

HORIZONS FOUNDATION

(A California Not-For-Profit Corporation)

FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND DECEMBER 31, 2010

HORIZONS FOUNDATION

TABLE OF CONTENTS **DECEMBER 31, 2011 AND DECEMBER 31, 2010**

Independent auditors' report	2
Statements of financial position	3
Statement of activities	4 - 5
Statement of functional expense	6 - 7
Statements of cash flows	8
Notes to financial statements	9 - 16



Independent Auditors' Report

The Board of Directors
Horizons Foundation

We have audited the accompanying statement of financial position of Horizons Foundation (a California not-for-profit corporation) as of December 31, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Horizons Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Horizons Foundation as of December 31, 2010 were audited by other auditors whose report dated June 17, 2011 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Horizons Foundation as December 31, 2011 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "RINA Accountancy Corporation".

Certified Public Accountants

San Francisco, California
March 21, 2012

HORIZONS FOUNDATION

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
ASSETS:		
Cash and cash equivalents	\$ 513,277	\$ 528,126
Investments	2,499,059	2,599,536
Grants receivable	50,000	191,525
Pledges receivable	36,545	33,893
Other receivables	36,459	48,494
Prepaid expenses	15,644	19,317
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	3,150,984	3,420,891
Grants receivable beyond one year	50,000	-
Investments restricted for long-term purposes	4,352,600	4,211,810
Property and equipment, net	13,652	17,665
Deposits and other assets	24,036	16,158
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 7,591,272</u>	<u>\$ 7,666,524</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES:		
Current portion of lease payable	\$ 2,641	\$ 2,408
Grants payable	18,000	-
Accounts payable and accrued expenses	45,993	41,174
Accrued paid leave	61,780	69,456
Agency funds	349,796	290,026
Deferred rent	12,208	-
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TOTAL CURRENT LIABILITIES	490,418	403,064
 LONG TERM LIABILITIES:		
Lease payable	3,383	6,025
	<hr/>	<hr/>
TOTAL LIABILITIES	493,801	409,089
 NET ASSETS:		
Unrestricted	2,574,771	2,604,729
Temporarily restricted	511,890	646,896
Permanently restricted	4,010,810	4,005,810
	<hr/>	<hr/>
TOTAL NET ASSETS	7,097,471	7,257,435
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,591,272</u>	<u>\$ 7,666,524</u>

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING REVENUE AND SUPPORT:				
Support:				
Contributions from individuals	\$ 1,095,691	\$ -	\$ 5,000	\$ 1,100,691
Foundation and corporation grants	53,945	409,000	-	462,945
Organizations	251,698	-	-	251,698
Bequests	219,937	268,000	-	487,937
Fundraising event income	339,878	-	-	339,878
Fundraising event expense	(162,189)	-	-	(162,189)
Fundraising event, net	<u>177,689</u>	<u>-</u>	<u>-</u>	<u>177,689</u>
Net assets released from restrictions	<u>878,968</u>	<u>(878,968)</u>	<u>-</u>	<u>-</u>
Total support	<u>2,677,928</u>	<u>(201,968)</u>	<u>5,000</u>	<u>2,480,960</u>
Revenue:				
Interest and dividends	25,213	83,837	-	109,050
Net loss from investments	(12,814)	(16,875)	-	(29,689)
Other income	<u>3,151</u>	<u>-</u>	<u>-</u>	<u>3,151</u>
Total revenue	<u>15,550</u>	<u>66,962</u>	<u>-</u>	<u>82,512</u>
TOTAL OPERATING REVENUE AND SUPPORT	<u>2,693,478</u>	<u>(135,006)</u>	<u>5,000</u>	<u>2,563,472</u>
OPERATING EXPENSES:				
Program expenses:				
Grantmaking	1,986,595	-	-	1,986,595
Capacity building	12,278	-	-	12,278
Promoting philanthropy	<u>172,272</u>	<u>-</u>	<u>-</u>	<u>172,272</u>
Total program services	2,171,145	-	-	2,171,145
Supporting services:				
Management and general	221,189	-	-	221,189
Fundraising	<u>331,102</u>	<u>-</u>	<u>-</u>	<u>331,102</u>
Total supporting services	<u>552,291</u>	<u>-</u>	<u>-</u>	<u>552,291</u>
TOTAL OPERATING EXPENSES	<u>2,723,436</u>	<u>-</u>	<u>-</u>	<u>2,723,436</u>
CHANGE IN NET ASSETS	<u>(29,958)</u>	<u>(135,006)</u>	<u>5,000</u>	<u>(159,964)</u>
NET ASSETS, beginning of year	<u>2,604,729</u>	<u>646,896</u>	<u>4,005,810</u>	<u>7,257,435</u>
NET ASSETS, end of year	<u>\$ 2,574,771</u>	<u>\$ 511,890</u>	<u>\$ 4,010,810</u>	<u>\$ 7,097,471</u>

