

horizons foundation

Fueling the LGBT Movement

HORIZONS FOUNDATION
(A California Not-For-Profit Corporation)

FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND DECEMBER 31, 2011



HORIZONS FOUNDATION

TABLE OF CONTENTS **DECEMBER 31, 2012 AND DECEMBER 31, 2011**

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 - 17



Independent Auditors' Report

Board of Directors
Horizons Foundation

We have audited the accompanying consolidated financial statements of Horizons Foundation. (a California not-for-profit organization), which comprise the statements of financial position as of December 31, 2012 and December 31, 2011, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Horizons Foundation's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Horizons Foundation as of December 31, 2012 and December 31, 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Certified Public Accountants

San Francisco, California
April 24, 2013

HORIZONS FOUNDATION

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
ASSETS:		
Cash and cash equivalents	\$ 802,319	\$ 513,277
Investments	10,962,202	2,499,059
Grant receivable	50,000	50,000
Bequest receivable	5,000,000	-
Pledges receivable	2,585	36,545
Other receivables	38,475	36,459
Prepaid expenses	15,192	15,644
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	16,870,773	3,150,984
Grants receivable beyond one year	-	50,000
Investments restricted for long-term purposes	4,551,712	4,352,600
Property and equipment, net	8,198	13,652
Deposits and other assets	23,475	24,036
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 21,454,158</u>	<u>\$ 7,591,272</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES:		
Current portion of lease payable	\$ 2,896	\$ 2,641
Grants payable	3,000,000	18,000
Accounts payable and accrued expenses	18,536	45,993
Accrued paid leave	38,912	61,780
Agency funds	371,469	349,796
Deferred rent	18,627	12,208
Deferred revenue	5,000	-
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	3,455,440	490,418
 LONG TERM LIABILITIES:		
Lease payable	508	3,383
	<hr/>	<hr/>
TOTAL LIABILITIES	3,455,948	493,801
 NET ASSETS:		
Unrestricted	11,535,204	2,574,771
Temporarily restricted	447,195	511,890
Permanently restricted	6,015,811	4,010,810
	<hr/>	<hr/>
TOTAL NET ASSETS	17,998,210	7,097,471
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,454,158</u>	<u>\$ 7,591,272</u>

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUE AND SUPPORT:				
Support:				
Contributions from individuals	\$ 1,562,497	\$ -	\$ 5,000	\$ 1,567,497
Foundation and corporation grants	8,588,892	295,050	-	8,883,942
Organizations	7,511	-	-	7,511
Bequests	49,159	3,000,000	2,000,000	5,049,159
Fundraising event income	319,332	-	-	319,332
Fundraising event expense	(168,320)	-	-	(168,320)
Fundraising event, net	151,012	-	-	151,012
Net assets released from restrictions	3,602,029	(3,602,029)	-	-
Total support	13,961,100	(306,979)	2,005,000	15,659,121
Revenue:				
Interest and dividends	145,459	92,249	-	237,708
Net gain from investments	470,604	150,035	-	620,639
Other income	2,442	-	-	2,442
Total revenue	618,505	242,284	-	860,789
TOTAL OPERATING REVENUE AND SUPPORT	14,579,605	(64,695)	2,005,000	16,519,910
OPERATING EXPENSES:				
Program expenses:				
Grantmaking	4,893,037	-	-	4,893,037
Capacity building	49,503	-	-	49,503
Promoting philanthropy	121,183	-	-	121,183
Total program services	5,063,723	-	-	5,063,723
Supporting services:				
Management and general	228,687	-	-	228,687
Fundraising	326,762	-	-	326,762
Total supporting services	555,449	-	-	555,449
TOTAL OPERATING EXPENSES	5,619,172	-	-	5,619,172
CHANGE IN NET ASSETS	8,960,433	(64,695)	2,005,000	10,900,738
NET ASSETS, beginning of year	2,574,771	511,890	4,010,811	7,097,472
NET ASSETS, end of year	\$ 11,535,204	\$ 447,195	\$ 6,015,811	\$ 17,998,210

