

horizons foundation

Fueling the LGBT Movement

HORIZONS FOUNDATION

(A California Not-For-Profit Corporation)

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND DECEMBER 31, 2012



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, 2013 and December 31, 2012, 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 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, 2013 and December 31, 2012, 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 cursive script that reads "RINA accountancy corporation".

Certified Public Accountants

San Francisco, California
April 25, 2014

HORIZONS FOUNDATION

STATEMENT OF FINANCIAL POSITION

<u>ASSETS</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>
ASSETS:		
Cash and cash equivalents	\$ 145,372	\$ 127,558
Investments	13,605,552	11,636,963
Grant receivable	5,000	50,000
Bequest receivable	137,322	5,000,000
Pledges receivable	821	2,585
Other receivables	44,093	38,475
Prepaid expenses	22,879	15,192
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	13,961,039	16,870,773
Investments restricted for long-term purposes	7,418,862	4,551,712
Property and equipment, net	11,006	8,198
Deposits and other assets	23,927	23,475
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 21,414,834</u>	<u>\$ 21,454,158</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES:		
Current portion of lease payable	\$ 508	\$ 2,896
Grants payable	190,107	3,000,000
Accounts payable and accrued expenses	58,358	18,536
Accrued paid leave	50,667	38,912
Agency funds	424,756	371,469
Deferred rent	16,699	18,627
Deferred revenue	2,989	5,000
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	744,084	3,455,440
 LONG TERM LIABILITIES:		
Lease payable	<hr/> -	<hr/> 508
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>744,084</u>	<u>3,455,948</u>
 NET ASSETS:		
Unrestricted	13,426,001	11,535,204
Temporarily restricted	1,134,111	447,195
Permanently restricted	6,110,638	6,015,811
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TOTAL NET ASSETS	<u>20,670,750</u>	<u>17,998,210</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,414,834</u>	<u>\$ 21,454,158</u>

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	2,616	-	-	2,616
Bequests	430,659	-	94,827	525,486
Fundraising event income	330,536	-	-	330,536
Fundraising event expense	(166,645)	-	-	(166,645)
Fundraising event, net	163,891	-	-	163,891
Net assets released from restrictions	458,181	(458,181)	-	-
Total support	3,384,835	(126,681)	94,827	3,352,981
Revenue:				
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	-	-	1,789
Fee income	3,371	-	-	3,371
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 ACTIVITIES

YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING REVENUE, SUPPORT AND GAINS:				
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, SUPPORT AND GAINS	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 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
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 & 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

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
Personnel:							
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	139,376	29,430	65,039	147,735	162,733	31,696	576,009
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 and Subscription	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	33,328	7,436	41,191	39,322	38,757	(160,034)	-
Total other expenses	276,927	20,073	56,144	80,952	164,029	(31,696)	566,429
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 CASH FLOWS

	Year Ended December 31, 2013	Year Ended December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,672,540	\$ 10,900,738
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	9,033	7,198
Net realized and unrealized (gains) losses on investments	(2,348,439)	(620,639)
Donated securities	(3,142,378)	-
Changes in operating assets and liabilities:		
Receivables	4,903,824	(4,918,056)
Prepaid expenses	(7,687)	452
Grants payable	(2,809,893)	2,982,000
Accounts payable and accrued expenses	51,577	(50,325)
Agency funds	53,287	21,673
Deferred rent	(1,928)	6,419
Deferred revenue	(2,011)	5,000
	<u>(622,075)</u>	<u>8,334,460</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(4,064,607)	(9,849,059)
Purchases of equipment	(11,841)	(1,744)
Proceeds from sale and maturities of investments	4,719,685	1,454,471
Deposits	(452)	561
	<u>642,785</u>	<u>(8,395,771)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	250,000
Principal payments on borrowings	-	(250,000)
Principal payments on capital leases	(2,896)	(2,620)
	<u>(2,896)</u>	<u>(2,620)</u>
NET CASH USED BY FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	17,814	(63,931)
CASH AND CASH EQUIVALENTS, beginning of year	<u>127,558</u>	<u>191,489</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 145,372</u>	<u>\$ 127,558</u>
Supplemental information:		
Interest paid	\$ 5,094	\$ 6,467

See notes to financial statements.