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING REVENUE, SUPPORT AND GAINS:				
Support:				
Contributions from individuals	\$ 813,210	\$ 12,211	\$ 94,530	\$ 919,951
Foundation and corporation grants	74,036	134,000	-	208,036
Bequests	192,952	-	-	192,952
Fundraising event income	318,489	-	-	318,489
Fundraising event expense	(137,125)	-	-	(137,125)
Fundraising event, net	181,364	-	-	181,364
Net assets released from restrictions	1,469,735	(1,459,735)	(10,000)	-
Total support	2,731,297	(1,313,524)	84,530	1,502,303
Revenue:				
Interest and dividends	17,976	83,048	-	101,024
Net gain (loss) from investments	152,738	323,476	-	476,214
Other income	16,585	-	-	16,585
Total revenue	187,299	406,524	-	593,823
TOTAL OPERATING REVENUE, SUPPORT AND GAINS	2,918,596	(907,000)	84,530	2,096,126
OPERATING EXPENSES:				
Program expenses:				
Grantmaking	2,136,015	-	-	2,136,015
Capacity building	9,585	-	-	9,585
Promoting philanthropy	127,302	-	-	127,302
Total program services	2,272,902	-	-	2,272,902
Supporting services:				
Management and general	243,868	-	-	243,868
Fundraising	410,154	-	-	410,154
Total supporting services	654,022	-	-	654,022
TOTAL OPERATING EXPENSES	2,926,924	-	-	2,926,924
CHANGE IN NET ASSETS	(8,328)	(907,000)	84,530	(830,798)
NET ASSETS, beginning of year	2,613,057	1,553,896	3,921,280	8,088,233
NET ASSETS, end of year	\$ 2,604,729	\$ 646,896	\$ 4,005,810	\$ 7,257,435

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2011

	<u>Grantmaking</u>	<u>Capacity Building</u>	<u>Promoting Philanthropy</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Shared Expenses</u>	<u>Total</u>
Grants	\$ 1,630,352	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,630,352
Salaries	180,718	-	53,556	119,504	183,508	45,648	582,934
Payroll taxes	13,866	-	4,028	10,307	13,725	3,486	45,412
Employee benefits	10,457	-	4,295	4,271	18,654	5,753	43,430
Total personnel	<u>205,041</u>	<u>-</u>	<u>61,879</u>	<u>134,082</u>	<u>215,887</u>	<u>54,887</u>	<u>671,776</u>
Professional services	61,040	10,605	17,861	30,360	29,378	4,003	153,247
Meeting expense and supplies	2,088	1,532	14,119	3,101	14,473	6,307	41,620
Occupancy	-	-	-	-	-	71,406	71,406
Equipment rental and maintenance	-	-	-	403	-	17,667	18,070
Insurance	-	-	-	4,017	-	2,461	6,478
Telephone	-	28	65	123	204	7,280	7,700
Postage	53	-	-	-	-	-	53
Printing	-	-	1,600	615	9,423	11,596	23,234
Promotion	10,685	-	-	-	1,615	-	12,300
Travel	10,223	38	14,349	196	2,744	2,084	29,634
Investment fees	17,989	-	-	-	-	-	17,989
Other fees	-	-	-	2,620	10,159	-	12,779
Other expenses	3,750	75	3,877	630	1,172	3,002	12,506
Interest expense	-	-	-	7,260	-	678	7,938
Depreciation	-	-	-	-	-	6,354	6,354
Allocation of shared expenses	45,374	-	58,522	37,782	46,047	(187,725)	-
Total other expenses	<u>151,202</u>	<u>12,278</u>	<u>110,393</u>	<u>87,107</u>	<u>115,215</u>	<u>(54,887)</u>	<u>421,308</u>
Total functional expenses	<u>\$ 1,986,595</u>	<u>\$ 12,278</u>	<u>\$ 172,272</u>	<u>\$ 221,189</u>	<u>\$ 331,102</u>	<u>\$ -</u>	<u>\$ 2,723,436</u>