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUE, SUPPORT AND GAINS:				
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	177,689	-	-	177,689
Net assets released from restrictions	878,968	(878,968)	-	-
Total support	2,677,928	(201,968)	5,000	2,480,960
Revenue:				
Interest and dividends	25,213	83,837	-	109,050
Net gain (loss) from investments	(12,814)	(16,875)	-	(29,689)
Other income	3,151	-	-	3,151
Total revenue	15,550	66,962	-	82,512
TOTAL OPERATING REVENUE, SUPPORT AND GAINS	2,693,478	(135,006)	5,000	2,563,472
OPERATING EXPENSES:				
Program expenses:				
Grantmaking	1,986,595	-	-	1,986,595
Capacity building	12,278	-	-	12,278
Promoting philanthropy	172,272	-	-	172,272
Total program services	2,171,145	-	-	2,171,145
Supporting services:				
Management and general	221,189	-	-	221,189
Fundraising	331,102	-	-	331,102
Total supporting services	552,291	-	-	552,291
TOTAL OPERATING EXPENSES	2,723,436	-	-	2,723,436
CHANGE IN NET ASSETS	(29,958)	(135,006)	5,000	(159,964)
NET ASSETS, beginning of year	2,604,729	646,896	4,005,811	7,257,436
NET ASSETS, end of year	\$ 2,574,771	\$ 511,890	\$ 4,010,811	\$ 7,097,472

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2012

	<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	\$ 4,476,734	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,476,734
Salaries	120,489	25,963	55,761	133,624	139,044	26,603	501,484
Payroll taxes	9,974	2,230	4,535	10,583	11,098	2,235	40,655
Employee benefits	8,913	1,237	4,743	3,528	12,591	2,858	33,870
Total personnel	<u>139,376</u>	<u>29,430</u>	<u>65,039</u>	<u>147,735</u>	<u>162,733</u>	<u>31,696</u>	<u>576,009</u>
Professional services	166,380	10,750	(2,000)	25,629	32,878	23,957	257,594
Meeting expense and supplies	6,329	1,828	10,166	3,619	29,254	9,634	60,830
Occupancy	(28)	-	-	-	-	59,743	59,715
Printing	2,420	-	3,259	-	18,233	5,535	29,447
Investment fees	29,281	-	-	70	27	-	29,378
Travel	21,471	59	676	328	4,083	1,094	27,711
Other expenses	1,642	-	-	2,632	19,540	1,126	24,940
Promotion	14,025	-	-	-	7,231	-	21,256
Postage	-	-	-	95	11,093	2,269	13,458
Equipment rental and maintenance	379	-	-	-	-	7,477	7,856
Dues & Subscriptions	1,700	-	2,810	10	2,594	90	7,204
Telephone	-	-	42	248	334	6,579	7,203
Depreciation	-	-	-	-	-	7,198	7,198
Insurance	-	-	-	3,299	-	3,168	6,467
Interest expense	-	-	-	5,700	4	468	6,172
Allocation of shared expenses	<u>33,328</u>	<u>7,436</u>	<u>41,191</u>	<u>39,322</u>	<u>38,757</u>	<u>(160,034)</u>	<u>-</u>
Total other expenses	<u>276,927</u>	<u>20,073</u>	<u>56,144</u>	<u>80,952</u>	<u>164,029</u>	<u>(31,696)</u>	<u>566,429</u>
Total functional expenses	<u>\$ 4,893,037</u>	<u>\$ 49,503</u>	<u>\$ 121,183</u>	<u>\$ 228,687</u>	<u>\$ 326,762</u>	<u>\$ -</u>	<u>\$ 5,619,172</u>

