HORIZONS FOR HOMELESS CHILDREN®

Combined Financial Statements, Supplemental Information and Independent Auditors' Report

June 30, 2023 and 2022

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, 2023 and 2022, 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 combined financial statements present fairly, in all material respects, the financial position of the Agency as of June 30, 2023 and 2022, 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.

Emphasis of Matter

Change in Accounting Principle
As discussed in Note 2 to the combined financial statements, the Agency has adopted Financial Accounting Standards Board's Accounting Standards Update No. 2016-02, *Leases (Topic 842)* and related amendments. Our opinion is not modified with respect to this matter.

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.

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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

November 17, 2023

Horizons for Homeless Children and Affiliate
Combined Statements of Financial Position
June 30, 2023 and 2022

	2023	*2022*
Assets		
Current Assets		
Cash and restricted cash	$ 9,830,377	$ 6,442,480
Investments	6,088,706	5,384,937
Contracts and grants receivable	1,774,490	1,399,778
Pledges receivable, net	21,197	1,340,878
Prepaid expenses and other	122,822	190,193
Total current assets	17,837,592	14,758,266
Property and Equipment, net	9,327,870	9,862,757
Other Assets		
Operating lease right of use asset	16,734,039	-
Note receivable	13,553,300	13,553,300
Investment in limited liability company	3,982,021	4,209,828
Pledges receivable, net	941,153	633,895
Total other assets	35,210,513	18,397,023
Total assets	$ 62,375,975	$ 43,018,046
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 188,507	$ 160,084
Accrued expenses	1,145,079	993,364
Deferred revenue	32,500	20,000
Operating lease liability current portion	851,000	-
Deferred lease	-	618,002
Current portion of note payable, net	-	1,871,234
Total current liabilities	2,217,086	3,662,684
Long-term Liabilities		
Operating lease liability	16,866,291	-
Total liabilities	19,083,377	3,662,684
Net Assets		
Without donor restrictions:		
Operating	16,286,033	10,982,687
Property and equipment	9,327,870	9,862,757
Board designated	15,986,636	15,986,636
Total net assets without donor restrictions	41,600,539	36,832,080
With donor restrictions	1,692,059	2,523,282
Total net assets	43,292,598	39,355,362
Total liabilities and net assets	$ 62,375,975	$ 43,018,046

See accompanying notes to the combined financial statements.

Horizons for Homeless Children and Affiliate
Combined Statements of Activities
For the Year Ended June 30, 2023

	Without Donor Restriction	With Donor Restriction	Total
Revenues			
Program revenues:			
Contracts, grants and vouchers	$ 8,185,806	$ -	$ 8,185,806
Donated professional services	122,600	-	122,600
Total program revenues	8,308,406	-	8,308,406
Fundraising revenues:			
Contributions	4,891,941	403,959	5,295,900
Capital campaign contributions	1,292,824	200,000	1,492,824
Special events	2,159,551	-	2,159,551
Net assets released from restrictions	1,435,182	(1,435,182)	-
Total fundraising revenues	9,779,498	(831,223)	8,948,275
Interest income on notes receivable	745,161	-	745,161
Total revenues	18,833,065	(831,223)	18,001,842
Expenses			
Program services:			
Early education centers	10,272,423	-	10,272,423
Playspace	739,760	-	739,760
Training and technical assistance	108,713	-	108,713
Evaluation	211,064	-	211,064
Policy and advocacy	200,655	-	200,655
Total program services	11,532,615	-	11,532,615
Supporting services:			
Fundraising	1,888,696	-	1,888,696
Marketing/communications	323,639	-	323,639
General and administrative	1,259,634	-	1,259,634
Total supporting services	3,471,969	-	3,471,969
Total expenses	15,004,584	-	15,004,584
Changes in net assets from operations	3,828,481	(831,223)	2,997,258
Non-operating activity			
Rental income	111,582	-	111,582
Interest and dividends on investments	72,256	-	72,256
Net realized and unrealized gain on investments	756,140	-	756,140
Total non-operating revenues	939,978	-	939,978
Changes in net assets	4,768,459	(831,223)	3,937,236
Net assets, beginning of year	36,832,080	2,523,282	39,355,362
Net assets, end of year	$ 41,600,539	$ 1,692,059	$ 43,292,598

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, 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	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 Functional Expenses

