

horizons foundation

Fueling the LGBT Movement

HORIZONS FOUNDATION

(A California Not-For-Profit Corporation)

FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND DECEMBER 31, 2013



accountancy corporation

HORIZONS FOUNDATION

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Independent Auditors' Report

Board of Directors
Horizons Foundation

We have audited the accompanying financial statements of Horizons Foundation (a California not-for-profit organization), which comprise the statements of financial position as of December 31, 2014 and December 31, 2013, and the related 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 audits. We conducted our audits 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, 2014 and December 31, 2013, 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.

A handwritten signature in black ink that reads "RINA accountancy corporation".

Certified Public Accountants

San Francisco, California
April 15, 2015

HORIZONS FOUNDATION

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
ASSETS:		
Cash and cash equivalents	\$ 556,923	\$ 145,372
Investments	14,613,885	13,605,552
Grants receivable	125,212	5,000
Bequests receivable	67,322	137,322
Pledges receivable	10,000	821
Other receivables	47,286	44,093
Prepaid expenses	40,954	22,879
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	15,461,582	13,961,039
Investments restricted for long-term purposes	7,654,884	7,418,862
Property and equipment, net	140,498	11,006
Deposits and other assets	23,613	23,927
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 23,280,577</u>	<u>\$ 21,414,834</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Current portion of lease payable	\$ -	\$ 508
Grants payable	222,975	190,107
Accounts payable and accrued expenses	50,986	58,358
Accrued paid leave	63,645	50,667
Agency funds	462,713	424,756
Deferred rent	12,131	16,699
Deferred revenue	-	2,989
	<hr/>	<hr/>
TOTAL LIABILITIES (ALL CURRENT)	812,450	744,084
 NET ASSETS:		
Unrestricted	14,305,208	13,426,001
Temporarily restricted	2,045,346	1,134,111
Permanently restricted	6,117,573	6,110,638
	<hr/>	<hr/>
TOTAL NET ASSETS	<u>22,468,127</u>	<u>20,670,750</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 23,280,577</u>	<u>\$ 21,414,834</u>

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUE AND SUPPORT:				
Support:				
Contributions from individuals	\$ 2,174,338	\$ -	\$ 6,935	\$ 2,181,273
Foundation and corporation grants	292,309	985,000	-	1,277,309
Organizations	154,732	-	-	154,732
Bequests	169,237	-	-	169,237
Fundraising event income	269,641	-	-	269,641
Fundraising event expense	(172,537)	-	-	(172,537)
Fundraising event, net	97,104	-	-	97,104
Net assets released from restrictions	536,799	(536,799)	-	-
Total support	3,424,519	448,201	6,935	3,879,655
Revenue:				
Fee income	9,864	-	-	9,864
Interest and dividends	181,621	136,525	-	318,146
Net gain from investments	704,243	326,509	-	1,030,752
Other income	4,563	-	-	4,563
Total revenue	900,291	463,034	-	1,363,325
TOTAL OPERATING REVENUE AND SUPPORT	4,324,810	911,235	6,935	5,242,980
OPERATING EXPENSES:				
Program expenses:				
Grantmaking	2,381,698	-	-	2,381,698
Capacity building	57,229	-	-	57,229
Promoting philanthropy	280,096	-	-	280,096
Total program services	2,719,023	-	-	2,719,023
Supporting services:				
Management and general	310,982	-	-	310,982
Fundraising	415,598	-	-	415,598
Total supporting services	726,580	-	-	726,580
TOTAL OPERATING EXPENSES	3,445,603	-	-	3,445,603
CHANGE IN NET ASSETS	879,207	911,235	6,935	1,797,377
NET ASSETS, beginning of year	13,426,001	1,134,111	6,110,638	20,670,750
NET ASSETS, end of year	\$ 14,305,208	\$ 2,045,346	\$ 6,117,573	\$ 22,468,127