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2011

	Grantmaking	Capacity Building	Promoting Philanthropy	Management and General	Fundraising	Shared Expenses	Total
Grants	\$ 1,630,352	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,630,352
Personnel:							
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	205,041	-	61,879	134,082	215,887	54,887	671,776
Professional services	61,040	10,605	17,861	30,360	29,378	4,003	153,247
Occupancy	-	-	-	-	-	71,406	71,406
Meeting expense and supplies	2,088	1,532	14,119	3,101	14,473	6,307	41,620
Travel	10,223	38	14,349	196	2,744	2,084	29,634
Printing	-	-	1,600	615	9,423	11,596	23,234
Equipment rental and maintenance	-	-	-	403	-	17,667	18,070
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
Promotion	10,685	-	-	-	1,615	-	12,300
Interest expense	-	-	-	7,260	-	678	7,938
Telephone	-	28	65	123	204	7,280	7,700
Insurance	-	-	-	4,017	-	2,461	6,478
Depreciation	-	-	-	-	-	6,354	6,354
Postage	53	-	-	-	-	-	53
Allocation of shared expenses	45,374	-	58,522	37,782	46,047	(187,725)	-
Total other expenses	151,202	12,278	110,393	87,107	115,215	(54,887)	421,308
Total functional expenses	\$ 1,986,595	\$ 12,278	\$ 172,272	\$ 221,189	\$ 331,102	\$ -	\$ 2,723,436

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENTS OF CASH FLOWS

	<u>Year Ended</u> <u>December 31, 2012</u>	<u>Year Ended</u> <u>December 31, 2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 10,900,738	\$ (159,964)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	7,198	6,354
Net realized and unrealized (gains) losses on investments	(620,639)	29,689
Contributions restricted for long-term purposes	-	(5,000)
Changes in operating assets and liabilities:		
Receivables	(4,918,056)	100,908
Prepays	452	3,673
Grants payable	2,982,000	18,000
Agency funds	21,673	59,770
Accounts payable and accrued expenses	(50,325)	(2,857)
Deferred revenue	5,000	-
Deferred rent	6,419	12,208
	<u>8,334,460</u>	<u>62,781</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(8,978,845)	(2,209,447)
Purchases of equipment	(1,744)	(2,342)
Proceeds from sale and maturities of investments	937,230	2,139,445
Deposits	561	(7,878)
	<u>(8,042,798)</u>	<u>(80,222)</u>
NET CASH USED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	250,000	260,000
Principal payments on borrowings	(250,000)	(260,000)
Principal payments on capital leases	(2,620)	(2,408)
Permanently restricted contributions received	-	5,000
	<u>(2,620)</u>	<u>2,592</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	289,042	(14,849)
CASH AND CASH EQUIVALENTS, beginning of year	<u>513,277</u>	<u>528,126</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 802,319</u>	<u>\$ 513,277</u>
Supplemental information:		
Interest paid	\$ 6,467	\$ 7,938

See notes to financial statements.

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

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, Bequests, and Pledges Receivable - These receivables 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. No allowance was deemed necessary at December 31, 2012 and December 31, 2011. It is the Foundation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.
- 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.

HORIZON FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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.

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 \$11,004,162 and \$2,524,719 at December 31, 2012 and 2011, 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.

HORIZON FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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.
- 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. In 2012 the Foundation was notified that it is the beneficiary of a bequest of approximately \$5,000,000. The terms of the bequest require that 60% be granted out to specific organizations. Therefore an estimate of \$3,000,000 was accrued in grant expense in 2012.
- 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 April 24, 2013, 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 Foundation has not experienced any losses in such accounts.

During the year ended December 31, 2012, the Organization received donated securities of \$7,246,234. It is the Organization's policy to liquidate the donations upon receipt and reinvest according to their investment objectives.

HORIZON FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

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.