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

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, 2013 and December 31, 2012. 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, 2013 AND 2012

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 \$12,610,915 and \$11,004,162 at December 31, 2013 and 2012, 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 \$573,188 and \$612,233 at December 31, 2013 and 2012, 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, 2013 AND 2012

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) Reclassifications - Certain amounts appearing in the 2012 financial statements may have been reclassified to conform to the 2013 presentation. The reclassifications have no effect on reported amounts of net assets.
- n) Subsequent Events - Management has evaluated subsequent events through April 25, 2014, 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, 2013</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	\$ 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	<u>\$ 16,396,053</u>	<u>\$ 4,628,364</u>	<u>\$ 21,024,417</u>

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

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

December 31, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Cash and money market	\$ 2,906,783	\$ -	\$ 2,906,783
Trading securities	7,017,997	-	7,017,997
Mutual funds	1,920,236	-	1,920,236
Fixed income	-	4,343,659	4,343,659
Totals	\$ 11,845,016	\$ 4,343,659	\$ 16,188,765

Note 5. GRANTS AND BEQUESTS RECEIVABLE:

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

	December 31,	
	2013	2012
In one year or less	\$ 142,322	\$ 5,050,000
Between one and five years	-	-
	142,322	5,050,000
Less allowance for uncollectible amounts	-	-
Totals	\$ 142,322	\$ 5,050,000

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

Bequests receivable at December 31, 2013 includes an unconditional promise from one individual.

Note 6. PROPERTY AND EQUIPMENT:

Property and equipment consisted of:

	December 31,	
	2013	2012
Furniture and equipment	\$ 82,612	\$ 76,417
Software	24,371	20,371
Leasehold improvements	1,800	1,800
Leased equipment	10,277	10,277
Accumulated depreciation	(108,054)	(100,667)
Totals	\$ 11,006	\$ 8,198

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, 2013 and 2012.

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

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, 2013 and 2012.

Note 9. UNRESTRICTED NET ASSETS:

Unrestricted net assets consisted of the following:

	December 31,	
	2013	2012
Available for operations	\$ 236,541	\$ 43,518
Designated as endowment	9,555	9,555
Donor advised funds and other named funds	13,184,103	11,616,395
Underwater endowment funds	(4,198)	(134,264)
Totals	<u>\$ 13,426,001</u>	<u>\$ 11,535,204</u>

Note 10. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets were available for the following purposes:

	December 31,	
	2013	2012
Leadership development	\$ 16,000	\$ 26,000
Grantmaking	-	50,000
Endowed Funds	878,111	289,145
LGBT giving	150,000	60,000
LGBT youth	-	22,050
Capacity building	90,000	-
Totals	<u>\$ 1,134,111</u>	<u>\$ 447,195</u>

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:

HORIZONS FOUNDATION

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YEARS ENDED DECEMBER 31, 2013 AND 2012

Note 11. ENDOWMENT FUNDS (Continued):

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 \$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:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
December 31, 2013				
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>
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
December 31, 2012				
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>

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Note 11. ENDOWMENT FUNDS (Continued):

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

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

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

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

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, 2013 were as follows:

Year Ending December 31,	
2014	\$ 72,159
2015	74,236
2016	37,692
Total	\$ 184,087

Total rent expense during the years ended December 31, 2013 and 2012 was \$76,699 and \$59,743, respectively.

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Note 13. ACCRUED EXPENSES:

Accrued liabilities consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Accounts payable	\$ 55,905	\$ 14,806
Other accrued liabilities	<u>2,453</u>	<u>3,730</u>
	<u>\$ 58,358</u>	<u>\$ 18,536</u>