



HORIZONS FOUNDATION

(A California Not-For-Profit Corporation)

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND DECEMBER 31, 2017



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 corporation), which comprise the statements of financial position as of December 31, 2018 and December 31, 2017, 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, 2018 and December 31, 2017, 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
July 18, 2019

HORIZONS FOUNDATION

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
ASSETS:		
Cash and cash equivalents	\$ 442,168	\$ 805,338
Investments	20,441,972	21,906,295
Grants receivable - current portion	101,992	216,991
Pledges receivable	44,325	11,000
Bequests receivable	1,000,000	816
Loan receivable	97,900	-
Other receivables	13,462	3,913
Prepaid expenses	53,781	29,431
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	22,195,600	22,973,784
Grants receivable - long term portion	-	100,000
Investments restricted for long-term purposes	11,952,687	11,565,714
Property and equipment, net	38,012	66,116
Deposits and other assets	20,403	21,448
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 34,206,702</u>	<u>\$ 34,727,062</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Grants payable	\$ 40,000	\$ 51,500
Accrued grants payable	50,920	-
Accounts payable and accrued expenses	56,672	107,160
Accrued paid leave	83,919	86,595
Agency funds	387,625	644,185
Deferred rent	-	294
	<hr/>	<hr/>
TOTAL LIABILITIES (ALL CURRENT)	619,136	889,734
	<hr/>	<hr/>
NET ASSETS:		
Without donor restriction	21,575,151	21,682,738
With donor restriction	12,012,415	12,154,590
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TOTAL NET ASSETS	33,587,566	33,837,328
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 34,206,702</u>	<u>\$ 34,727,062</u>

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUE AND SUPPORT:			
Support:			
Contributions from individuals	\$ 4,178,696	\$ 21,000	\$ 4,199,696
Foundation and corporation grants	113,416	431,792	545,208
Organizations	1,762	-	1,762
Bequests	1,508,265	1,117,448	2,625,713
Fundraising event income	372,639	-	372,639
Fundraising event expense	<u>(260,321)</u>	<u>-</u>	<u>(260,321)</u>
Fundraising event, net	<u>112,318</u>	<u>-</u>	<u>112,318</u>
Net assets released from restrictions	<u>1,353,133</u>	<u>(1,353,133)</u>	<u>-</u>
Total support	<u>7,267,590</u>	<u>217,107</u>	<u>7,484,697</u>
Revenue:			
Fee income	1,301	-	1,301
Investment income, net of fees	(202,271)	(359,282)	(561,553)
Other income	<u>10,270</u>	<u>-</u>	<u>10,270</u>
Total revenue	<u>(190,700)</u>	<u>(359,282)</u>	<u>(549,982)</u>
TOTAL OPERATING REVENUE AND SUPPORT	<u>7,076,890</u>	<u>(142,175)</u>	<u>6,934,715</u>
OPERATING EXPENSES:			
Program expenses:			
Grantmaking	5,212,149	-	5,212,149
Capacity building	72,568	-	72,568
Promoting philanthropy	<u>704,087</u>	<u>-</u>	<u>704,087</u>
Total program services	5,988,804	-	5,988,804
Supporting services:			
Management and general	429,387	-	429,387
Fundraising	<u>766,286</u>	<u>-</u>	<u>766,286</u>
Total supporting services	<u>1,195,673</u>	<u>-</u>	<u>1,195,673</u>
	<u>7,184,477</u>	<u>-</u>	<u>7,184,477</u>
CHANGE IN NET ASSETS	(107,587)	(142,175)	(249,762)
NET ASSETS, beginning of year	<u>21,682,738</u>	<u>12,154,590</u>	<u>33,837,328</u>
NET ASSETS, end of year	<u>\$ 21,575,151</u>	<u>\$ 12,012,415</u>	<u>\$ 33,587,566</u>

