

horizons foundation

Fueling the LGBT Movement

HORIZONS FOUNDATION

(A California Not-For-Profit Corporation)

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND DECEMBER 31, 2015



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, 2016 and December 31, 2015, 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 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, 2016 and December 31, 2015, 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 28, 2017

HORIZONS FOUNDATION

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
ASSETS:		
Cash and cash equivalents	\$ 870,438	\$ 822,873
Investments	15,856,982	13,654,280
Grants receivable - current portion	411,716	25,000
Bequests receivable	1,876,510	70,000
Other receivables	16,007	36,201
Prepaid expenses	60,129	25,464
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	19,091,782	14,633,818
Grants receivable - long term portion	100,000	-
Investments restricted for long-term purposes	7,656,889	7,414,621
Property and equipment, net	90,423	124,453
Deposits and other assets	22,402	23,114
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 26,961,496</u>	<u>\$ 22,196,006</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Grants payable	\$ 314,055	\$ 98,500
Accounts payable and accrued expenses	79,890	51,765
Accrued paid leave	97,788	96,745
Agency funds	583,864	571,924
Deferred rent	98	4,924
	<hr/>	<hr/>
TOTAL LIABILITIES (ALL CURRENT)	<u>1,075,695</u>	<u>823,858</u>
NET ASSETS:		
Unrestricted	15,459,156	13,691,352
Temporarily restricted	2,466,736	1,550,335
Permanently restricted	7,959,909	6,130,461
	<hr/>	<hr/>
TOTAL NET ASSETS	<u>25,885,801</u>	<u>21,372,148</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 26,961,496</u>	<u>\$ 22,196,006</u>

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUE AND SUPPORT:				
Support:				
Contributions from individuals	\$ 3,501,472	\$ 1,000	\$ 20,375	\$ 3,522,847
Foundation and corporation grants	412,579	1,559,712	-	1,972,291
Organizations	7,008	-	-	7,008
Bequests	597,261	-	1,809,073	2,406,334
Fundraising event income	298,970	-	-	298,970
Fundraising event expense	(220,840)	-	-	(220,840)
Fundraising event, net	78,130	-	-	78,130
Net assets released from restrictions	1,133,863	(1,133,863)	-	-
Total support	5,730,313	426,849	1,829,448	7,986,610
Revenue:				
Fee income	298	-	-	298
Interest and dividends	197,343	156,715	-	354,058
Net gain from investments	722,225	332,837	-	1,055,062
Other income	6,449	-	-	6,449
Total revenue	926,315	489,552	-	1,415,867
TOTAL OPERATING REVENUE AND SUPPORT	6,656,628	916,401	1,829,448	9,402,477
OPERATING EXPENSES:				
Program expenses:				
Grantmaking	3,024,242	-	-	3,024,242
Capacity building	56,857	-	-	56,857
Promoting philanthropy	852,978	-	-	852,978
Total program services	3,934,077	-	-	3,934,077
Supporting services:				
Management and general	408,806	-	-	408,806
Fundraising	545,941	-	-	545,941
Total supporting services	954,747	-	-	954,747
	4,888,824	-	-	4,888,824
CHANGE IN NET ASSETS	1,767,804	916,401	1,829,448	4,513,653
NET ASSETS, beginning of year	13,691,352	1,550,335	6,130,461	21,372,148
NET ASSETS, end of year	\$ 15,459,156	\$ 2,466,736	\$ 7,959,909	\$ 25,885,801

