HORIZONS FOR HOMELESS CHILDREN®

Combined Financial Statements, Supplemental Information and Independent Auditors' Report

June 30, 2024 and 2023

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, 2024 and 2023, 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, 2024 and 2023, 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.

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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 18, 2024

Horizons for Homeless Children and Affiliate
Combined Statements of Financial Position
June 30, 2024 and 2023

	2024	*2023*
Assets		
Current Assets		
Cash	$ 5,106,510	$ 9,830,377
Investments	16,514,442	6,088,706
Contributions and grants receivable	1,839,807	1,774,490
Pledges receivable, net	452,770	21,197
Prepaid expenses and other	186,015	122,822
Total current assets	24,099,544	17,837,592
Property and Equipment, net	8,882,162	9,327,870
Other Assets		
Operating lease right of use asset	16,132,318	16,734,039
Note receivable	13,553,300	13,553,300
Investment in limited liability company	4,034,071	3,982,021
Pledges receivable, net	443,757	941,153
Total other assets	34,163,446	35,210,513
Total assets	$ 67,145,152	$ 62,375,975
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 139,097	$ 188,507
Accrued expenses	1,229,771	1,145,079
Deferred revenue	66,000	32,500
Operating lease liability current portion	878,500	851,000
Total current liabilities	2,313,368	2,217,086
Long-term Liabilities		
Operating lease liability	16,581,320	16,866,291
Total liabilities	18,894,688	19,083,377
Net Assets		
Without donor restrictions:		
Operating	21,905,561	16,286,033
Property and equipment	8,882,162	9,327,870
Board designated	15,986,636	15,986,636
Total net assets without donor restrictions	46,774,359	41,600,539
With donor restrictions	1,476,105	1,692,059
Total net assets	48,250,464	43,292,598
Total liabilities and net assets	$ 67,145,152	$ 62,375,975

See accompanying notes to the combined financial statements.

Horizons for Homeless Children and Affiliate
Combined Statements of Activities
For the Year Ended June 30, 2024

	Without Donor Restriction	With Donor Restriction	Total
Revenues			
Program revenues:			
Contracts, grants and vouchers	$ 9,823,276	$ -	$ 9,823,276
Donated professional services	158,693	-	158,693
Total program revenues	9,981,969	-	9,981,969
Fundraising revenues:			
Contributions	5,555,543	681,168	6,236,711
Capital campaign contributions	458,677	100,000	558,677
Special events	1,877,883	-	1,877,883
Net assets released from restrictions	997,122	(997,122)	-
Total fundraising revenues	8,889,225	(215,954)	8,673,271
Interest income on notes receivable	745,161	-	745,161
Total revenues	19,616,355	(215,954)	19,400,401
Expenses			
Program services:			
Early education centers	10,790,050	-	10,790,050
Playspace	1,207,612	-	1,207,612
Training and technical assistance	154,725	-	154,725
Evaluation	180,164	-	180,164
Policy and advocacy	188,487	-	188,487
Total program services	12,521,038	-	12,521,038
Supporting services:			
Fundraising	1,953,978	-	1,953,978
Marketing/communications	399,417	-	399,417
General and administrative	1,205,948	-	1,205,948
Total supporting services	3,559,343	-	3,559,343
Total expenses	16,080,381	-	16,080,381
Changes in net assets from operations	3,535,974	(215,954)	3,320,020
Non-operating activity			
Rental income	100,363	-	100,363
Interest and dividends on investments	434,739	-	434,739
Net realized and unrealized gain on investments	1,102,744	-	1,102,744
Total non-operating revenues	1,637,846	-	1,637,846
Changes in net assets	5,173,820	(215,954)	4,957,866
Net assets, beginning of year	41,600,539	1,692,059	43,292,598
Net assets, end of year	$ 46,774,359	$ 1,476,105	$ 48,250,464

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, 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	72,256	-	72,256
Net realized and unrealized loss 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 Functional Expenses