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUE AND SUPPORT:			
Support:			
Contributions from individuals	\$ 8,005,037	\$ 70,100	\$ 8,075,137
Foundation and corporation grants	171,170	775,000	946,170
Organizations	40,300	-	40,300
Bequests	164,847	1,021,302	1,186,149
Fundraising event income	331,195	-	331,195
Fundraising event expense	<u>(207,924)</u>	<u>-</u>	<u>(207,924)</u>
Fundraising event, net	<u>123,271</u>	<u>-</u>	<u>123,271</u>
Net assets released from restrictions	<u>1,430,788</u>	<u>(1,430,788)</u>	<u>-</u>
Total support	<u>9,935,413</u>	<u>435,614</u>	<u>10,371,027</u>
Revenue:			
Fee income	1,325	-	1,325
Investment income, net of fees	1,515,895	1,292,331	2,808,226
Other income	<u>11,870</u>	<u>-</u>	<u>11,870</u>
Total revenue	<u>1,529,090</u>	<u>1,292,331</u>	<u>2,821,421</u>
TOTAL OPERATING REVENUE AND SUPPORT	<u>11,464,503</u>	<u>1,727,945</u>	<u>13,192,448</u>
OPERATING EXPENSES:			
Program expenses:			
Grantmaking	3,229,263	-	3,229,263
Capacity building	75,145	-	75,145
Promoting philanthropy	<u>849,711</u>	<u>-</u>	<u>849,711</u>
Total program services	<u>4,154,119</u>	<u>-</u>	<u>4,154,119</u>
Supporting services:			
Management and general	495,455	-	495,455
Fundraising	<u>591,347</u>	<u>-</u>	<u>591,347</u>
Total supporting services	<u>1,086,802</u>	<u>-</u>	<u>1,086,802</u>
TOTAL OPERATING EXPENSES	<u>5,240,921</u>	<u>-</u>	<u>5,240,921</u>
CHANGE IN NET ASSETS	<u>6,223,582</u>	<u>1,727,945</u>	<u>7,951,527</u>
NET ASSETS, beginning of year	<u>15,459,156</u>	<u>10,426,645</u>	<u>25,885,801</u>
NET ASSETS, end of year	<u>\$ 21,682,738</u>	<u>\$ 12,154,590</u>	<u>\$ 33,837,328</u>

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	<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	\$ 4,621,387	\$ -	\$ 202,500	\$ -	\$ -	\$ -	\$ 4,823,887
Personnel:							
Salaries	221,511	35,238	167,569	244,506	404,138	86,377	1,159,339
Payroll taxes	16,450	2,646	12,702	17,939	30,348	6,615	86,700
Employee benefits	27,411	4,432	20,779	12,227	41,927	8,252	115,028
Total personnel	<u>265,372</u>	<u>42,316</u>	<u>201,050</u>	<u>274,672</u>	<u>476,413</u>	<u>101,244</u>	<u>1,361,067</u>
Professional services	81,083	18,700	129,359	31,563	55,365	12,404	328,474
Travel	91,052	-	29,545	113	12,806	1,972	135,488
Occupancy	-	-	-	15	-	145,183	145,198
Meeting expense and supplies	19,191	1,722	48,431	12,825	37,048	14,534	133,751
Depreciation	-	-	-	-	-	30,264	30,264
Printing	5,264	-	4,474	1	25,788	12,528	48,055
Promotion	26,525	-	10,531	-	4,007	1,139	42,202
Merchant service fees	1,473	-	-	20,792	471	-	22,736
Dues and subscriptions	5,281	-	5,102	2,628	2,553	4,474	20,038
Computer repairs	-	-	-	-	-	16,460	16,460
Postage	1,313	-	-	92	10,313	2,556	14,274
Telephone	661	-	1,094	574	466	9,923	12,718
Bad debt expense	-	-	-	132	11,000	-	11,132
Insurance	-	-	365	1,687	5	7,221	9,278
Computer equipment & software	-	-	-	695	-	8,324	9,019
Legal	644	-	322	2,040	1,288	-	4,294
Recruitment	485	-	-	674	3,002	-	4,161
Equipment rental and maintenance	375	-	-	-	-	2,474	2,849
Staff development	-	-	-	49	2,339	240	2,628
Bank fees	-	-	-	2,557	7	-	2,564
Board support	-	-	-	2,331	-	-	2,331
Permits, licenses and property taxes	375	-	295	225	(10)	524	1,409
Meals and entertainment	-	-	170	-	-	30	200
Allocation of communications	35,676	3,812	26,771	24,751	40,918	(131,928)	-
Allocation of shared expenses	55,992	6,018	44,078	50,971	82,507	(239,566)	-
Total other expenses	<u>325,390</u>	<u>30,252</u>	<u>300,537</u>	<u>154,715</u>	<u>289,873</u>	<u>(101,244)</u>	<u>999,523</u>
Total functional expenses	<u>\$ 5,212,149</u>	<u>\$ 72,568</u>	<u>\$ 704,087</u>	<u>\$ 429,387</u>	<u>\$ 766,286</u>	<u>\$ -</u>	<u>\$ 7,184,477</u>

