



HORIZONS FOUNDATION

(A California Not-For-Profit Corporation)

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND DECEMBER 31, 2016



HORIZONS FOUNDATION

TABLE OF CONTENTS **DECEMBER 31, 2017 AND DECEMBER 31, 2016**

Independent auditors' report	2
Statements of financial position	3
Statements of activities	4 - 5
Statements of functional expenses	6 - 7
Statements of cash flows	8
Notes to financial statements	9 - 17



Independent Auditors' Report

Board of Directors
Horizons Foundation

We have audited the accompanying financial statements of Horizons Foundation (a California not-for-profit corporation), which comprise the statements of financial position as of December 31, 2017 and December 31, 2016, 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, 2017 and December 31, 2016, 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
May 9, 2018

HORIZONS FOUNDATION

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
ASSETS:		
Cash and cash equivalents	\$ 805,338	\$ 870,438
Investments	21,906,295	15,856,982
Grants receivable - current portion	216,991	411,716
Pledges receivable	11,000	-
Bequests receivable	816	1,876,510
Other receivables	3,913	16,007
Prepaid expenses	29,431	58,629
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	22,973,784	19,090,282
Grants receivable - long term portion	100,000	100,000
Investments restricted for long-term purposes	11,565,714	7,656,889
Property and equipment, net	66,116	90,423
Deposits and other assets	21,448	22,402
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 34,727,062</u>	<u>\$ 26,959,996</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Grants payable	\$ 51,500	\$ 314,055
Accounts payable and accrued expenses	107,160	78,390
Accrued paid leave	86,595	97,788
Agency funds	644,185	583,864
Deferred rent	294	98
	<hr/>	<hr/>
TOTAL LIABILITIES (ALL CURRENT)	889,734	1,074,195
	<hr/>	<hr/>
NET ASSETS:		
Unrestricted	21,682,738	15,459,156
Temporarily restricted	3,103,279	2,466,736
Permanently restricted	9,051,311	7,959,909
	<hr/>	<hr/>
TOTAL NET ASSETS	33,837,328	25,885,801
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 34,727,062</u>	<u>\$ 26,959,996</u>

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</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	(207,924)	-	-	(207,924)
Fundraising event, net	123,271	-	-	123,271
Net assets released from restrictions	1,430,788	(1,430,788)	-	-
Total support	9,935,413	(655,788)	1,091,402	10,371,027
Revenue:				
Fee income	1,325	-	-	1,325
Interest and dividends	249,110	187,100	-	436,210
Net gain from investments	1,352,540	1,105,231	-	2,457,771
Other income	11,870	-	-	11,870
Total revenue	1,614,845	1,292,331	-	2,907,176
TOTAL OPERATING REVENUE AND SUPPORT	11,550,258	636,543	1,091,402	13,278,203
OPERATING EXPENSES:				
Program expenses:				
Grantmaking	3,312,722	-	-	3,312,722
Capacity building	75,145	-	-	75,145
Promoting philanthropy	849,711	-	-	849,711
Total program services	4,237,578	-	-	4,237,578
Supporting services:				
Management and general	497,506	-	-	497,506
Fundraising	591,592	-	-	591,592
Total supporting services	1,089,098	-	-	1,089,098
	5,326,676	-	-	5,326,676
CHANGE IN NET ASSETS	6,223,582	636,543	1,091,402	7,951,527
NET ASSETS, beginning of year	15,459,156	2,466,736	7,959,909	25,885,801
NET ASSETS, end of year	\$ 21,682,738	\$ 3,103,279	\$ 9,051,311	\$ 33,837,328

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
TOTAL OPERATING EXPENSES	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 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	<u>248,672</u>	<u>44,934</u>	<u>137,536</u>	<u>326,106</u>	<u>340,260</u>	<u>107,991</u>	<u>1,205,499</u>
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
Investment fees	83,459	-	-	2,051	245	-	85,755
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
Recruiting	-	-	-	-	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	<u>647,642</u>	<u>30,211</u>	<u>619,675</u>	<u>171,400</u>	<u>251,332</u>	<u>(107,991)</u>	<u>1,612,269</u>
Total functional expenses	<u>\$ 3,312,722</u>	<u>\$ 75,145</u>	<u>\$ 849,711</u>	<u>\$ 497,506</u>	<u>\$ 591,592</u>	<u>\$ -</u>	<u>\$ 5,326,676</u>

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

STATEMENTS OF CASH FLOWS

	<u>Year Ended</u> <u>December 31, 2017</u>	<u>Year Ended</u> <u>December 31, 2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 7,951,527	\$ 4,513,653
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	44,164	45,686
Permanently restricted contributions	(1,091,402)	(1,829,448)
Net realized and unrealized gains on investments	(2,457,771)	(1,055,062)
Donated securities	(3,087,643)	(1,711,159)
Changes in operating assets and liabilities:		
Receivables	2,071,513	(463,959)
Prepaid expenses	29,198	(34,665)
Grants payable	(262,555)	215,555
Accounts payable and accrued expenses	17,577	29,168
Agency funds	60,321	11,940
Deferred rent	196	(4,826)
	<u>3,275,125</u>	<u>(283,117)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(8,886,740)	(2,877,471)
Purchases of equipment	(19,857)	(11,656)
Proceeds from sale and maturities of investments	4,474,016	3,198,722
Deposits	954	712
	<u>(4,431,627)</u>	<u>310,307</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Permanently restricted contributions received	1,091,402	20,375
	<u>1,091,402</u>	<u>20,375</u>
NET INCREASE (DECREASE) IN CASH	(65,100)	47,565
CASH AND CASH EQUIVALENTS, beginning of year	870,438	822,873
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 805,338</u>	<u>\$ 870,438</u>
Supplemental Disclosure of Non Cash Item:		
Permanently restricted contribution	\$ 1,091,402	\$ 1,829,448
Less amount included in bequests receivable	-	(1,809,073)
	<u>\$ 1,091,402</u>	<u>\$ 20,375</u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ -	\$ -

See notes to financial statements.