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUE AND SUPPORT:				
Support:				
Contributions from individuals	\$ 2,952,818	\$ 1,000	\$ 11,888	\$ 2,965,706
Foundation and corporation grants	183,881	360,000	1,000	544,881
Organizations	33,894	-	-	33,894
Bequests	572,198	-	-	572,198
Fundraising event income	374,047	-	-	374,047
Fundraising event expense	(210,338)	-	-	(210,338)
Fundraising event, net	163,709	-	-	163,709
Net assets released from restrictions	832,711	(832,711)	-	-
Total support	4,739,211	(471,711)	12,888	4,280,388
Revenue:				
Fee income	447	-	-	447
Interest and dividends	196,352	153,342	-	349,694
Net (loss) from investments	(130,435)	(176,642)	-	(307,077)
Other income	5,817	-	-	5,817
Total revenue	72,181	(23,300)	-	48,881
TOTAL OPERATING REVENUE AND SUPPORT	4,811,392	(495,011)	12,888	4,329,269
OPERATING EXPENSES:				
Program expenses:				
Grantmaking	3,886,693	-	-	3,886,693
Capacity building	68,267	-	-	68,267
Promoting philanthropy	596,176	-	-	596,176
Total program services	4,551,136	-	-	4,551,136
Supporting services:				
Management and general	395,650	-	-	395,650
Fundraising	478,461	-	-	478,461
Total supporting services	874,111	-	-	874,111
TOTAL OPERATING EXPENSES	5,425,247	-	-	5,425,247
CHANGE IN NET ASSETS	(613,855)	(495,011)	12,888	(1,095,978)
NET ASSETS, beginning of year	14,305,208	2,045,346	6,117,573	22,468,127
NET ASSETS, end of year	\$ 13,691,352	\$ 1,550,335	\$ 6,130,461	\$ 21,372,148

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

	Grantmaking	Capacity Building	Promoting Philanthropy	Management and General	Fundraising	Shared Expenses	Total
Grants	\$ 2,360,908	\$ 15,000	\$ 155,250	\$ -	\$ -	\$ -	\$ 2,531,158
Personnel:							
Salaries	198,259	29,348	114,472	203,258	269,071	98,181	912,589
Payroll taxes	15,118	2,239	8,744	15,515	20,286	7,433	69,335
Employee benefits	23,108	3,634	11,362	27,551	28,819	12,490	106,964
Total personnel	236,485	35,221	134,578	246,324	318,176	118,104	1,088,888
Professional services	190,886	-	282,797	35,600	61,839	55,151	626,273
Travel	45,793	-	36,452	5,679	9,679	2,832	100,435
Occupancy	-	-	-	-	-	99,980	99,980
Meeting expense and supplies	10,911	9	33,826	673	41,268	12,442	99,129
Investment fees	90,825	-	-	158	120	-	91,103
Depreciation	-	-	-	-	-	45,686	45,686
Printing	1,292	391	4,210	8,901	17,806	12,617	45,217
Promotion	26,552	-	36	-	100	-	26,688
Merchant service fees	98	-	-	24,308	90	-	24,496
Dues and subscriptions	5,031	-	9,425	-	4,612	3,255	22,323
Computer equipment & software	-	-	-	595	-	18,623	19,218
Postage	839	88	-	109	10,245	6,691	17,972
Computer repairs	-	-	-	-	-	13,614	13,614
Telephone	517	-	116	624	481	10,599	12,337
Insurance	-	-	-	1,823	-	6,528	8,351
Board support	-	-	-	3,843	-	-	3,843
Staff development	-	-	1,922	325	1,345	219	3,811
Bank fees	-	-	-	2,901	-	-	2,901
Equipment rental and maintenance	-	-	-	-	-	2,371	2,371
Permits, licenses and property taxes	-	-	19	320	78	1,196	1,613
Recruiting	-	-	-	627	790	-	1,417
Allocation of communications	-	-	162,376	26,433	-	(188,809)	-
Allocation of shared expenses	54,105	6,148	31,971	49,563	79,312	(221,099)	-
Total other expenses	426,849	6,636	563,150	162,482	227,765	(118,104)	1,268,778
Total functional expenses	\$ 3,024,242	\$ 56,857	\$ 852,978	\$ 408,806	\$ 545,941	\$ -	\$ 4,888,824