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	<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	\$ 2,416,408	\$ -	\$ 92,500	\$ -	\$ -	\$ -	\$ 2,508,908
Personnel:							
Salaries	208,117	37,729	115,465	272,599	287,496	89,781	1,011,187
Payroll taxes	16,372	2,990	9,057	21,250	22,291	7,110	79,070
Employee benefits	24,183	4,215	13,014	32,257	30,473	11,100	115,242
Total personnel	248,672	44,934	137,536	326,106	340,260	107,991	1,205,499
Professional services	371,228	9,000	385,415	50,679	36,821	33,273	886,416
Travel	65,252	-	47,880	1,408	8,915	2,179	125,634
Occupancy	-	-	-	-	-	133,303	133,303
Meeting expense and supplies	12,533	7,534	30,991	2,228	51,477	14,933	119,696
Depreciation	-	-	591	-	-	43,572	44,163
Printing	2,645	5,100	2,273	-	32,819	17,299	60,136
Promotion	25,175	-	1,812	-	1,237	7,544	35,768
Merchant service fees	-	-	-	28,507	539	-	29,046
Dues and subscriptions	10,125	-	-	2,500	1,268	2,104	15,997
Computer equipment & software	-	-	-	595	795	9,528	10,918
Postage	668	-	47	54	14,089	2,752	17,610
Computer repairs	-	-	-	-	-	17,856	17,856
Telephone	406	21	-	466	485	9,832	11,210
Insurance	-	-	-	870	-	4,834	5,704
Board support	-	-	-	2,548	-	-	2,548
Staff development	-	-	-	910	1,473	1,338	3,721
Bank fees	-	-	-	2,838	-	-	2,838
Equipment rental and maintenance	-	-	-	-	550	1,770	2,320
Permits, licenses and property taxes	-	-	50	-	953	354	1,357
Recruitment	-	-	-	-	273	-	273
Allocation of communications	11,290	-	121,279	21,581	-	(154,150)	-
Allocation of shared expenses	64,861	8,556	29,337	54,165	99,393	(256,312)	-
Total other expenses	564,183	30,211	619,675	169,349	251,087	(107,991)	1,526,514
Total functional expenses	<u>\$ 3,229,263</u>	<u>\$ 75,145</u>	<u>\$ 849,711</u>	<u>\$ 495,455</u>	<u>\$ 591,347</u>	<u>\$ -</u>	<u>\$ 5,240,921</u>

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2018	Year Ended December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (249,762)	\$ 7,951,527
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	30,264	44,164
Donor restricted contributions held for long-term purposes	(1,151,352)	(1,091,402)
Net realized and unrealized losses (gains) on investments	1,129,694	(2,457,771)
Donated securities	(1,481,326)	(3,087,643)
Changes in operating assets and liabilities:		
Receivables	(924,959)	2,071,513
Prepaid expenses	(24,350)	29,198
Grants payable	(11,500)	(262,555)
Accounts payable and accrued expenses	(2,244)	17,577
Agency funds	(256,560)	60,321
Deferred rent	(294)	196
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(2,942,389)	3,275,125
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(5,905,087)	(8,886,740)
Purchases of equipment	(2,160)	(19,857)
Proceeds from sale and maturities of investments	7,334,069	4,474,016
Deposits	1,045	954
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,427,867	(4,431,627)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Donor restricted contributions held for long-term purposes	1,151,352	1,091,402
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,151,352	1,091,402
NET DECREASE IN CASH	(363,170)	(65,100)
CASH AND CASH EQUIVALENTS, beginning of year	805,338	870,438
CASH AND CASH EQUIVALENTS, end of year	\$ 442,168	\$ 805,338

See notes to financial statements.

