activities	(4,399,186)	3,827,722
Net change in cash and restricted cash	2,433,222	(23,985)
Cash and restricted cash, beginning of year	4,009,258	4,033,243
Cash and restricted cash, end of year	$ 6,442,480	$ 4,009,258
Supplemental Disclosure of Cash Flow Information		
Capitalized interest	$ -	$ 145,316
Interest paid	$ 146,644	$ 227,607
Supplemental schedule of non-cash investing and financing activities		
Capital expenditures included in accounts/construction payable	$ -	$ 61,960

See accompanying notes to the combined financial statements.

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 50l(c)(3) of the Internal Revenue Code (IRC) and 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 2018 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. In addition to early education, the center operates and facilitates the Agency's Family Partnership Program. When children are enrolled at the centers, their parents are as well and each one works closely with a family advocate to define a long-term vision for their family and actionable goals to carry them forward toward economic self-sufficiency. Through this program, the Agency creates a partnership with families by recognizing that parents are the greatest factor in their child's success, the Agency staff provide support, encouragement and practical guidance for getting families' lives back on track.

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.

1. Nature of Operations – *continued*

Training and Technical Assistance
Through the training and technical assistance program, Agency staff members receive hands on training that is specific to early education for homeless children and required to be in compliance with state regulations. In addition, each teacher is coached, trained and monitored by an expert in the field.

Evaluation
The evaluation program is a key program in the Agency's goal of undertaking a more formal process to design, evaluate, 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.

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 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, Cash Equivalents and Restricted Cash
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, 2022 and 2021. The following table provides a reconciliation of cash and restricted cash reported within the combined statements of financial position to the sum of the corresponding amounts within the combined statements of cash flows at June 30,:

	2022	*2021*
Cash	$ 5,519,253	$ 2,758,844
Restricted cash (see Note 8)	923,227	1,250,414
Total	$ 6,442,480	$ 4,009,258

2. *Significant Accounting Policies* – *continued*

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. Effective for fiscal year 2022, the board voted to designate an additional $4,870,624 of unrestricted net assets. Board designated net assets at June 30, 2022 and 2021, was $15,986,636 and $11,116,012, respectively.

Net assets with donor restrictions – includes net assets subject to donor-imposed restrictions. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. 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.

The Agency recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met (see Note 5). Intentions to give are not included as support until collected or formally promised and legally enforceable (see Note 5). Gifts of non-cash assets are recorded at their fair value at the date of contribution, as determined by the donor or the Agency.

2. *Significant Accounting Policies* – *continued*

Revenue Recognition – continued
Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Agency recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Agency recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

A portion of the Agency's revenue is derived from cost-reimbursable and unit rate contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Agency has incurred expenditures or provided services in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No amounts have been received in advance under contracts and grants.

Donated Services and In-Kind Contributions
Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the combined financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. We record donated professional services at the respective fair values of the services received (see Note 12).

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, 2022 and 2021, management deemed that no allowance for doubtful accounts was necessary on contracts and grants receivable.

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.

2. *Significant Accounting Policies – continued*

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.

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 reduce 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.

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.

2. *Significant Accounting Policies* – *continued*

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
Playground	15 years
Website, furniture, fixtures and equipment	3 - 7 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.

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, 2022 and 2021, would be subject to Federal and state income taxes. Consequently, the accompanying combined financial statements do not reflect any provision for income taxes. As of June 30, 2022, the Agency has evaluated the tax position taken in its previously filed returns and those expected to be taken in its fiscal year 2022 returns and believe they are *more-likely-than-not* of being sustained if examined by Federal of 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 2019 - 2021).

2. *Significant Accounting Policies* – *continued*

Adoption of New Accounting Pronouncement
Effective July 1, 2021, the Agency implemented the provisions of the FASB Accounting Standards Update (ASU) No 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for not-for-profits, including additional disclosure requirements for recognized contributed services. The Agency applied this standard on a full retrospective method. The implementation did not require the Agency to restate any previously reported results.

Reclassifications
Certain 2021 amounts have been reclassified to conform to the 2022 financial statement presentation.

3. *Investments*

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

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.

Limited Partnership
The Investment in a limited partnership is recorded at the carrying value as reported by the external fund manager which is believed to approximate the fair value of the investment and is categorized as level 3 of the hierarchy. Changes are recorded based on the financial statements received by the external fund manager.