For the Year Ended June 30, 2023

	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	$ 5,596,797	$ 463,100	$ 80,395	$ 146,868	$ 100,903	$ 6,388,063	$ 843,947	$ 189,652	$ 596,934	$ 8,018,596
Employee benefits	651,484	75,158	12,189	8,130	5,788	752,749	44,900	31,144	96,001	924,794
Payroll taxes	488,309	42,565	6,034	12,107	6,857	555,872	72,236	14,017	47,915	690,040
Total salaries and related expenses	6,736,590	580,823	98,618	167,105	113,548	7,696,684	961,083	234,813	740,850	9,633,430
Occupancy	1,655,142	35,260	317	21,033	158	1,711,910	90,300	38,265	176,420	2,016,895
Interest	35,327	633	-	411	-	36,371	1,725	713	23,065	61,874
Services and professional fees	469,312	27,922	3,867	13,485	76,632	591,218	220,117	24,968	85,170	921,473
Supplies	443,942	53,104	1,710	113	113	498,982	10,179	679	4,267	514,107
Major fundraising events	-	4,822	-	-	-	4,822	370,787	-	475	376,084
Office	140,708	-	421	210	9,399	150,738	76,775	5,656	15,838	249,007
Donated professional services	-	-	-	-	-	-	-	-	28,350	28,350
Miscellaneous	90,901	5,722	127	576	106	97,432	27,458	1,090	78,927	204,907
Depreciation	549,156	11,180	-	7,254	-	567,590	30,468	12,602	52,827	663,487
Transportation	2,757	7,521	49	-	35	10,362	2,558	30	2,950	15,900
Bad debt	-	-	-	-	-	-	5,750	-	2,655	8,405
Training and meetings	148,588	12,773	3,604	877	664	166,506	91,496	4,823	47,840	310,665
Total expenses	$ 10,272,423	$ 739,760	$ 108,713	$ 211,064	$ 200,655	$ 11,532,615	$ 1,888,696	$ 323,639	$ 1,259,634	$ 15,004,584

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, 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 of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	*2022*
Cash Flows from Operating Activities		
Changes in net assets	$ 3,937,236	$ 4,870,624
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	663,487	645,737
Net unrealized and realized (gain)/loss on investments	(756,140)	298,566
Donated stock	51,443	461,215
Donated capitalized services and furniture	(32,250)	-
Contributions restricted for capital campaign	(250,000)	(100,000)
Discount on pledges receivable	101,606	169,890
Changes in operating assets and liabilities		
Contracts and grants receivable	(374,712)	(869,893)
Pledges receivable, net	910,817	1,135,577
Prepaid expenses and other	67,371	1,575
Accounts payable	28,423	(25,554)
Accrued expenses	151,715	322,087
Deferred revenue	12,500	(223,224)
Operating lease assets and liabilities	365,250	381,659
Net cash provided by operating activities	4,876,746	7,068,259
Cash Flows from Investing Activities		
Proceeds on sales and maturities of investments	-	6,411,816
Equity distributions/(contributions) made	285,590	(11,473)
Purchase of investments	(56,855)	(6,464,263)
Acquisition of property and equipment	(96,350)	(171,931)
Net cash provided by/(used in) investing activities	132,385	(235,851)
Cash Flows from Financing Activities		
Payments on notes payable	(1,871,234)	(4,499,186)
Contributions restricted for capital campaign	250,000	100,000
Net cash used in financing activities	(1,621,234)	(4,399,186)
Net change in cash and restricted cash	3,387,897	2,433,222
Cash and restricted cash, beginning of year	6,442,480	4,009,258
Cash and restricted cash, end of year	$ 9,830,377	$ 6,442,480
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 37,646	$ 146,644

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, coordinates activities and work with staff in more than 51 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, 2023 and 2022. 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,:

	2023	*2022*
Cash	$ 9,830,377	$ 5,519,253
Restricted cash (see Note 8)	-	923,227
Total	$ 9,830,377	$ 6,442,480

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, 2023 and 2022, was $15,986,636.

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 (GAAP). 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, 2023 and 2022, 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 limited 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 $2,500 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, 2023 and 2022, 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, 2023, the Agency has evaluated the tax position taken in its previously filed returns and those expected to be taken in its fiscal year 2023 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 2020 - 2022).