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

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, transgender and queer (LGBTQ) community primarily within the nine-county San Francisco Bay Area. The Foundation's principal objectives are to encourage philanthropic activism within and for the LGBTQ community and to provide financial and technical assistance for nonprofit organizations serving the LGBTQ 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 donor restricted gifts held for long term purposes are reported as increases in net assets with donor restrictions 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, 2018 and December 31, 2017. It is the Foundation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.
- d) Property and Equipment 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, 2018 AND DECEMBER 31, 2017

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

- g) Basis of Presentation - On August 18, 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958)- Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

The Foundation reports information regarding its financial position and its activities according to the following net asset classifications: Without donor restrictions (including board designated amounts) and with donor restrictions. Net assets with donor restrictions are reclassified to without donor restrictions upon satisfaction of the time or purpose restrictions.

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:

Net assets without donor restrictions represent net assets that are not subject to donor-imposed stipulations, including \$18,871,051 and \$19,383,787 at December 31, 2018 and 2017, 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. Net assets without donor restrictions also include \$371,136 and \$632,722 at December 31, 2018 and 2017, respectively, in other named funds that are also not subject to donor-imposed restrictions. Thus, such funds represent net assets without donor restrictions to the Foundation. See Note 11 for a summary of net assets without donor restrictions as of December 31, 2018 and 2017.

Net assets with donor restrictions 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. See Note 12 for a summary of net assets with donor restrictions as of December 31, 2018 and 2017.

- 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, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statement of activities.

The Foundation reports gifts of tangible 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.

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

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

- j) Allocation of Expenses - The Foundation allocates two types of costs to its program and supporting activities: shared and communications. Shared costs, primarily related to the operation and maintenance of the office facility, are allocated based on the number of full-time equivalent positions in each activity; communications costs are allocated based on management's estimate of benefit derived from various communication activities, such as E-news, Insider Briefings, Press releases, events, etc.
- k) Grants to Others - Grants are recorded as expenses after they are approved by the Board of Directors and grant agreements are executed. Grants payable represents the present value of future commitments of the Foundation.
- 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 and bequests receivable, and the functional allocation of expenses. Actual results could differ from those estimates.
- m) Policy on Bequests Without Donor Restrictions – The Board adopted a policy with respect to the receipt of bequests without donor restrictions in March 2019. The first \$250,000 received may be applied to the operating fund balance or other board- approved purposes. Of the next \$250,000, a minimum of 25% will be designated for the Endowment Fund and the remainder for operations or board-approved purposes. For amounts between \$500,001 and \$1,500,000, a minimum of 50% will be designated for the Endowment Fund and the remainder for operations or board-approved purposes. With respect to the bequests without donor restrictions between \$1,500,001 and \$5,000,000, 75% will be designated for the Endowment Fund and the remainder for operations or board-approved purposes. Any additional funds received above an annual total of \$5,000,000 will be designated 90% to the Endowment Fund and 10% for operations or board-approved purposes.
- n) Subsequent Events - Management has evaluated subsequent events through July 18, 2019, the date the financial statements were available for issue. See Note 14 for details with respect to a change in the fiscal year.

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.

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

Note 4. LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$	442,168
Investments		20,441,972
Grants receivable		101,992
Pledges receivable		44,325
Bequests receivable		500,000
Other receivables		13,462
Endowment spending, distributions and appropriations		<u>470,000</u>
Total	\$	<u>22,013,919</u>

Of the investments listed above, \$18,871,051 consist of donor advised funds. Although donor advised funds are net assets without donor restriction, the Foundation's policy is to expend those funds according to the advice of donors.