For the Year Ended June 30, 2024

	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	$ 5,770,908	$ 729,043	$ 123,547	$ 125,549	$ 88,290	$ 6,837,337	$ 884,317	$ 237,093	$ 554,045	$ 8,512,792
Employee benefits	728,632	78,444	13,607	7,946	6,350	834,979	54,702	34,779	108,038	1,032,498
Payroll taxes	512,403	61,704	9,453	10,705	4,515	598,780	71,930	18,329	44,855	733,894
Total salaries and related expenses	7,011,943	869,191	146,607	144,200	99,155	8,271,096	1,010,949	290,201	706,938	10,279,184
Occupancy	1,646,632	38,462	520	21,421	475	1,707,510	93,996	39,050	168,648	2,009,204
Services and professional fees	505,161	42,476	3,657	2,361	73,829	627,484	98,167	27,405	141,712	894,768
Supplies	389,754	193,325	112	31	31	583,253	9,819	186	683	593,941
Major fundraising events	22,726	3,330	248	124	124	26,552	424,143	806	3,731	455,232
Office	204,656	10,448	1,092	3,061	13,612	232,869	178,219	19,764	52,343	483,195
Donated professional services	106,756	10,380	665	742	333	118,876	8,896	4,448	16,310	148,530
Miscellaneous	168,455	5,654	915	94	474	175,592	10,497	1,188	38,098	225,375
Depreciation	568,247	11,601	-	7,527	-	587,375	31,615	13,077	54,817	686,884
Transportation	11,394	13,500	-	-	-	24,894	2,583	82	995	28,554
Bad debt	-	-	-	-	-	-	8,927	-	709	9,636
Training and meetings	154,326	9,245	909	603	454	165,537	76,167	3,210	20,964	265,878
Total expenses	$ 10,790,050	$ 1,207,612	$ 154,725	$ 180,164	$ 188,487	$ 12,521,038	$ 1,953,978	$ 399,417	$ 1,205,948	$ 16,080,381

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, 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 of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	*2023*
Cash Flows from Operating Activities		
Changes in net assets	$ 4,957,866	$ 3,937,236
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	686,884	663,487
Net unrealized and realized gain on investments	(1,102,744)	(756,140)
Donated stock	703,560	51,443
Donated capitalized services and furniture	-	(32,250)
Contributions restricted for capital campaign	(100,000)	(250,000)
Discount on pledges receivable	128,256	101,606
Changes in operating assets and liabilities		
Contracts and grants receivable	(65,317)	(374,712)
Pledges receivable, net	(62,433)	910,817
Prepaid expenses and other	(63,193)	67,371
Accounts payable	(49,410)	28,423
Accrued expenses	84,692	151,715
Deferred revenue	33,500	12,500
Operating lease assets and liabilities	344,250	365,250
Net cash provided by operating activities	5,495,911	4,876,746
Cash Flows from Investing Activities		
Equity distributions made	-	285,590
Purchase of investments	(10,078,602)	(56,855)
Acquisition of property and equipment	(241,176)	(96,350)
Net cash (used in)/provided by investing activities	(10,319,778)	132,385
Cash Flows from Financing Activities		
Payments on notes payable	-	(1,871,234)
Contributions restricted for capital campaign	100,000	250,000
Net cash provided by/(used) in financing activities	100,000	(1,621,234)
Net change in cash and restricted cash	(4,723,867)	3,387,897
Cash and restricted cash, beginning of year	9,830,377	6,442,480
Cash and restricted cash, end of year	$ 5,106,510	$ 9,830,377
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ -	$ 37,646

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 and Cash Equivalents
For the purposes of the combined statement of financial position and the combined statement of cash flows, the Agency considers all short-term investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents as of June 30, 2024 and 2023.

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.

2. *Significant Accounting Policies* – *continued*

Net assets without donor restrictions designated by the Board of Directors represent funds set aside by internal Board of Directors action. These include funds set aside to fund long-term planning and related projects and future operating deficits. Board designated net assets at June 30, 2024 and 2023, was $15,986,636.

Net assets with donor restrictions – includes net assets subject to donor-imposed restrictions. The Agency reports 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 on 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.

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.

2. *Significant Accounting Policies* – *continued*

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 9).

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.

Contributions and Grants Receivable

Contributions 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, 2024 and 2023, management deemed that no allowance for doubtful accounts was necessary on contracts and grants receivable.