2. *Significant Accounting Policies* – *continued*

Leases
The Agency determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the combined statement of financial position except for leases with an initial term of less than 12 months for which the Agency made the short-term lease election. The ROU assets resulting from operating leases are included in other assets and the related liabilities are included in lease liabilities in the combined statement of financial position. At lease commencement, ROU assets and lease liabilities reflect the present value of the future minimum payments over the lease term and discounted using the risk-free rate. Operating lease expense is recognized on a straight-line basis over the lease term. The Agency does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Adoption of New Accounting Pronouncement
In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes existing guidance in *Topic 840, Leases*. The FASB subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transitions to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842*, *Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01 *Leases (Topic 842): Codification Improvements*. Topic 842 amends both lessor and lessee accounting with the most significant change in being the requirement for lessees to recognize the ROU assets and lease liabilities on the combined statement of financial position for operating leases.

The Agency adopted the leasing standards effective July 1, 2022, using the modified retrospective approach with July 1, 2022 as the initial date of application. The Agency elected to use all available practical expedients provided in the transition guidance. These allowed the Agency to not reassess the identification, classification and initial direct costs of lessor agreements and to use hindsight in lessee and lessor agreements for determining lease term and ROU asset impairment. As of July 1, 2022, adoption of Topic 842 did not result in any change to beginning net assets or any material adjustments to combined statement of financial position accounts related to lessor accounting, but it did result in an increase in operating lease ROU asset and in long-term lease liabilities of $17,946,097, related to lessee accounting.

Reclassifications
Certain 2022 amounts have been reclassified to conform to the 2023 financial statement presentation.

3. *Investments*

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

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 Agency can liquidate the investment with a 90 day notice.

The investment portfolio at fair value as of June 30, 2023 and 2022, is as follows:

	2023			
Description	*Level 1*	*Level 2*	*Level 3*	*Total*
Limted partnership	$ -	$ -	$ 6,088,706	$ 6,088,706

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

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 years ended June 30,:

	2023	*2022*
	Limited Partnership	*Limited Partnership*
Beginning balance	$ 5,384,937	$ -
Purchases	-	6,000,000
Investment return, net	703,769	(615,063)
Ending balance	$ 6,088,706	$ 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.

3. *Investments – continued*

During fiscal year 2023, HHC QALICB, Inc. granted Horizons approximately $286,000. During fiscal year 2022, Horizons granted HHC QALICB, Inc. approximately $11,000, 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, 2023 and 2022, the Agency's GAAP capital balance was $3,982,021 and $4,209,828, respectively. The following summarizes the financial information, on a tax basis of accounting, of HWLLC as of and for the years ended June 30,:

	2023	*2022*
Total assets	$ 57,196,791	$ 58,348,237
Total liabilities	53,607,510	53,890,321
Members' equity	$ 3,589,281	$ 4,457,916
Revenue	$ 3,946,686	$ 3,425,418
Expenses	4,165,829	4,151,241
Net loss	$ (219,143)	$ (725,823)

4. *Pledges Receivable*

Approximately 94% and 73% of the Agency's pledges receivable at June 30, 2023 and 2022, were from two and three donors, respectively. As of June 30, 2023 and 2022, approximately 18% and 21%, 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:

	2023	*2022*
Unconditional promises to be collected in:		
One year or less	$ 271,699	$ 1,591,380
One to five years	1,125,652	920,000
Total pledges receivable	1,397,351	2,511,380
Less - discount (rate of 4.06% and 3.70%, respectively)	(184,499)	(286,105)
Less - allowance	(250,502)	(250,502)
Net pledges receivable	$ 962,350	$ 1,974,773

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, 2023 and 2022, 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, 2023 and 2022 totaled approximately $800,000 and $2.1 million, respectively.

The Agency also received multi-year unit rate contracts of approximately $1.2 million and $1 million, respectively, that have not been recognized at June 30, 2023 and 2022 since the performance obligations have not been met.

6. *Property and Equipment*

Property and equipment consisted of the following at June 30:

	2023	*2022*
Leasehold improvements	$ 8,380,508	$ 8,293,901
Playground	867,065	867,065
Furniture, fixtures and equipment	1,516,413	1,507,669
Website	33,250	88,486
Total property and equipment	10,797,236	10,757,121
Less - accumulated depreciation	(1,469,366)	(894,364)
Net property and equipment	$ 9,327,870	$ 9,862,757

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 the years ended June 30, 2023 and 2022, the Agency earned interest of $745,161 and $745,160, respectively. As of June 30, 2023 and 2022, 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. During 2023, the Agency repaid the note payable and the restrictions were removed.