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUE AND SUPPORT:				
Support:				
Contributions from individuals	\$ 2,307,696	\$ 81,500	\$ -	\$ 2,389,196
Foundation and corporation grants	21,792	250,000	-	271,792
Organizations	1,816	-	-	1,816
Bequests	430,659	-	94,827	525,486
Fundraising event income	331,336	-	-	331,336
Fundraising event expense	(166,645)	-	-	(166,645)
Fundraising event, net	164,691	-	-	164,691
Net assets released from restrictions	458,181	(458,181)	-	-
Total support	3,384,835	(126,681)	94,827	3,352,981
Revenue:				
Fee income	3,371	-	-	3,371
Interest and dividends	152,862	95,147	-	248,009
Net gain from investments	1,629,989	718,450	-	2,348,439
Other income	1,789	-	-	-
Total revenue	1,788,011	813,597	-	2,601,608
TOTAL OPERATING REVENUE AND SUPPORT	5,172,846	686,916	94,827	5,954,589
OPERATING EXPENSES:				
Program expenses:				
Grantmaking	2,379,931	-	-	2,379,931
Capacity building	46,420	-	-	46,420
Promoting philanthropy	244,212	-	-	244,212
Total program services	2,670,563	-	-	2,670,563
Supporting services:				
Management and general	272,168	-	-	272,168
Fundraising	339,317	-	-	339,317
Total supporting services	611,485	-	-	611,485
TOTAL OPERATING EXPENSES	3,282,049	-	-	3,282,049
CHANGE IN NET ASSETS	1,890,797	686,916	94,827	2,672,540
NET ASSETS, beginning of year	11,535,204	447,195	6,015,811	17,998,210
NET ASSETS, end of year	\$ 13,426,001	\$ 1,134,111	\$ 6,110,638	\$ 20,670,750

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014

	<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	\$ 1,804,911	\$ -	\$ 17,500	\$ -	\$ -	\$ -	\$ 1,822,411
Personnel:							
Salaries	171,776	33,973	71,355	169,136	173,070	54,493	673,803
Payroll taxes	13,588	2,691	5,630	13,346	13,548	4,231	53,034
Employee benefits	21,720	3,563	9,193	26,237	22,900	5,560	89,173
Total personnel	<u>207,084</u>	<u>40,227</u>	<u>86,178</u>	<u>208,719</u>	<u>209,518</u>	<u>64,284</u>	<u>816,010</u>
Professional services	155,877	10,250	35,215	25,829	62,528	2,250	291,949
Travel	68,526	120	19,821	50	9,488	1,723	99,728
Investment fees	89,477	-	-	41	103	-	89,621
Meeting expense and supplies	8,572	1,149	32,751	1,169	27,602	11,017	82,260
Occupancy	-	-	-	-	-	71,686	71,686
Printing	1,151	-	633	-	38,686	5,273	45,743
Promotion	11,150	-	5,478	-	814	5,500	22,942
Postage	517	-	92	181	15,366	4,728	20,884
Merchant service fees	-	-	-	15,183	(45)	-	15,138
Computer repairs	-	-	-	-	-	12,871	12,871
Telephone	2,710	21	51	382	305	8,251	11,720
Dues and subscriptions	-	-	7,115	459	1,299	252	9,125
Depreciation	-	-	-	-	-	7,994	7,994
Insurance	-	-	-	1,473	-	5,279	6,752
Interest expense	-	-	-	6,428	-	8	6,436
Board support	-	-	-	3,851	-	-	3,851
Equipment rental and maintenance	-	-	-	-	-	3,053	3,053
Bank fees	-	-	-	2,536	-	-	2,536
Computer equipment & software	-	-	-	595	186	456	1,237
Staff development	-	-	884	-	-	-	884
Discretionary	425	-	-	-	-	-	425
Permits, licenses and property taxes	-	-	94	253	-	-	347
Allocation of communications	-	-	59,221	9,640	-	(68,861)	-
Allocation of shared expenses	31,298	5,462	15,063	34,193	49,748	(135,764)	-
Total other expenses	<u>369,703</u>	<u>17,002</u>	<u>176,418</u>	<u>102,263</u>	<u>206,080</u>	<u>(64,284)</u>	<u>807,182</u>
Total functional expenses	<u>\$ 2,381,698</u>	<u>\$ 57,229</u>	<u>\$ 280,096</u>	<u>\$ 310,982</u>	<u>\$ 415,598</u>	<u>\$ -</u>	<u>\$ 3,445,603</u>