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, 2012</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	\$ 2,232,022	\$ -	\$ 2,232,022
Trading securities	7,017,997	-	7,017,997
Mutual funds	1,920,236	-	1,920,236
Fixed income	<u>-</u>	<u>4,343,659</u>	<u>4,343,659</u>
Totals	<u>\$ 11,170,255</u>	<u>\$ 4,343,659</u>	<u>\$ 15,513,914</u>

<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, 2012 AND 2011

Note 5. GRANTS AND BEQUESTS RECEIVABLE:

Bequests and grants are expected to be realized in the following periods:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
In one year or less	\$ 5,050,000	\$ 50,000
Between one and five years	<u>-</u>	<u>50,000</u>
	5,050,000	100,000
Less allowance for uncollectible amounts	<u>-</u>	<u>-</u>
Totals	<u>\$ 5,050,000</u>	<u>\$ 100,000</u>

Grants receivable at December 31, 2012 includes an unconditional promise from one private foundation.

Bequests receivable at December 31, 2012 includes an unconditional promise from one individual.

Note 6. PROPERTY AND EQUIPMENT:

Property and equipment consisted of:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Furniture and equipment	\$ 76,417	\$ 76,417
Software	20,371	18,628
Leasehold improvements	1,800	1,800
Leased equipment	10,277	10,277
Accumulated depreciation	<u>(100,667)</u>	<u>(93,470)</u>
Totals	<u>\$ 8,198</u>	<u>\$ 13,652</u>

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. The Foundation made no contributions to this plan during the years ended December 31, 2012 and 2011.

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, 2012 and 2011.

HORIZON FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

Note 9. UNRESTRICTED NET ASSETS:

Unrestricted net assets consisted of the following:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Available for operations	\$ 43,518	\$ 164,518
Designated as endowment	9,555	29,470
Donor advised funds and other named funds	11,616,395	2,659,642
Underwater endowment funds	<u>(134,264)</u>	<u>(278,859)</u>
Totals	<u>\$ 11,535,204</u>	<u>\$ 2,574,771</u>

Note 10. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets were available for the following purposes:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
LGBT seniors	\$ -	\$ 68,000
Leadership development	26,000	30,507
Grantmaking	50,000	142,000
Endowed Funds	289,145	241,383
LGBT giving	60,000	-
LGBT youth	22,050	
Planned giving officer	-	15,000
General operating expenses of future periods	<u>-</u>	<u>15,000</u>
Totals	<u>\$ 447,195</u>	<u>\$ 511,890</u>

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

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 \$194,522 of its endowment fund for the year ended December 31, 2012, 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.

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

Note 11. ENDOWMENT FUNDS (Continued):

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

<u>December 31, 2012</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	\$ -	\$ 289,145	\$ 6,015,811	\$ 6,304,956
Underwater endowment funds	(134,264)	-	-	(134,264)
Board designated	<u>9,555</u>	<u>-</u>	<u>-</u>	<u>9,555</u>
Totals	<u>\$ (124,709)</u>	<u>\$ 289,145</u>	<u>\$ 6,015,811</u>	<u>\$ 6,180,247</u>

<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>

Changes in Endowment net assets for the year ended December 31, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning	<u>\$ (249,389)</u>	<u>\$ 241,383</u>	<u>\$ 4,010,811</u>	<u>\$ 4,002,805</u>
Investment return:				
Interest and dividends	-	92,249	-	92,249
Net gains (realized and unrealized)	<u>144,595</u>	<u>150,035</u>	<u>-</u>	<u>294,630</u>
Total investment return	144,595	242,284	-	386,879
Contributions	5,085	-	2,005,000	2,010,085
Appropriation of endowment for expenditures	<u>(25,000)</u>	<u>(194,522)</u>	<u>-</u>	<u>(219,522)</u>
Endowment net assets, ending	<u>\$ (124,709)</u>	<u>\$ 289,145</u>	<u>\$ 6,015,811</u>	<u>\$ 6,180,247</u>

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

Note 11. ENDOWMENT FUNDS (Continued):

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	\$ (154,603)	\$ 70,551	\$ 4,005,811	\$ 3,921,759
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>

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, 2012 were as follows:

<u>Year Ending December 31,</u>	
2013	\$ 72,332
2014	72,159
2015	74,236
2016	<u>37,692</u>
Total	<u>\$ 256,419</u>

Total rent expense during the years ended December 31, 2012 and 2011 was \$67,220 and \$62,736, respectively.