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2010

	Grantmaking	Capacity Building	Promoting Philanthropy	Management and General	Fundraising	Shared Expenses	Total
Grants	\$ 1,796,893	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,796,893
Personnel:							
Salaries	165,384	-	40,489	107,151	202,277	43,657	558,958
Payroll taxes	12,861	-	3,156	8,736	15,649	3,428	43,830
Employee benefits	11,735	-	5,563	5,937	24,310	6,434	53,979
Total personnel	189,980	-	49,208	121,824	242,236	53,519	656,767
Professional services	74,227	9,075	375	55,574	57,806	2,525	199,582
Supplies	15,497	201	9,765	1,557	17,126	5,488	49,634
Occupancy	-	-	-	-	-	59,609	59,609
Equipment rental and maintenance	518	-	-	518	1,918	26,282	29,236
Insurance	-	-	-	4,003	-	2,679	6,682
Telephone	145	2	129	193	270	7,156	7,895
Postage	52	-	-	42	1,237	4,016	5,347
Printing	-	307	1,324	169	27,295	2,535	31,630
Promotion	175	-	-	-	2,999	10,850	14,024
Travel	634	-	670	161	4,324	1,223	7,012
Investment fees	22,630	-	-	50	85	-	22,765
Other fees	-	-	-	8,897	12,726	-	21,623
Other expenses	135	-	2,550	2,946	410	564	6,605
Interest expense	-	-	-	6,931	-	729	7,660
Depreciation	-	-	-	-	-	3,960	3,960
Allocation of shared expenses	35,129	-	63,281	41,003	41,722	(181,135)	-
Total other expenses	149,142	9,585	78,094	122,044	167,918	(53,519)	473,264
Total functional expenses	<u>\$ 2,136,015</u>	<u>\$ 9,585</u>	<u>\$ 127,302</u>	<u>\$ 243,868</u>	<u>\$ 410,154</u>	<u>\$ -</u>	<u>\$ 2,926,924</u>

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENTS OF CASH FLOWS

	<u>Year Ended</u> <u>December 31, 2011</u>	<u>Year Ended</u> <u>December 31, 2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (159,964)	\$ (830,798)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	6,354	3,960
Net realized and unrealized (gains) losses on investments	29,689	(476,214)
Contributions restricted for long-term purposes	(5,000)	(94,530)
Changes in operating assets and liabilities:		
Receivables	100,908	286,297
Prepays	3,673	542
Grants payable	18,000	(110,000)
Agency funds	59,770	198,223
Accounts payable and accrued expenses	(2,857)	3,466
Deferred rent	12,208	-
	<hr/>	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	62,781	(1,019,054)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(2,209,447)	(1,767,625)
Purchases of equipment	(2,342)	(11,348)
Proceeds from sale and maturities of investments	2,139,445	2,156,325
Deposits	(7,878)	1,683
	<hr/>	<hr/>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(80,222)	379,035
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	260,000	275,000
Principal payments on borrowings	(260,000)	(275,000)
Principal payments on capital leases	(2,408)	(1,844)
Permanently restricted contributions received	5,000	94,530
	<hr/>	<hr/>
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,592	92,686
NET DECREASE IN CASH	(14,849)	(547,333)
CASH, beginning of year	<hr/> 528,126	<hr/> 1,075,459
CASH, end of year	<hr/> <u>\$ 513,277</u>	<hr/> <u>\$ 528,126</u>
Supplemental information:		
Interest paid	\$ 7,938	\$ 7,660
Equipment acquired through capital leases	\$ -	\$ 10,227

See notes to financial statements.

HORIZON FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

Note 1. ORGANIZATION:

Horizons Foundation (the Foundation) is a public community foundation created in 1980. The Foundation is dedicated to serving the lesbian, gay, bisexual and transgender (LGBT) community primarily within the nine-county San Francisco Bay Area. The Foundation's principal objectives are to encourage philanthropic activism within and for the LGBT community and to provide financial and technical assistance for nonprofit organizations serving the LGBT community.