Note Receivable and Allowance for Credit Losses

The note receivable is carried at amortized cost basis net of an allowance for credit losses. Interest on loan is recognized over the term of the loan using the simple-interest method on principal amounts outstanding. The note is funded under the new market tax credit program and is evaluated on an individual basis. Management believe calculating the allowance for credit losses on an individual loan-by-loan basis provides the most accurate estimate for potential credit losses over the lifetime of each loan. See Note 7.

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 reduced to zero. Changes in the value of the investment, which are other than temporary, are recognized as necessary.

2. *Significant Accounting Policies* – *continued*

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.

Property, 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

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

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, 2024 and 2023, 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, 2024, the Agency has evaluated the tax position taken in its previously filed returns and those expected to be taken in its fiscal year 2024 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 2021 - 2023).

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.

2. *Significant Accounting Policies* – *continued*

Adoption of New Accounting Pronouncement
Effective July 1, 2023, the Agency adopted Accounting Standards Update (ASU) 2016 -13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Agency adopted this new guidance utilizing the modified retrospective transition method. Topic 326 requires measurement and recognition of expected versus incurred losses for financial assets held. The adoption of this ASU did not have a material impact on the Agency's financial statements, but did change how the allowance for credit losses is determined.

Reclassifications
Certain 2023 amounts have been reclassified to conform to the 2024 financial statement presentation.

3. *Investments*

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

Money Market Mutual Fund
Money market funds are valued at fair market value of securities held at year end as provided by the broker, which is considered a level 1 investment.

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, 2024 and 2023, is as follows:

	2024			
Description	*Level 1*	*Level 2*	*Level 3*	*Total*
Money market	$ 8,361,626	$ -	$ -	$ 8,361,626
Limited partnership	-	-	8,152,816	8,152,816
Total	$ 8,361,626	$ -	$ 8,152,816	$ 16,514,442

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

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 years ended June 30,:

	2024 Limited Partnership	*2023 Limited Partnership*
Beginning balance	$ 6,088,706	$ 5,384,937
Purchases	1,000,000	-
Investment return, net	1,064,110	703,769
Ending balance	$ 8,152,816	$ 6,088,706

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 2023, HHC QALICB, Inc. granted Horizons approximately $286,000. During fiscal year 2024 there was no activity between HHC QALICB, Inc. and Horizons. The grant activity between Horizons and HHC QALICB, Inc. has been eliminated in the combined financial statements.

At June 30, 2024 and 2023, the Agency's GAAP capital balance was $4,034,071 and $3,982,021, respectively. The following summarizes the financial information, of HWLLC as of and for the years ended June 30,:

	2024	*2023*
Total assets	$ 61,666,792	$ 63,314,980
Total liabilities	53,167,853	53,607,510
Members' equity	$ 8,498,939	$ 9,707,470
Revenue	$ 3,571,905	$ 3,946,686
Expenses	4,381,423	4,165,829
Net loss	$ (809,518)	$ (219,143)

4. *Pledges Receivable*

Approximately 84% and 94% of the Agency's pledges receivable at June 30, 2024 and 2023, were from two and three donors, respectively. As of June 30, 2023, approximately 18% 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:

	2024	*2023*
Unconditional promises to be collected in:		
One year or less	$ 703,272	$ 271,699
One to five years	500,000	1,125,652
Total pledges receivable	1,203,272	1,397,351
Less - discount (rate of 4.61% and 4.06%, respectively)	(56,243)	(184,499)
Less - allowance	(250,502)	(250,502)
Net pledges receivable	$ 896,527	$ 962,350

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, 2024 and 2023, 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, 2024 and 2023 totaled approximately $1.7 million and $800,000, respectively.

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

6. *Property and Equipment*

Property and equipment consisted of the following at June 30:

	2024	*2023*
Leasehold improvements	$ 8,505,942	$ 8,380,508
Playground	867,065	867,065
Furniture, fixtures and equipment	1,532,789	1,516,413
Development in process	42,123	-
Website	42,188	33,250
Vehicles	29,238	-
Total property and equipment	11,019,345	10,797,236
Less - accumulated depreciation	(2,137,183)	(1,469,366)
Net property and equipment	$ 8,882,162	$ 9,327,870

7. *Note Receivable*

The Agency entered into a promissory note receivable agreement relating to the new market tax credit program 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 the years ended June 30, 2024 and 2023, the Agency earned interest of $745,160. As of June 30, 2024 and 2023, TNT owes the Agency $13,553,300.