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

	<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	\$ 3,266,984	\$ 7,000	\$ 65,000	\$ -	\$ -	\$ -	\$ 3,338,984
Personnel:							
Salaries	191,334	36,598	83,744	225,692	201,859	79,434	818,661
Payroll taxes	14,681	2,792	6,428	14,693	15,525	6,056	60,175
Employee benefits	22,301	3,756	9,456	29,647	25,497	9,263	99,920
Total personnel	<u>228,316</u>	<u>43,145</u>	<u>99,628</u>	<u>270,032</u>	<u>242,881</u>	<u>94,753</u>	<u>978,755</u>
Professional services	152,085	9,750	250,216	26,904	36,363	20,250	495,568
Travel	66,627	118	32,609	82	11,825	1,985	113,246
Investment fees	88,969	-	-	1,820	-	-	90,789
Meeting expense and supplies	13,375	510	8,130	351	48,570	6,921	77,857
Occupancy	-	-	-	-	-	76,557	76,557
Printing	5,778	-	1,165	161	44,994	9,940	62,038
Promotion	19,302	-	5,318	-	505	22,136	47,261
Depreciation	-	-	-	-	-	36,791	36,791
Postage	665	-	-	268	16,071	4,821	21,825
Merchant service fees	-	-	-	19,705	2	-	19,707
Computer repairs	-	-	-	-	-	13,221	13,221
Dues and subscriptions	830	-	6,528	415	2,440	1,117	11,330
Telephone	144	-	25	608	404	8,395	9,576
Board support	-	500	-	8,151	-	-	8,651
Staff development	628	113	232	914	4,781	162	6,830
Insurance	-	-	-	-	-	5,276	5,276
Equipment rental and maintenance	-	-	54	-	-	4,819	4,873
Bank fees	-	-	-	2,677	-	-	2,677
Interest expense	-	-	-	1,275	-	-	1,275
Computer equipment & software	-	-	-	1,120	-	-	1,120
Recruiting	-	-	-	-	710	-	710
Permits, licenses and property taxes	-	-	-	325	5	-	330
Allocation of communications	-	-	105,776	16,132	-	(121,908)	-
Allocation of shared expenses	42,990	7,131	21,495	44,710	68,910	(185,236)	-
Total other expenses	<u>391,393</u>	<u>18,122</u>	<u>431,548</u>	<u>125,618</u>	<u>235,580</u>	<u>(94,753)</u>	<u>1,107,508</u>
Total functional expenses	<u>\$ 3,886,693</u>	<u>\$ 68,267</u>	<u>\$ 596,176</u>	<u>\$ 395,650</u>	<u>\$ 478,461</u>	<u>\$ -</u>	<u>\$ 5,425,247</u>

See notes to financial statements.

HORIZONS FOUNDATION
STATEMENTS OF CASH FLOWS

	<u>Year Ended</u> <u>December 31, 2016</u>	<u>Year Ended</u> <u>December 31, 2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 4,513,653	\$ (1,095,978)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	45,686	36,791
Permanently restricted contributions	(1,829,448)	(12,888)
Net realized and unrealized (gains) losses on investments	(1,055,062)	307,077
Donated securities	(1,711,159)	(629,782)
Changes in operating assets and liabilities:		
Receivables	(463,959)	118,619
Prepaid expenses	(34,665)	15,490
Grants payable	215,555	(124,475)
Accounts payable and accrued expenses	29,168	33,879
Agency funds	11,940	109,211
Deferred rent	(4,826)	(7,207)
	<u>(283,117)</u>	<u>(1,249,263)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(2,877,471)	(3,264,414)
Purchases of equipment	(11,656)	(20,747)
Proceeds from sale and maturities of investments	3,198,722	4,786,987
Deposits	712	499
	<u>310,307</u>	<u>1,502,325</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Permanently restricted contributions received	20,375	12,888
	<u>20,375</u>	<u>12,888</u>
NET INCREASE IN CASH	47,565	265,950
CASH AND CASH EQUIVALENTS, beginning of year	822,873	556,923
CASH AND CASH EQUIVALENTS, end of year	\$ 870,438	\$ 822,873
Supplemental Disclosure of Non Cash Item:		
Permanently restricted contribution	\$ 1,829,448	\$ -
Less amount included in bequests receivable	(1,809,073)	-
	<u>20,375</u>	<u>-</u>
Cash received from permanently restricted contributions	\$ 20,375	\$ -
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ -	\$ 1,275

See notes to financial statements.