The Foundation's office is located in San Francisco, California, and its activities are primarily supported by contributions and grants from individuals, private foundations and corporations.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following is a summary of the significant accounting policies followed in the preparation of the accompanying financial statements:

- a) Cash and Cash Equivalents - For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.
- b) Investments - Investments are recorded at fair value. Investments received through gifts are recorded at the estimated fair value at the date of donation. Investment income and net gains and losses from investment of permanently restricted gifts are reported as increases in temporarily restricted net assets until appropriated by the Board of Directors or spent for their restricted purposes.
- c) Grants and Pledges Receivable - Grants and pledges receivable represent unconditional commitments receivable in future periods stated at the net realizable amount that management expects to collect. Management uses specific identification method for establishing an allowance for uncollectible receivables.
- d) Fixed Assets and Depreciation - All acquisitions of property and equipment in excess of \$1,000 are capitalized. Fixed assets are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is provided over the estimated useful lives of the assets, generally three to seven years, using the straight-line method of depreciation.
- e) Agency Funds - Agency funds represent funds transferred to the Foundation by other nonprofit organizations that have specified themselves as the beneficiary. These funds are accounted for as assets and liabilities on the financial statements. However, the Foundation maintains legal ownership of the assets and has variance power.
- f) Income Tax Status - The Foundation is recognized as a public charity exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, whereby only unrelated business income, as defined by Section 512(a)(1) of the Internal Revenue Code and similar code section of the California Revenue and Taxation Code, is subject to income tax. Effective January 1, 2009 the Foundation adopted the FASB guidance on Accounting for Uncertainty in Income Taxes. The Foundation takes the position that its activities continue to be directly related to its tax exempt purpose, and it consequently did not recognize any increase or decrease in liability for unrecognized tax benefits taken in the current or prior periods. Income tax returns for the years prior to 2007 are no longer subject to examination by tax authorities.

HORIZON FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- g) Basis of Presentation - Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, current support and net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets represent net assets that are not subject to donor-imposed stipulations, including \$2,524,719 and \$2,612,509 at December 31, 2011 and 2010, respectively, in donor advised funds. Although grant recommendations are accepted from the donors or other advisors of these funds, the Foundation has variance power; that is, the ultimate discretion over the use of these funds lies with the Board of Directors. Thus, such funds represent unrestricted net assets to the Foundation.

Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. As described in Note 2b above, this class of net assets also includes un-appropriated unrestricted earnings on the Foundation's permanently restricted funds.

Permanently restricted net assets are restricted by the donor for investment in perpetuity. The income from such invested assets, including net realized and unrealized gains is available to support the activities of the Foundation.

- h) Basis of Accounting - The financial statements of the Foundation have been prepared using the accrual method of accounting whereby income is recorded when earned and expenses when incurred.
- i) Restricted and Unrestricted Income - Contributions are reported as income when received or when the donor makes a promise to give to the Foundation that is, in substance, unconditional. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets in the statement of activities.

The Foundation reports gifts of fixed assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

- j) Allocation of Expenses - The Foundation allocates two types of costs to its program and supporting activities: shared and communications. Shared costs, primarily related to the operation and maintenance of the office facility, are allocated based on the number of full-time equivalent positions in each activity; communications costs are allocated based on management's estimate of benefit derived from various communication activities, such as E-news, Insider Briefings, Press releases, events, etc.

HORIZON FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- k) Grants to Others - Grants are recorded as expenses after they are approved by the Board of Directors and grant agreements are executed. Grants payable represents the present value of future commitments of the Foundation.
- l) Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant accounting estimates reflected in the Foundation's financial statements include valuation of investments, valuation of grants receivable, and the functional allocation of expenses. Actual results could differ from those estimates.
- m) Subsequent Events - Management has evaluated subsequent events through March 21, 2012, the date on which the financial statements were available to be issued.

Note 3. CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of cash and investments. The Foundation places its cash and investments with high credit quality financial institutions. At times, the account balances may exceed the institution's federally insured limits. The uninsured cash and cash equivalents were \$331,363 and \$594,090 at December 31, 2011 and 2010, respectively. The Foundation has not experienced any losses in such accounts.

Note 4. INVESTMENTS AND FAIR VALUE MEASUREMENTS:

Professional accounting standards establishes a 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 following table sets forth by level, the fair value hierarchy, of the Foundation's assets at fair value as of December 31, 2011 and December 31, 2010.