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2013

	<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	\$ 1,883,523	\$ -	\$ 22,520	\$ -	\$ -	\$ -	\$ 1,906,043
Personnel:							
Salaries	132,989	23,675	56,121	150,668	147,058	42,140	552,651
Payroll taxes	10,068	1,784	4,308	11,440	11,334	3,525	42,459
Employee benefits	12,801	2,051	5,967	20,459	16,453	5,215	62,946
Total personnel	<u>155,858</u>	<u>27,510</u>	<u>66,396</u>	<u>182,567</u>	<u>174,845</u>	<u>50,880</u>	<u>658,056</u>
Professional services	145,970	10,250	62,634	26,354	29,930	18,922	294,060
Investment fees	76,364	-	-	334	-	-	76,698
Occupancy	-	-	-	-	10	68,399	68,409
Travel	47,799	2,201	2,374	761	6,585	1,034	60,754
Meeting expense and supplies	1,969	275	12,658	6,195	29,704	7,196	57,997
Printing	2,129	-	5,232	327	16,948	12,635	37,271
Promotion	26,670	-	5,000	-	1,598	-	33,268
Other expenses	1,233	-	-	2,922	17,764	390	22,309
Postage	430	-	-	313	16,561	3,576	20,880
Telephone	2,767	22	29	183	251	7,343	10,595
Depreciation	-	-	-	-	-	9,033	9,033
Equipment rental and maintenance	-	-	-	-	-	8,300	8,300
Interest expense	-	-	-	6,575	-	192	6,767
Insurance	-	-	-	-	-	5,094	5,094
Dues and subscriptions	-	-	3,547	224	728	183	4,682
Computer equipment & software	-	-	-	-	983	850	1,833
Allocation of shared expenses	35,219	6,162	63,822	45,413	43,411	(194,027)	-
Total other expenses	<u>340,550</u>	<u>18,910</u>	<u>155,296</u>	<u>89,601</u>	<u>164,472</u>	<u>(50,880)</u>	<u>717,950</u>
Total functional expenses	<u>\$ 2,379,931</u>	<u>\$ 46,420</u>	<u>\$ 244,212</u>	<u>\$ 272,168</u>	<u>\$ 339,317</u>	<u>\$ -</u>	<u>\$ 3,282,049</u>

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENTS OF CASH FLOWS

	<u>Year Ended</u> <u>December 31, 2014</u>	<u>Year Ended</u> <u>December 31, 2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 1,797,377	\$ 2,672,540
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	7,994	9,033
Permanently restricted contributions	(6,935)	(94,827)
Net realized and unrealized (gains) losses on investments	(1,030,751)	(2,348,439)
Donated securities	(1,328,451)	(3,142,378)
Changes in operating assets and liabilities:		
Receivables	(62,584)	4,903,824
Prepaid expenses	(18,075)	(7,687)
Grants payable	32,868	(2,809,893)
Accounts payable and accrued expenses	5,606	51,577
Agency funds	37,957	53,287
Deferred rent	(4,568)	(1,928)
Deferred revenue	(2,989)	(2,011)
	<u>(572,551)</u>	<u>(716,902)</u>
NET CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,504,742)	(4,064,607)
Purchases of equipment	(137,486)	(11,841)
Proceeds from sale and maturities of investments	2,619,589	4,719,685
Deposits	314	(452)
	<u>977,675</u>	<u>642,785</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital leases	(508)	(2,896)
Permanently restricted contributions received	6,935	94,827
	<u>6,427</u>	<u>91,931</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		
NET INCREASE IN CASH	411,551	17,814
CASH AND CASH EQUIVALENTS, beginning of year	<u>145,372</u>	<u>127,558</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 556,923</u>	<u>\$ 145,372</u>
Supplemental information:		
Interest paid	\$ 6,436	\$ 5,094

See notes to financial statements.

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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, 2014 and December 31, 2013. 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.
- 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. The Foundation's tax returns are generally subject to examination by federal and state taxing authorities for three and four years respectively.

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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 \$13,203,336 and \$12,610,915 at December 31, 2014 and 2013, 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. Unrestricted net assets also include \$651,741 and \$573,188 at December 31, 2014 and 2013, respectively, in other named funds that are also not subject to donor-imposed restrictions. 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.

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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 April 15, 2015, 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.

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, 2014</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	\$ 3,845,455	\$ -	\$ 3,845,455
Trading securities	10,127,876	-	10,127,876
Mutual funds	2,947,977	-	2,947,977
Fixed income	-	<u>5,347,461</u>	<u>5,347,461</u>
Totals	<u>\$ 16,921,308</u>	<u>\$ 5,347,461</u>	<u>\$ 22,268,769</u>

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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

December 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Cash and money market	\$ 4,106,520	\$ -	\$ 4,106,520
Trading securities	10,386,022	-	10,386,022
Mutual funds	1,903,511	-	1,903,511
Fixed income	-	4,628,364	4,628,364
Totals	\$ 16,396,053	\$ 4,628,364	\$ 21,024,417

Note 5. GRANTS, PLEDGES AND BEQUESTS RECEIVABLE:

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

	December 31,	
	2014	2013
In one year or less	\$ 202,534	\$ 142,322
Between one and five years	-	-
Totals	\$ 202,534	\$ 142,322

Bequests receivable at December 31, 2014 and 2013 include unconditional promises from one individual. Pledges and grants receivable at December 31, 2014 includes an unconditional promise from one individual and two foundations.

Note 6. PROPERTY AND EQUIPMENT:

Property and equipment consisted of:

	December 31,	
	2014	2013
Furniture and equipment	\$ 105,090	\$ 82,612
Software and website	149,656	24,371
Leasehold improvements	1,800	1,800
Leased equipment	-	10,277
Accumulated depreciation	(116,048)	(108,054)
Totals	\$ 140,498	\$ 11,006

Depreciation expense was \$7,994 and \$9,033 for the years ended December 31, 2014 and 2013, respectively.