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

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, 2016 and December 31, 2015. 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.

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

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 \$13,027,185 and \$11,941,881 at December 31, 2016 and 2015, 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 \$880,609 and \$840,454 at December 31, 2016 and 2015, 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, 2016 AND DECEMBER 31, 2015

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.

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, 2016</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	\$ 6,200,200	\$ -	\$ 6,200,200
Trading securities	8,356,195	-	8,356,195
Mutual funds	4,420,397	-	4,420,397
Fixed income	-	4,537,079	4,537,079
Totals	<u>\$ 18,976,792</u>	<u>\$ 4,537,079</u>	<u>\$ 23,513,871</u>

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

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

December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Cash and money market	\$ 4,568,573	\$ -	\$ 4,568,573
Trading securities	8,863,815	-	8,863,815
Mutual funds	2,450,783	-	2,450,783
Fixed income	-	5,185,730	5,185,730
Totals	\$ 15,883,171	\$ 5,185,730	\$ 21,068,901

Note 5. GRANTS, BEQUESTS AND PLEDGES RECEIVABLE:

Grants, bequests and pledges are expected to be realized in the following periods:

	December 31,	
	2016	2015
In one year or less	\$ 2,288,226	\$ 95,000
Between one and five years	100,000	-
Totals	\$ 2,388,226	\$ 95,000

Bequests receivable at December 31, 2016 include unconditional promises from one individual. Grants receivable at December 31, 2016 includes an unconditional promise from five foundations.

Note 6. PROPERTY AND EQUIPMENT:

Property and equipment consisted of:

	December 31,	
	2016	2015
Furniture and equipment	\$ 81,428	\$ 71,071
Software and website	169,391	169,391
Leasehold improvements	1,800	1,800
Accumulated depreciation	(162,196)	(117,809)
Totals	\$ 90,423	\$ 124,453

Depreciation expense was \$45,686 and \$36,791 for the years ended December 31, 2016 and 2015, 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 \$25,150 and \$23,966 during the years ended December 31, 2016 and 2015, respectively. During the year ended December 31, 2015, the Board raised the discretionary employer matching contribution from a ceiling of 4% to 10%.

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

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, 2016 and 2015.

Note 9. ACCRUED EXPENSES:

Accrued liabilities consist of the following at December 31:

	2016	2015
Accounts payable	\$ 79,410	\$ 44,525
Other accrued liabilities	480	7,240
	\$ 79,890	\$ 51,765

Note 10. UNRESTRICTED NET ASSETS:

Unrestricted net assets consisted of the following:

	December 31,	
	2016	2015
Available for operations	\$ 1,470,478	\$ 905,004
Designated as endowment	85,555	9,555
Donor advised funds and other named funds	13,907,794	12,782,335
Underwater endowment funds	(4,671)	(5,542)
Totals	\$ 15,459,156	\$ 13,691,352

Note 11. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets at December 31, 2016 related to the following:

	December 31, 2015	Contributions and Income	Released from Restrictions	December 31, 2016
Leadership development	\$ 18,000	\$ -	\$ -	\$ 18,000
Endowed funds	708,224	143,056	-	851,280
LGBT giving	329,756	384,713	(390,745)	323,724
LGBT grant-making	26,000	576,000	(308,666)	293,334
LGBT research	205,855		(19,207)	186,648
Planned giving	37,500	350,000	(68,750)	318,750
Capacity building	225,000	250,000	-	475,000
Totals	\$ 1,550,335	\$ 1,703,769	\$ (787,368)	\$ 2,466,736

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

Note 11. TEMPORARILY RESTRICTED NET ASSETS (Continued):

Temporarily restricted net assets at December 31, 2015 related to the following:

	December 31, 2014	Contributions and Income	Released from Restrictions	December 31, 2015
Leadership development	\$ 18,000	\$ -	\$ -	\$ 18,000
Endowed funds	1,073,393		(365,169)	708,224
LGBT giving	450,273	220,000	(340,517)	329,756
LGBT grant-making	-	41,000	(15,000)	26,000
LGBT research	231,180	-	(25,325)	205,855
Planned giving	87,500	-	(50,000)	37,500
Capacity building	185,000	100,000	(60,000)	225,000
Totals	<u>\$ 2,045,346</u>	<u>\$ 361,000</u>	<u>\$ (856,011)</u>	<u>\$ 1,550,335</u>

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 twelve quarters, measured by market value at the end of each quarter. 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 \$346,496 and \$341,867 of its endowment fund for the years ended December 31, 2016 and 2015, respectively, which is approximately 5% of the endowment fund's average fair value of the applicable previous twelve quarters.

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

Note 12. ENDOWMENT FUNDS (Continued):

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:

December 31, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 851,280	\$ 7,959,909	\$ 8,811,189
Underwater endowment funds	(4,671)	-	-	(4,671)
Board designated	85,555	-	-	85,555
Totals	<u>\$ 80,884</u>	<u>\$ 851,280</u>	<u>\$ 7,959,909</u>	<u>\$ 8,892,073</u>

December 31, 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 708,224	\$ 6,130,461	\$ 6,838,685
Underwater endowment funds	(5,542)	-	-	(5,542)
Board designated	9,555	-	-	9,555
Totals	<u>\$ 4,013</u>	<u>\$ 708,224</u>	<u>\$ 6,130,461</u>	<u>\$ 6,842,698</u>

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

Note 12. ENDOWMENT FUNDS (Continued):

Changes in endowment net assets for the year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	\$ 4,013	\$ 708,224	\$ 6,130,461	\$ 6,842,698
Investment return:				
Interest and dividends	-	156,715	-	156,715
Net gains (realized and unrealized)	871	332,837	-	333,708
Total investment return	871	489,552	-	490,423
Contributions	76,000	-	1,829,448	1,905,448
Appropriation of endowment for expenditures	-	(346,496)	-	(346,496)
Endowment net assets, ending	<u>\$ 80,884</u>	<u>\$ 851,280</u>	<u>\$ 7,959,909</u>	<u>\$ 8,892,073</u>

Changes in endowment net assets for the year ended December 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	\$ 6,306	\$ 1,073,392	\$ 6,117,573	\$ 7,197,271
Investment return:				
Interest and dividends	-	153,341	-	153,341
Net gains (realized and unrealized)	(2,293)	(176,642)	-	(178,935)
Total investment return	(2,293)	(23,301)	-	(25,594)
Contributions	-	-	12,888	12,888
Appropriation of endowment for expenditures	-	(341,867)	-	(341,867)
Endowment net assets, ending	<u>\$ 4,013</u>	<u>\$ 708,224</u>	<u>\$ 6,130,461</u>	<u>\$ 6,842,698</u>

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

Note 13. FUNDRAISING EVENT INCOME:

The following is a summary of revenue and expenses related to the Foundation's fundraising events:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Revenues and contributions:		
Donations and sponsorships	\$ 143,255	\$ 165,229
Tickets sales and auction revenue	<u>155,715</u>	<u>208,818</u>
Total revenues and contributions	298,970	374,047
Donor advised fund donations	<u>16,150</u>	<u>31,875</u>
Total	315,120	405,922
Expenses	<u>220,840</u>	<u>210,338</u>
Net income from fundraising event	<u>\$ 94,280</u>	<u>\$ 195,584</u>

Note 14. 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, 2016 were as follows:

<u>Year Ending</u> <u>December 31,</u>	
2017	\$ 128,957
2018	144,739
2019	<u>85,890</u>
Total	<u>\$ 359,586</u>

Total rent expense during the years ended December 31, 2016 and 2015 was \$99,980 and \$76,557, respectively.