Based on the structure of the new market tax credit program, the note is intended to be a long-term debt to the respective borrower and there is an expectation of repayment to the Agency, provided that the project adheres to the requirements of the note agreement. As a result, the full balance of this note receivable has been deemed to be fully collectible and no allowance for credit losses is deemed necessary as of June 30, 2024 and 2023. As a result, the lack of historical loss data available and the expectation of repayment of the loan, under ASC 2016-13, the Agency has valued this loan at its anticipated net realizable value determined through a qualitative assessment of future forecasted repayments based on the nature of the new market tax credit program. As a result of this assessment performed at June 30, 2024, the Agency determined that there was no further adjustment needed to the allowance for credit losses, therefore, no provision for credit losses was recorded during 2024.

8. *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 2024 and 2023, payments totaling $851,000 and $830,000, respectively, were made. Rent expense under the facility lease was approximately $1,200,000 for both the years ended June 30, 2024 and 2023 and is included in occupancy expense on the combined statements of functional expenses. As of June 30, 2024, the remaining lease term was approximately 20 years.

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

June 30,	*Amount*
2025	$ 878,500
2026	906,000
2027	906,000
2028	906,000
2029	1,138,500
Thereafter	19,879,500
Total lease payments	24,614,500
Less present value discount	(7,154,680)
Total	$ 17,459,820

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 both the years ended June 30, 2024 and 2023, the Agency earned $77,370 in basic rent and $22,993 and $34,212, respectively, in additional rent. The following is an analysis of the maturity of the undiscounted lease payments:

June 30,	*Amount*
2025	$ 77,370
2026	77,370
2027	77,370
2028	77,370
2029	77,370
Thereafter	109,608
Total	$ 496,458

9. Donated Goods and Services

The value of donated professional legal services provided for the years ended June 30, 2024 and 2023, was $50,943 and $122,000, 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.

The value of donated professional website design services for the year ended June 30, 2024 was $98,813, which the Agency capitalized $9,387 relating to development costs. 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*.

10. 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 $42,000 and $39,000 to the plan for the years ended June 30, 2024 and 2023, respectively.

11. Concentration of Credit Risk

The Agency received approximately 36% and 33%, respectively, of its total revenue from the Commonwealth of Massachusetts and City of Boston for the years ended June 30, 2024 and 2023. Approximately 78% and 14%, respectively, of contracts and grants receivable at June 30, 2024 and 2023, are due from two not-for-profit organizations and approximately 20% and 84%, 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.

12. *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, 2024 and 2023, pro-bono legal services received from such related parties was valued at $158,693 and $122,600, respectively (see Note 9). In addition, a portion of the Agency's pledges receivable were from members of the Board of Directors.

13. *Net Assets with Donor Restrictions*

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

	2024	*2023*
Purpose and time restrictions:		
Pledges for capital projects	$ 877,775	$ 1,088,527
Community Children Centers	107,691	330,593
Library	77,638	103,256
Mental health	180,333	37,933
Time restrictions:		
Pledges for operations	100,000	50,000
Purpose restrictions:		
Employee assistance	150,000	105,000
Playspace	1,978	23,611
Training and Technical Assistance program	36,933	137,638
Less - present value discount	(56,243)	(184,499)
Total	$ 1,476,105	$ 1,692,059

Net assets released from net assets with donor restrictions during fiscal years 2024 and 2023 comprised of:

	2024	*2023*
Purpose and time restrictions:		
Pledges for capital projects	$ 179,924	$ 883,047
Community Children Centers	245,902	62,034
Mental health	160,600	214,984
Time restrictions:		
Pledges - operations	27,572	50,000
Purpose restrictions for:		
Library	35,618	5,457
Employee assistance	135,000	-
Playspace	21,633	-
Training and Technical Assistance	190,873	219,660
Total	$ 997,122	$ 1,435,182

14. Commitments and 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, 2024 and 2023, or on the changes in its net assets for the years then ended.