The investment portfolio at fair value as of June 30, 2022 and 2021, is as follows:

	2022			
Description	*Level 1*	*Level 2*	*Level 3*	*Total*
Limted partnership	$ -	$ -	$ 5,384,937	$ 5,384,937

	2021			
Description	*Level 1*			*Total*
Common stock	$ 204,107	$ -	$ -	$ 204,107

3. ***Investments*** – *Continued*

The following is a reconciliation of the beginning and ending balance of assets measured at fair on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2022:

	Limited Partnership
Beginning balance	$ -
Purchases	6,000,000
Investment return, net	(615,063)
Ending balance	$ 5,384,937

Investment in Limited Liability Company
During fiscal year 2017, Horizons became a member of Horizons Watermark LLC (HWLLC). During fiscal year 2019, Horizons assigned and contributed all of its interest in HWLLC to its Affiliate, HHC QALICB, Inc. as a grant. HWLLC was created to acquire and develop land located in Roxbury, Massachusetts. HHC QALICB, Inc.'s share of interest in HWLLC is equal to HHC QALICB, Inc.'s percentage interest as defined by HWLLC's operating agreement. The percentage interest is determined from time to time and is equal to HHC QALICB, Inc.'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. Required equity contributions have been made. Any additional capital required will be based on HHC QALICB, Inc.'s percentage interest as defined by the operating agreement..

During fiscal year 2022 and 2021, Horizons granted HHC QALICB, Inc. approximately $11,000 and $1.1 million, respectively, for HHC QALICB, Inc.'s equity contribution to HW LLC. The grant activity between Horizons and HHC QALICB, Inc. has been eliminated in the combined financial statements.

At June 30, 2022 and 2021, the Agency's capital balance was $4,209,828 and $3,883,547, respectively. The following summarizes the financial information of HWLLC as of and for the years ended June 30, 2022 and 2021:

	2022	*2021*
Total assets	$ 58,348,237	$ 64,256,649
Total liabilities	53,890,321	55,781,546
Net assets	$ 4,457,916	$ 8,475,103
Revenue	$ 3,425,418	$ 288,084
Expenses	4,151,241	1,314,361
Net loss	$ (725,823)	$ (1,026,277)
Agency's equity in net assets	$ 4,209,828	$ 3,883,547

4. *Pledges Receivable – Continued*

Approximately 73% and 67% of the Agency's pledges receivable at June 30, 2022 and 2021, were from four donors. As of June 30, 2022 and 2021, approximately 21% and 11%, respectively, of the Agency's pledges receivable were from members of the Board of Directors.

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

	2022	*2021*
Unconditional promises to be collected in:		
One year or less	$ 1,591,380	$ 2,039,202
One to five years	920,000	1,771,005
Total pledges receivable	2,511,380	3,810,207
Less - discount (rate of 3.70%)	(286,105)	(455,995)
Less - allowance	(250,502)	(73,972)
Net pledges receivable	$ 1,974,773	$ 3,280,240

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. *Conditional Grant and Intentions to Give*

During fiscal year June 30, 2022 and 2021, 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, 2022 and 2021 totaled approximately $2.1 million and $3.4 million, respectively.

During fiscal year June 30, 2021, the Agency received a conditional grant of $1,000,000 from the Commonwealth of Massachusetts, which was not recognized in the combined statement of activities because the conditions have not yet been met. One of the conditions requires the Agency to enter into a Land Use Restriction for the property, which the Agency had not completed as of June 30, 2021. During fiscal year June 30, 2022, the Agency met all of the conditions of the agreement and recognized $1,000,000 in the combined statement of activities. (See Note 17).

The Agency also received multi-year unit rate contracts of approximately $1,000,000 and $2,000,000, respectively, that have not been recognized at June 30, 2022 and 2021 since the performance obligations have not been met.

6. Property and Equipment

Property and equipment consisted of the following at June 30:

	2022	*2021*
Leasehold improvements	$ 8,293,901	$ 8,243,426
Playground	867,065	867,065
Furniture, fixtures and equipment	1,507,669	1,448,189
Website	88,486	88,486
Total property and equipment	10,757,121	10,647,166
Less - accumulated depreciation	(894,364)	(248,643)
Net property and equipment	$ 9,862,757	$ 10,398,523

Depreciation expense was $645,721 and $169,547 for the years ended June 30, 2022 and 2021, 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. Interest only payments are required through December 2028. Commencing in January 2029, quarterly payments of principal and interest are due. For both of the years ended June 30, 2022 and 2021, the Agency earned interest of $745,160. As of June 30, 2022 and 2021, TNT owes the Agency $13,553,300.