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 contributions to this plan of \$16,699 and \$0 during the years ended December 31, 2014 and 2013, respectively.

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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, 2014 and 2013.

Note 9. ACCRUED EXPENSES:

Accrued liabilities consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
Accounts payable	\$ 43,893	\$ 55,905
Other accrued liabilities	<u>7,093</u>	<u>2,453</u>
	<u>\$ 50,986</u>	<u>\$ 58,358</u>

Note 10. UNRESTRICTED NET ASSETS:

Unrestricted net assets consisted of the following:

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Available for operations	\$ 443,825	\$ 236,541
Designated as endowment	9,555	9,555
Donor advised funds and other named funds	13,855,077	13,184,103
Underwater endowment funds	<u>(3,249)</u>	<u>(4,198)</u>
Totals	<u>\$ 14,305,208</u>	<u>\$ 13,426,001</u>

Note 11. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets were available for the following purposes:

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Leadership development	\$ 18,000	\$ 16,000
Endowed funds	1,073,393	878,111
LGBT giving	450,273	150,000
LGBT research	231,180	-
Planned giving	87,500	-
Capacity building	<u>185,000</u>	<u>90,000</u>
Totals	<u>\$ 2,045,346</u>	<u>\$ 1,134,111</u>

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Note 12. 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 \$267,751 of its endowment fund for the year ended December 31, 2014, which is approximately 3.5% of the endowment fund's average fair value of the previous twelve quarters. The Foundation distributed \$224,631 of its endowment fund for the year ended December 31, 2013, which is approximately 4% 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.

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

<u>December 31, 2014</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	\$ -	\$ 1,073,392	\$ 6,117,573	\$ 7,190,965
Underwater endowment funds	(3,249)	-	-	(3,249)
Board designated	<u>9,555</u>	<u>-</u>	<u>-</u>	<u>9,555</u>
Totals	<u>\$ 6,306</u>	<u>\$ 1,073,392</u>	<u>\$ 6,117,573</u>	<u>\$ 7,197,271</u>

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Note 12. ENDOWMENT FUNDS (Continued):

December 31, 2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 878,109	\$ 6,110,638	\$ 6,988,747
Underwater endowment funds	(4,198)	-	-	(4,198)
Board designated	<u>9,555</u>	<u>-</u>	<u>-</u>	<u>9,555</u>
Totals	<u>\$ 5,357</u>	<u>\$ 878,109</u>	<u>\$ 6,110,638</u>	<u>\$ 6,994,104</u>

Changes in endowment net assets for the year ended December 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	<u>\$ 5,357</u>	<u>\$ 878,109</u>	<u>\$ 6,110,638</u>	<u>\$ 6,994,104</u>
Investment return:				
Interest and dividends	949	136,525	-	137,474
Net gains (realized and unrealized)	<u>-</u>	<u>326,509</u>	<u>-</u>	<u>326,509</u>
Total investment return	949	463,034	-	463,983
Contributions	-	-	6,935	6,935
Appropriation of endowment for expenditures	<u>-</u>	<u>(267,751)</u>	<u>-</u>	<u>(267,751)</u>
Endowment net assets, ending	<u>\$ 6,306</u>	<u>\$ 1,073,392</u>	<u>\$ 6,117,573</u>	<u>\$ 7,197,271</u>

Changes in endowment net assets for the year ended December 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	<u>\$ (124,709)</u>	<u>\$ 289,145</u>	<u>\$ 6,015,811</u>	<u>\$ 6,180,247</u>
Investment return:				
Interest and dividends	-	95,147	-	95,147
Net gains (realized and unrealized)	<u>130,066</u>	<u>718,448</u>	<u>-</u>	<u>848,514</u>
Total investment return	130,066	813,595	-	943,661
Contributions	-	-	94,827	94,827
Appropriation of endowment for expenditures	<u>-</u>	<u>(224,631)</u>	<u>-</u>	<u>(224,631)</u>
Endowment net assets, ending	<u>\$ 5,357</u>	<u>\$ 878,109</u>	<u>\$ 6,110,638</u>	<u>\$ 6,994,104</u>

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NOTES TO FINANCIAL STATEMENTS

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Note 13. 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, 2014 were as follows:

<u>Year Ending December 31,</u>	
2015	\$ 74,236
2016	<u>37,692</u>
Total	<u>\$ 111,928</u>

Total rent expense during the years ended December 31, 2014 and 2013 was \$74,739 and \$68,399, respectively.