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. All assets have been valued using a market approach. There were no changes in the valuations techniques during the current year.

<u>December 31, 2011</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Total</u>
Cash and money market	\$ 1,569,241	\$ -	\$ 1,569,241
Trading securities	2,786,494	-	2,786,494
Mutual funds	958,589	-	958,589
Fixed income	<u>-</u>	<u>1,537,335</u>	<u>1,537,335</u>
Totals	<u>\$ 5,314,324</u>	<u>\$ 1,537,335</u>	<u>\$ 6,851,659</u>

HORIZON FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

Note 4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued):

<u>December 31, 2010</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Total</u>
Cash and money market	\$ 1,621,360	\$ -	\$ 1,621,360
Trading securities	2,419,404	-	2,419,404
Mutual funds	926,018	-	926,018
Fixed income	<u>181,517</u>	<u>1,663,047</u>	<u>1,844,564</u>
Totals	<u>\$ 5,148,299</u>	<u>\$ 1,663,047</u>	<u>\$ 6,811,346</u>

Note 5. GRANTS RECEIVABLE:

Grants are expected to be realized in the following periods:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
In one year or less	\$ 50,000	\$ 191,525
Between one and five years	<u>50,000</u>	<u>-</u>
	\$ 100,000	\$ 191,525
Less allowance for uncollectible grants	<u>-</u>	<u>-</u>
Totals	<u>\$ 100,000</u>	<u>\$ 191,525</u>

Grants receivable at December 31, 2011 includes an unconditional promise from one private foundation.

Note 6. PROPERTY AND EQUIPMENT:

Property and equipment consisted of:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Furniture and equipment	\$ 76,417	\$ 94,073
Software	18,628	17,212
Leasehold improvements	1,800	4,613
Leased equipment	10,277	10,277
Accumulated depreciation	<u>(93,470)</u>	<u>(108,510)</u>
Totals	<u>\$ 13,652</u>	<u>\$ 17,665</u>

HORIZON FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

Note 7. RETIREMENT PLAN:

The Foundation provides a defined contribution retirement plan to all of its employees under Section 403(b) of the Internal Revenue Code. Total contributions by the Foundation to this plan during the years ended December 31, 2011 and 2010 were \$0 and \$10,929, respectively.

Note 8. LINE OF CREDIT:

The Foundation has a secured line of credit from a financial institution in the amount of \$375,000. The security for this line of credit includes all equipment, inventory, accounts and investments and the annual interest rate is prime rate of the bank plus 1.25%. The balance of this line of credit was \$0 at December 31, 2011 and 2010.

Note 9. UNRESTRICTED RESTRICTED NET ASSETS:

Unrestricted net assets consisted of the following:

	December <u>31, 2011</u>	December <u>31, 2010</u>
Available for operations	\$ 299,441	\$ 146,823
Designated as endowment	29,470	29,470
Donor advised funds	2,524,719	2,612,509
Underwater endowment funds	<u>(278,859)</u>	<u>(184,073)</u>
Totals	<u>\$ 2,574,771</u>	<u>\$ 2,604,729</u>

Note 10. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets were available for the following purposes:

	December <u>31, 2011</u>	December <u>31, 2010</u>
LGBT seniors	\$ 68,000	\$ 194,704
Leadership development	30,507	194,637
Grantmaking	142,000	133,007
Endowed Funds	241,383	70,551
Marriage initiative	-	38,997
Planned giving officer	15,000	15,000
General operating expenses of future periods	<u>15,000</u>	<u>-</u>
Totals	<u>\$ 511,890</u>	<u>\$ 646,896</u>

HORIZON FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

Note 11. ENDOWMENT FUNDS:

Permanently restricted net assets consist of the Foundation's Endowment Fund (the Endowment), whose purpose is to provide support in meeting the operating and program needs of the Foundation.