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. Line of Credit

The Agency has available a $900,000 revolving line of credit with BlueHub Loan Fund Inc. 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, 2022 and 2021.

10. Notes Payable

Eastern Bank

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 2021, the loan was repaid in full.

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%. During fiscal year 2021, the loan amount was increased to $11,000,000. Subsequent to year end, the loan amount was reduced to $10,500,000. 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, 2022 and 2021, the outstanding principal balance on the loan was $1,895,462 and $6,408,232, respectively. During fiscal year 2022 and 2021, the Agency capitalized interest totaling $0 and $145,316, respectively.

Payroll Protection Program Loan

The Agency entered into a promissory note agreement with Eastern Bank dated April 15, 2020 in the amount of $1,176,929, which bears interest at a rate of 1% per annum and matures in April 2022 under the Small Business Administration's Payroll Protection Program. The note has no repayment terms for six months and beginning in November 2020, principal and interest payment of $65,904 are due monthly. During fiscal year 2021, loan was forgiven.

Notes payable are shown net of unamortized debt issuance costs of $24,228 and $44,218, as of June 30, 2022 and 2021, respectively. Debt issuance costs of $110,263 are being amortized using the straight line method. For the fiscal years ended June 30, 2022 and 2021, amortization expense was $19,990 and $25,392, respectively, and was included in interest expense in the combined statement of functional expenses. Accumulated amortization at June 30, 2022 and 2021 was $86,035 and $66,045, respectively.

10. Note Payable – continued

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

Fiscal Year Ended June 30,	
2023	$ 1,871,234

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 $1,200,000 for both the years ended June 30, 2022 and 2021.

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

June 30,	*Amount*
2023	$ 830,000
2024	851,000
2025	878,500
2026	906,000
2027	906,000
Thereafter	21,924,000
Total	$ 26,295,500

12. Donated Goods and Services

The value of donated professional legal services provided for the years ended June 30, 2022 and 2021, was $58,733 and $113,735, respectively. For the years ended June 30, 2022 and 2021, the Agency capitalized $0 and $94,496, respectively, of the total donated professional legal services in development in process. Contributed legal services are provided by attorneys who advise the Agency on various administrative legal matters. Contributed legal services are used for program, management and general activities and are recognized at fair value based on current rates for similar legal services.

12. Donated Goods and Services – *continued*

The Agency receives services of volunteers to fulfill various aspects of its programs. 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*.

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 approximately $32,000 to the plan for both the years ended June 30, 2022 and 2021.

14. Concentration of Credit Risk

Approximately 22% and 25%, respectively, of contracts and grants receivable at June 30, 2022 and 2021, are due from two not-for-profit organizations and approximately 77% and 74%, respectively, are due from the Commonwealth of Massachusetts and the City of Boston.

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.

15. 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, 2022 and 2021, pro-bono legal services received from such related parties was valued at $58,733 and $116,628, 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:

	2022	*2021*
Purpose and time restrictions:		
Pledges for capital projects	$ 1,873,180	$ 3,075,207
Community Children Centers	175,992	45,838
Library	100,000	100,000
Mental health	252,917	-
Time restrictions:		
Pledges for operations	50,000	289,667
Purpose restrictions:		
Training and Technical Assistance program	357,298	29,500
Less - present value discount	(286,105)	(455,995)
Total	$ 2,523,282	$ 3,084,217

Net assets released from net assets with donor restrictions during fiscal years 2022 and 2021 comprised of:

	2022	*2021*
Purpose and time restrictions:		
Pledges for capital projects	$ 1,281,002	$ 12,845,811
Community Children Centers	45,838	79,162
Time restrictions:		
Pledges - operations	69,777	254,930
Purpose restrictions for:		
Training and Technical Assistance	2,500	-
Total	$ 1,399,117	$ 13,179,903

17. Contingencies

Litigation

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, 2022 combined financial statements.

17. Contingencies – continued

Government Contracts
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, 2022 and 2021, or on the changes in its net assets for the years then ended.