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Foundation's board-designated endowment of \$85,555 is subject to an annual spending rate of 5 percent as described in Note 13. Although we do not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

Note 5. 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 valuation techniques during the current year.

Total Investments as reported on the Statement of Financial Position

	2018	2017
Investments - current	\$ 20,441,972	\$ 21,906,295
Investments restricted for long-term purposes	<u>11,952,687</u>	<u>11,565,714</u>
Total	<u>\$ 32,394,659</u>	<u>\$ 33,472,009</u>

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

Note 5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued):

December 31, 2018	Quoted Prices in Active Markets for	Significant Other Observable	Total
Cash and money market	\$ 8,023,205	\$ -	\$ 8,023,205
Trading securities	11,490,284	-	11,490,284
Mutual funds	5,316,032	-	5,316,032
Fixed income	-	7,565,138	7,565,138
Totals	\$ 24,829,521	\$ 7,565,138	\$ 32,394,659

December 31, 2017	Quoted Prices in Active Markets for	Significant Other Observable	Total
Cash and money market	\$ 10,441,570	\$ -	\$ 10,441,570
Trading securities	13,900,302	-	13,900,302
Mutual funds	3,387,189	-	3,387,189
Fixed income	-	5,742,948	5,742,948
Totals	\$ 27,729,061	\$ 5,742,948	\$ 33,472,009

Net investment income (loss) consisted of the following for the years ended December 31:

	2018	2017
Dividends and interest	\$ 662,145	\$ 436,210
Realized gains (losses)	639,002	664,412
Unrealized gains (losses)	(1,768,696)	1,793,359
Investment fees	(94,004)	(85,755)
Total	\$ (561,553)	\$ 2,808,226

Note 6. GRANTS, BEQUESTS AND PLEDGES RECEIVABLE:

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

	December 31,	
	2018	2017
In one year or less	\$ 1,146,317	\$ 227,991
Between one and five years	-	100,000
Totals	\$ 1,146,317	\$ 327,991

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

Note 6. GRANTS, BEQUESTS AND PLEDGES RECEIVABLE (Continued):

Grants receivable at December 31, 2018 include an unconditional promise from one foundation, which comprises 9% of receivables.

Bequests receivable at December 31, 2018 include an unconditional promise from one estate, which comprises 87% of receivables.

Note 7. PROPERTY AND EQUIPMENT:

Property and equipment consisted of:

	December 31,	
	2018	2017
Furniture and equipment	\$ 101,271	\$ 99,109
Software and website	169,391	169,391
Leasehold improvements	3,976	3,976
Accumulated depreciation	(236,626)	(206,360)
Totals	\$ 38,012	\$ 66,116

Depreciation expense was \$30,264 and \$44,163 for the years ended December 31, 2018 and 2017, respectively.

Note 8. 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 \$27,275 and \$25,596 during the years ended December 31, 2018 and 2017, respectively.

Note 9. 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, 2018 and 2017. The line of credit matures August 31, 2019.

Note 10. NET ASSETS WITHOUT DONOR RESTRICTIONS:

Net assets without donor restrictions consisted of the following:

	December 31,	
	2018	2017
Available for operations	\$ 2,247,410	\$ 1,580,803
Designated as endowment	85,555	85,555
Donor advised funds and other named funds	19,242,187	20,016,509
Underwater endowment funds	-	(129)
Totals	\$ 21,575,152	\$ 21,682,738

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

Note 11. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions at December 31, 2018 related to the following:

	January 1, 2018	Contributions and Income	Released from Restrictions	December 31, 2018
Endowment funds -corpus	\$ 9,051,311	\$ 1,151,353	\$ -	\$ 10,202,664
Endowment funds -earnings	1,784,806	(359,283)	(474,417)	951,106
Purpose restricted:				
LGBT giving	152,903	30,000	(135,739)	47,164
LGBT grant-making	146,668	-	(146,668)	-
LGBT research	161,896	-	(32,868)	129,028
Planned giving	342,006	-	(193,848)	148,158
Capacity building	515,000	242,388	(226,123)	531,265
ED convenings	-	32,000	(28,970)	3,030
Public education	-	114,500	(114,500)	-
Totals	\$ 12,154,590	\$ 1,210,958	\$ (1,353,133)	\$ 12,012,415