9. Line of Credit

The Agency had available a $900,000 revolving line of credit with BlueHub Loan Fund Inc. secured by the Agency's assets that expired in October 2021. Borrowings were due on demand and interest was payable monthly at 6.5%. There was no outstanding balance as of June 30, 2022.

10. Note Payable

Eastern Bank
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 $10,500,000. The note matured in September 2028 and was 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 2023, the loan was repaid in full. As of June 30, 2022, the outstanding principal balance on the loan was $1,895,462.

The note payable is shown net of unamortized debt issuance costs of $24,228, as of June 30, 2022. Debt issuance costs of $110,263 were being amortized using the straight line method. For the fiscal years ended June 30, 2023 and 2022, amortization expense was $24,438 and $19,990, respectively, and was included in interest expense in the combined statement of functional expenses. During 2023, the Agency wrote off the unamortized debt issuance costs as a result of repaying the loan. Accumulated amortization at June 30, 2022 was $86,035.

11. Lease Agreements

The Agency leases space under an operating lease expiring December 2043. The initial terms of these lease agreement is twenty-five years. The facility lease require the Agency to maintain certain insurance coverage and pay for its proportionate share of real estate taxes and operating expenses. The Agency used the risk-free rate of 3.35% in lieu of its incremental borrowing rate to discount the future lease payments. The present value of the lease has been capitalized and is amortized over the life of the lease. During 2023 and 2022, payments totaling $830,000 and $785,500, respectively, were made. Rent expense under the facility lease was approximately $1,200,000 for both the years ended June 30, 2023 and 2022 and is included in occupancy expense on the combined statements of functional expenses. As of June 30, 2023, the remaining lease term was approximately 21 years.

11. *Lease Agreements – Continued*

Future minimum lease payments under the agreement for the next five years and thereafter is as follows:

June 30,	*Amount*
2024	$ 851,000
2025	878,500
2026	906,000
2027	906,000
2028	906,000
Thereafter	21,018,000
Total lease payments	25,465,500
Less present value discount	(7,748,209)
Total	$ 17,717,291

The Agency entered into a sub-lease agreement with an unrelated party. The term of the lease commenced in November 2021 and expires in November 2031, with an option to extend the lease for one additional period of five years. During the first ten years, annual rent of $77,370 is due in equal monthly installments. During the extension period the rent will be calculated based on the fair market value of the space. The tenant is responsible for reimbursing the Agency for its share of real estate taxes incurred. During the years ended June 30, 2023 and 2022, the Agency earned $77,370 and $51,580, respectively, in basic rent and $34,212 and $14,549, respectively, in additional rent. The following is an analysis of the maturity of the undiscounted lease payments:

June 30,	*Amount*
2024	$ 77,370
2025	77,370
2026	77,370
2027	77,370
2028	77,370
Thereafter	186,978
Total	$ 573,828

12. *Donated Goods and Services*

The value of donated professional legal services provided for the years ended June 30, 2023 and 2022, was $122,600 and $58,733, respectively. 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 value of donated professional website design services for the year ended June 30, 2023 was $94,250, which the Agency capitalized $33,250 relating to development costs. Contributed website design services are used for program, management and general activities and are recognized at fair value based on current rates for similar services.

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 $39,000 and $32,000 to the plan for the years ended June 30, 2023 and 2022, respectively.

14. Concentration of Credit Risk

The Agency received approximately 33% and 28%, respectively, of its total revenue from the Commonwealth of Massachusetts and City of Boston for the years ended June 30, 2023 and 2022. Approximately 14% and 22%, respectively, of contracts and grants receivable at June 30, 2023 and 2022, are due from two not-for-profit organizations and approximately 84% and 77%, 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. During 2023, the Agency entered into a sweep agreement which sweeps balances in excess of the FDIC coverage into multiple banks in order to maintain balances less than the FDIC coverage. 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, 2023 and 2022, pro-bono legal services received from such related parties was valued at $122,600 and $58,733, 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:

	2023	*2022*
Purpose and time restrictions:		
Pledges for capital projects	$ 1,088,527	$ 1,873,180
Community Children Centers	330,593	175,992
Library	103,256	100,000
Mental health	37,933	252,917
Time restrictions:		
Pledges for operations	50,000	50,000
Purpose restrictions:		
Employee assistance	105,000	-
Playspace	23,611	-
Training and Technical Assistance program	137,638	357,298
Less - present value discount	(184,499)	(286,105)
Total	$ 1,692,059	$ 2,523,282

Net assets released from net assets with donor restrictions during fiscal years 2023 and 2022 comprised of:

	2023	*2022*
Purpose and time restrictions:		
Pledges for capital projects	$ 883,047	$ 1,281,002
Community Children Centers	62,034	45,838
Mental health	214,984	-
Time restrictions:		
Pledges - operations	50,000	69,777
Purpose restrictions for:		
Library	5,457	-
Training and Technical Assistance	219,660	2,500
Total	$ 1,435,182	$ 1,399,117

17. *Contingencies*

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, 2023 and 2022, or on the changes in its net assets for the years then ended.