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.

Construction Contract
Subsequent to year end, in August 2024, the Agency entered into a construction contract to renovate existing administrative spaces and add additional classrooms. The contract sum is approximately $2.2 million. The substantial completion date of the contract is anticipated to be in July 2025.

15. 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, 2024 and 2023 include the following:

	2024	*2023*
Financial assets		
Cash	$ 5,106,510	$ 9,830,377
Investments	16,514,442	6,088,706
Contributions and grants receivable	1,839,807	1,774,490
Unrestricted pledges due within one year	452,770	21,197
Total financial assets	23,913,529	17,714,770
Less: financial assets with donor restrictions	1,476,105	1,692,059
Total financial assets to meet cash needs for general expenditures within one year	$ 22,437,424	$ 16,022,711

As part of the Agency's liquidity plan, the Agency maintains 75 days of operating cash on hand and excess cash is invested in short-term investments and money market funds.

16. Subsequent Events

The Agency has performed an evaluation of subsequent events through November 18, 2024, which is the date the Agency's financial statements were available to be issued. Subsequent to year end, the Agency entered into a construction contract for approximately $2.2 million (see note 14). No other material subsequent events have occurred since June 30, 2024, 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, 2024

	Horizons for Homeless Children	*HHC QALICB, Inc.*	*Total*
Current Assets			
Cash	$ 5,106,510	$ -	$ 5,106,510
Investments	16,514,442	-	16,514,442
Contributions and grants receivable	1,839,807	-	1,839,807
Pledges receivable, net	452,770	-	452,770
Prepaid expenses and other	186,015	-	186,015
Total current assets	24,099,544	-	24,099,544
Property and Equipment			
Property and equipment, net	8,882,162	-	8,882,162
Other Assets			
Operating lease right of use asset	16,132,318	-	16,132,318
Note receivable	13,553,300	-	13,553,300
Investment in limited liability company	-	4,034,071	4,034,071
Pledges receivable, net	443,757	-	443,757
Total other assets	30,129,375	4,034,071	34,163,446
Total assets	$ 63,111,081	$ 4,034,071	$ 67,145,152
Current Liabilities			
Accounts payable	$ 139,097	$ -	$ 139,097
Accrued expenses	1,229,771	-	1,229,771
Deferred revenue	66,000	-	66,000
Operating lease liability current portion	878,500	-	878,500
Total current liabilities	2,313,368	-	2,313,368
Long-term Liabilities			
Operating lease liability	16,581,320	-	16,581,320
Total liabilities	18,894,688	-	18,894,688
Net Assets	44,216,393	4,034,071	48,250,464
Total liabilities and net assets	$ 63,111,081	$ 4,034,071	$ 67,145,152

Horizons for Homeless Children and Affiliate
Supplemental Schedule – Combining Statement of Activities
For the Year Ended June 30, 2024

	Horizons for Homeless Children	*HHC QALICB, Inc.*	*Total*
Revenues			
Program revenues:			
Contracts, grants and vouchers	$ 9,823,276	$ -	$ 9,823,276
Donated professional services	158,693	-	158,693
Total program revenues	9,981,969	-	9,981,969
Fundraising revenues:			
Contributions	6,236,711	-	6,236,711
Capital campaign contributions	558,677	-	558,677
Special events	1,877,883	-	1,877,883
Total fundraising revenues	8,673,271	-	8,673,271
Interest income on notes receivable	745,161	-	745,161
Total revenues	19,400,401	-	19,400,401
Expenses			
Program services	12,521,038	-	12,521,038
Supporting services	3,559,343	-	3,559,343
Total expenses	16,080,381	-	16,080,381
Changes in net assets from operations	3,320,020	-	3,320,020
Non-operating activity			
Rental income	100,363	-	100,363
Interest and dividends on investments	434,739	-	434,739
Net realized and unrealized gain on investments	1,050,694	52,050	1,102,744
Total non-operating revenues	1,585,796	52,050	1,637,846
Changes in net assets	4,905,816	52,050	4,957,866
Net assets, beginning of year	39,310,577	3,982,021	43,292,598
Net assets, end of year	$ 44,216,393	$ 4,034,071	$ 48,250,464