COVID-19
On March 11, 2020, the World Health Organization characterized the outbreak of a novel strain of coronavirus (COVID-19) as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Agency's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or may limit the childcare services we provide. Operating functions may be changed to address these issues. Changes to the operating environment may increase operating costs. The future effects of these issues cannot be reasonably estimated.

Grant Agreement, Mortgage and Land Use Restriction
In accordance with executing the Early Education and Out of School Time Capital Grant Fund Agreement (the Capital Grant) with the Commonwealth of Massachusetts, during October 2021, the Agency entered into a land use restriction agreement for twenty five years relating to the Capital Grant. The Capital Grant is also secured by a mortgage agreement.

18. 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, 2022 and 2021 include the following:

	2022	*2021*
Unrestricted cash	$ 4,641,586	$ 2,709,344
Investments	-	204,107
Contracts and grants receivable	1,399,778	529,850
Unrestricted pledges due within one year	50,000	237,001
Total	$ 6,091,364	$ 3,680,302

As part of the Agency's liquidity plan, the Agency maintains 75 days of operating cash on hand.

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

19. Subsequent Events

The Agency has performed an evaluation of subsequent events through October 26, 2022, which is the date the Agency's financial statements were available to be issued. No material subsequent events have occurred since June 30, 2022, that require recognition or disclosure in these financial statements

Supplementary Information

Horizons for Homeless Children and Affiliate
Supplemental Schedule – Combining Statement of Financial Position
June 30, 2022

	Horizons for Homeless Children	*HHC QALICB, Inc.*	*Total*
Current Assets			
Cash and restricted cash	$ 6,442,480	$ -	$ 6,442,480
Investments	5,384,937	-	5,384,937
Contracts and grants receivable	1,399,778	-	1,399,778
Pledges receivable, net	1,340,878	-	1,340,878
Prepaid expenses and other	190,193	-	190,193
Total current assets	14,758,266	-	14,758,266
Property and Equipment			
Property and equipment, net	9,862,757	-	9,862,757
Other Assets			
Note receivable	13,553,300	-	13,553,300
Investment in limited liability company	-	4,209,828	4,209,828
Pledges receivable, net	633,895	-	633,895
Total other assets	14,187,195	4,209,828	18,397,023
Total assets	$ 38,808,218	$ 4,209,828	$ 43,018,046
Current Liabilities			
Accounts payable	$ 160,084	$ -	$ 160,084
Accrued expenses	993,364	-	993,364
Deferred revenue	20,000	-	20,000
Deferred lease	618,002	-	618,002
Note payable current portion, net	1,871,234	-	1,871,234
Total current liabilities	3,662,684	-	3,662,684
Total liabilities	3,662,684	-	3,662,684
Net Assets	35,145,534	4,209,828	39,355,362
Total liabilities and net assets	$ 38,808,218	$ 4,209,828	$ 43,018,046

Horizons for Homeless Children and Affiliate
Supplemental Schedule – Combining Statement of Activities
For the Year Ended June 30, 2022

	Horizons for Homeless Children	*HHC QALICB, Inc.*	*Total*
Revenues			
Program revenues:			
Contracts, grants and vouchers	$ 6,708,277	$ -	$ 6,708,277
Donated professional services	58,733	-	58,733
Total program revenues	6,767,010	-	6,767,010
Fundraising revenues:			
Contributions	5,807,552	-	5,807,552
Capital campaign contributions	3,230,472	-	3,230,472
Special events	2,098,597	-	2,098,597
Total fundraising revenues	11,136,621	-	11,136,621
Interest income on notes receivable	745,160	-	745,160
Total revenues	18,648,791	-	18,648,791
Expenses			
Program services	10,474,485	-	10,474,485
Supporting services	3,115,458	-	3,115,458
Total expenses	13,589,943	-	13,589,943
Changes in net assets from operations	5,058,848	-	5,058,848
Non-operating activity			
Contributions (to Affiliate)/from Horizons	(11,473)	11,473	-
Rental income	66,129	-	66,129
Interest and dividends on investments	44,213	-	44,213
Net realized and unrealized gain/(loss) on investments	(613,374)	314,808	(298,566)
Total non-operating revenues	(514,505)	326,281	(188,224)
Changes in net assets	4,544,343	326,281	4,870,624
Net assets, beginning of year	30,601,191	3,883,547	34,484,738
Net assets, end of year	$ 35,145,534	$ 4,209,828	$ 39,355,362