The Board of Directors of Horizons Foundation has interpreted the State laws as requiring the preservation of the fair value of the original gift (historical value) as of the gift date of the donor-restricted endowment funds unless there are explicit donor stipulations to the contrary. As a result there are three classes of donor restricted endowment net assets: The permanently restricted amount includes original and subsequent donations, and accumulations of net income to the permanent endowment when prescribed by the donor. The remaining net income portion of the donor-restricted endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in accordance with the Foundation's spending policy. The amounts allocated as unrestricted net assets are due to funds with deficiencies. From time to time, the funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations. The Foundation has adopted investment and spending policies, approved by its Board of Directors, for its endowment funds as follows:

Spending Policy – The Foundation has a policy of appropriating for distribution each year up to 5% of its endowment fund's average fair value of the previous three years, measured as of December 31 of each year. If a donor's gift instrument expressly allows the spending of additional amounts or expressly allows the invasion of principal in certain circumstances, the Foundation may spend such amounts. The Foundation distributed \$190,926 of its endowment fund for the year ended December 31, 2011, which is approximately 5% of the endowment fund's average fair value of the previous three years.

Investment Return Objectives, Risk Parameters and Strategies – The Foundation's investment policy for its endowment assets adhere to a) preservation and safety of principal; and b) capital appreciation and income. Over the long term, the investment process seeks to achieve total return equal to or exceeding that of a benchmark portfolio consisting of 60% equities and 40% fixed income. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund's investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

HORIZON FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

Note 11. ENDOWMENT FUNDS (Continued):

Endowment net asset composition by type of fund was as follows:

<u>December 31, 2011</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	\$ -	\$ 241,383	\$ 4,010,811	\$ 4,252,194
Underwater endowment funds	(278,859)	-	-	(278,859)
Board designated	<u>29,470</u>	<u>-</u>	<u>-</u>	<u>29,470</u>
Totals	<u>\$ (249,389)</u>	<u>\$ 241,383</u>	<u>\$ 4,010,811</u>	<u>\$ 4,002,805</u>
<u>December 31, 2010</u>				
Donor restricted	\$ -	\$ 70,551	\$ 4,005,811	\$ 4,076,362
Underwater endowment funds	(184,073)	-	-	(184,073)
Board designated	<u>29,470</u>	<u>-</u>	<u>-</u>	<u>29,470</u>
Totals	<u>\$ (154,603)</u>	<u>\$ 70,551</u>	<u>\$ 4,005,811</u>	<u>\$ 3,921,759</u>

Changes in Endowment net assets for the year ended December 31, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning	<u>\$ (154,603)</u>	<u>\$ 70,551</u>	<u>\$ 4,005,811</u>	<u>\$ 3,921,759</u>
Investment return:				
Interest and dividends	-	83,846	-	83,846
Net gains (realized and unrealized)	<u>(94,786)</u>	<u>77,912</u>	<u>-</u>	<u>(16,874)</u>
Total investment return	(94,786)	161,758	-	66,972
Contributions	-	200,000	5,000	205,000
Appropriation of endowment for expenditures	<u>-</u>	<u>(190,926)</u>	<u>-</u>	<u>(190,926)</u>
Endowment net assets, ending	<u>\$ (249,389)</u>	<u>\$ 241,383</u>	<u>\$ 4,010,811</u>	<u>\$ 4,002,805</u>

HORIZON FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

Note 11. ENDOWMENT FUNDS (Continued):

Changes in Endowment net assets for the year ended December 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning	\$ (330,270)	\$ 15,652	\$ 3,921,280	\$ 3,606,662
Investment return:				
Interest and dividends	-	83,048	-	83,048
Net gains (realized and unrealized)	-	323,476	-	323,476
 Total investment return	-	406,524	-	406,524
Contributions	-	-	84,531	84,531
Recovery of prior accumulated losses	175,667	(175,667)	-	-
Appropriation of endowment for expenditures	-	(175,958)	-	(175,958)
 Endowment net assets, ending	 <u>\$ (154,603)</u>	 <u>\$ 70,551</u>	 <u>\$ 4,005,811</u>	 <u>\$ 3,921,759</u>

Note 12. COMMITMENTS UNDER OPERATING LEASES:

The Foundation entered into a non-cancelable lease agreement for its office facility. The Organization also leases certain equipment under non-cancelable operating lease arrangements. The minimum future payments on these lease arrangements at December 31, 2011 were as follows:

<u>Year Ending December 31,</u>	
2012	\$ 63,457
2013	71,852
2014	72,085
2015	74,236
2016 and beyond	<u>36,960</u>
 Total	 <u>\$ 319,320</u>

Total rent expense during the years ended December 31, 2011 and 2010 was \$62,736 and \$55,859, respectively.