Net assets with donor restrictions at December 31, 2017 related to the following:

	January 1, 2017	Contributions and Income	Released from Restrictions	December 31, 2017
Endowment funds -corpus	\$ 7,959,908	\$ 1,091,403	\$ -	\$ 9,051,311
Endowment funds -earnings	851,280	1,292,331	(358,805)	1,784,806
Purpose restricted:				
Leadership development	18,000	-	(18,000)	-
LGBT giving	323,724	200,000	(370,821)	152,903
LGBT grant-making	293,334	120,000	(266,666)	146,668
LGBT research	186,648	-	(24,752)	161,896
Planned giving	318,750	300,000	(276,744)	342,006
Capacity building	475,000	155,000	(115,000)	515,000
Totals	\$ 10,426,644	\$ 3,158,734	\$ (1,430,788)	\$ 12,154,590

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

Note 12. ENDOWMENT FUNDS:

Endowment funds consist of the Foundation's LGBTQ Community 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 is one class of donor restricted endowment net assets: The endowment funds corpus 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 net assets with donor restrictions until those amounts are appropriated for expenditure by the organization in accordance with the Foundation's spending policy. The amounts allocated to funds with deficiencies are classified as net assets with donor restrictions.

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 \$474,417 and \$358,805 of its endowment fund for the years ended December 31, 2018 and 2017, respectively, which is approximately 4% of the endowment fund's average fair value of the applicable previous twelve quarters.

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

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

Note 12. ENDOWMENT FUNDS (Continued):

The Endowment Fund is reported in “Investments restricted for long-term purposes” in the Statement of Financial Position.

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

December 31, 2018	Without Restriction	With Restriction	Total
Donor restricted	\$ -	\$ 11,140,863	\$ 11,140,863
Board designated	85,555	-	85,555
Totals	\$ 85,555	\$ 11,140,863	\$ 11,226,418

December 31, 2017	Without Restriction	With Restriction	Total
Donor restricted	\$ -	\$ 10,836,117	\$ 10,836,117
Underwater endowment funds	(129)	-	(129)
Board designated	85,555	-	85,555
Totals	\$ 85,426	\$ 10,836,117	\$ 10,921,543

Changes in endowment net assets for the year ended December 31, 2018:

	Without Restriction	With Restriction	Total
Endowment net assets, beginning	\$ 85,426	\$ 10,836,117	\$ 10,921,543
Investment return:			
Interest and dividends	-	233,751	233,751
Net gains (realized and unrealized)	129	(593,036)	(592,907)
Total investment return	129	(359,285)	(359,156)
Contributions	-	1,138,448	1,138,448
Appropriation of endowment for expenditures	-	(474,417)	(474,417)
Endowment net assets, ending	\$ 85,555	\$ 11,140,863	\$ 11,226,418

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

Note 12. ENDOWMENT FUNDS (Continued):

Changes in endowment net assets for the year ended December 31, 2017:

	Without Restriction	With Restriction	Total
Endowment net assets, beginning	\$ 80,884	\$ 8,811,189	\$ 8,892,073
Investment return:			
Interest and dividends	-	187,100	187,100
Net gains (realized and unrealized)	4,542	1,105,231	1,109,773
Total investment return	4,542	1,292,331	1,296,873
Contributions	-	1,091,402	1,091,402
Appropriation of endowment for expenditures	-	(358,805)	(358,805)
Endowment net assets, ending	<u>\$ 85,426</u>	<u>\$ 10,836,117</u>	<u>\$ 10,921,543</u>

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, 2018 were as follows:

Year Ending December 31,	
2019	\$ 85,890
Total	<u>\$ 85,890</u>

Total rent expense during the years ended December 31, 2018 and 2017 was \$145,183 and \$133,303, respectively.

Note 14. SUBSEQUENT EVENT - FISCAL YEAR CHANGE:

The Foundation amended its bylaws effective March 19, 2019, to provide that its fiscal year shall end June 30.