17. *Contingencies – continued*

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
During 2021, the Agency entered into a land use restriction agreement for twenty five years in accordance with executing the Early Education and Out of School Time Capital Grant Fund Agreement (the Capital Grant) with the Commonwealth of Massachusetts. 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, 2023 and 2022 include the following:

	2023	*2022*
Unrestricted cash	$ 9,199,542	$ 4,641,586
Investments	6,232	-
Contracts and grants receivable	1,774,490	1,399,778
Unrestricted pledges due within one year	55,652	50,000
Total	$ 11,035,916	$ 6,091,364

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

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 which was repaid during 2023.

19. *Subsequent Events*

The Agency has performed an evaluation of subsequent events through November 17, 2023, which is the date the Agency's financial statements were available to be issued. No material subsequent events have occurred since June 30, 2023, 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, 2023

	Horizons for Homeless Children	*HHC QALICB, Inc.*	*Total*
Current Assets			
Cash and restricted cash	$ 9,830,377	$ -	$ 9,830,377
Investments	6,088,706	-	6,088,706
Contracts and grants receivable	1,774,490	-	1,774,490
Pledges receivable, net	21,197	-	21,197
Prepaid expenses and other	122,822	-	122,822
Total current assets	17,837,592	-	17,837,592
Property and Equipment			
Property and equipment, net	9,327,870	-	9,327,870
Other Assets			
Operating lease right of use asset	16,734,039	-	16,734,039
Note receivable	13,553,300	-	13,553,300
Investment in limited liability company	-	3,982,021	3,982,021
Pledges receivable, net	941,153	-	941,153
Total other assets	31,228,492	3,982,021	35,210,513
Total assets	$ 58,393,954	$ 3,982,021	$ 62,375,975
Current Liabilities			
Accounts payable	$ 188,507	$ -	$ 188,507
Accrued expenses	1,145,079	-	1,145,079
Deferred revenue	32,500	-	32,500
Operating lease liability current portion	851,000	-	851,000
Total current liabilities	2,217,086	-	2,217,086
Long-term Liabilities			
Operating lease liability	16,866,291	-	16,866,291
Total liabilities	19,083,377	-	19,083,377
Net Assets	39,310,577	3,982,021	43,292,598
Total liabilities and net assets	$ 58,393,954	$ 3,982,021	$ 62,375,975

Horizons for Homeless Children and Affiliate
Supplemental Schedule – Combining Statement of Activities
For the Year Ended June 30, 2023

	Horizons for Homeless Children	*HHC QALICB, Inc.*	*Total*
Revenues			
Program revenues:			
Contracts, grants and vouchers	$ 8,185,806	$ -	$ 8,185,806
Donated professional services	122,600	-	122,600
Total program revenues	8,308,406	-	8,308,406
Fundraising revenues:			
Contributions	5,295,900	-	5,295,900
Capital campaign contributions	1,492,824	-	1,492,824
Special events	2,159,551	-	2,159,551
Total fundraising revenues	8,948,275	-	8,948,275
Interest income on notes receivable	745,161	-	745,161
Total revenues	18,001,842	-	18,001,842
Expenses			
Program services	11,532,615	-	11,532,615
Supporting services	3,471,969	-	3,471,969
Total expenses	15,004,584	-	15,004,584
Changes in net assets from operations	2,997,258	-	2,997,258
Non-operating activity			
Contributions from Affiliate/(to Horizons)	285,590	(285,590)	-
Rental income	111,582	-	111,582
Interest and dividends on investments	72,256	-	72,256
Net realized and unrealized gain on investments	698,357	57,783	756,140
Total non-operating revenues	1,167,785	(227,807)	939,978
Changes in net assets	4,165,043	(227,807)	3,937,236
Net assets, beginning of year	35,145,534	4,209,828	39,355,362
Net assets, end of year	$ 39,310,577	$ 3,982,021	$ 43,292,598