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

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 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, 2017 and December 31, 2016. 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, 2017 AND DECEMBER 31, 2016

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 \$19,383,787 and \$13,027,185 at December 31, 2017 and 2016, 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 \$632,722 and \$880,609 at December 31, 2017 and 2016, respectively, in other named funds that are also not subject to donor-imposed restrictions. Thus, such funds represent unrestricted net assets to the Foundation. See Note 10 for a summary of unrestricted net assets as of December 31, 2017 and 2016.

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 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.

- 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, 2017 AND DECEMBER 31, 2016

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) Policy on Unrestricted Bequests – The Board adopted a policy with respect to the receipt of unrestricted bequests in September 2017. 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. Of the next \$250,000, a minimum of 50% will be designated for the Endowment Fund and the remainder for operations or board-approved purposes. With respect to the next \$1,250,000, 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 \$2,000,000 will be designated to the Endowment Fund.

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, 2017 AND DECEMBER 31, 2016

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.

December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	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

December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
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	\$ 18,976,792	\$ 4,537,079	\$ 23,513,871

Note 5. GRANTS, BEQUESTS AND PLEDGES RECEIVABLE:

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

	December 31,	
	2017	2016
In one year or less	\$ 227,991	\$ 2,288,226
Between one and five years	100,000	100,000
Totals	\$ 327,991	\$ 2,388,226

Grants receivable at December 31, 2017 include unconditional promises from three foundations, which collectively comprise 94% of receivables.

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

Note 6. PROPERTY AND EQUIPMENT:

Property and equipment consisted of:

	December 31,	
	2017	2016
Furniture and equipment	\$ 99,109	\$ 81,428
Software and website	169,391	169,391
Leasehold improvements	3,976	1,800
Accumulated depreciation	<u>(206,360)</u>	<u>(162,196)</u>
Totals	<u>\$ 66,116</u>	<u>\$ 90,423</u>

Depreciation expense was \$44,163 and \$45,686 for the years ended December 31, 2017 and 2016, 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 \$25,596 and \$25,150 during the years ended December 31, 2017 and 2016, respectively.

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, 2017 and 2016. The line of credit matures August 31, 2018.

Note 9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Accrued liabilities consist of the following at December 31:

	2017	2016
Accounts payable	\$ 104,040	\$ 77,910
Other accrued liabilities	<u>3,120</u>	<u>480</u>
	<u>\$ 107,160</u>	<u>\$ 78,390</u>

Note 10. UNRESTRICTED NET ASSETS:

Unrestricted net assets consisted of the following:

	December 31,	
	2017	2016
Available for operations	\$ 1,580,803	\$ 1,470,478
Designated as endowment	85,555	85,555
Donor advised funds and other named funds	20,016,509	13,907,794
Underwater endowment funds	<u>(129)</u>	<u>(4,671)</u>
Totals	<u>\$ 21,682,738</u>	<u>\$ 15,459,156</u>

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

Note 11. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets at December 31, 2017 related to the following:

	January 1, 2017	Contributions and Income	Released from Restrictions	December 31, 2017
Leadership development	\$ 18,000	\$ -	\$ (18,000)	\$ -
Endowment funds	851,280	1,292,331	(358,805)	1,784,806
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	\$ 2,466,736	\$ 2,067,331	\$ (1,430,788)	\$ 3,103,279

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

	January 1, 2016	Contributions and Income	Released from Restrictions	December 31, 2016
Leadership development	\$ 18,000	\$ -	\$ -	\$ 18,000
Endowment funds	708,224	489,552	(346,496)	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	\$ 2,050,265	\$ (1,133,864)	\$ 2,466,736

Note 12. ENDOWMENT FUNDS:

Permanently restricted net assets 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 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.

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

Note 12. ENDOWMENT FUNDS (Continued):

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 \$358,805 and \$346,496 of its endowment fund for the years ended December 31, 2017 and 2016, respectively, which is approximately 5% 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.

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

December 31, 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 1,784,806	\$ 9,051,311	\$ 10,836,117
Underwater endowment funds	(129)	-	-	(129)
Board designated	85,555	-	-	85,555
Totals	<u>\$ 85,426</u>	<u>\$ 1,784,806</u>	<u>\$ 9,051,311</u>	<u>\$ 10,921,543</u>

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>

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

Note 12. ENDOWMENT FUNDS (Continued):

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	\$ 80,884	\$ 851,280	\$ 7,959,909	\$ 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	\$ 85,426	\$ 1,784,806	\$ 9,051,311	\$ 10,921,543

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	\$ 80,884	\$ 851,280	\$ 7,959,909	\$ 8,892,073

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

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, 2017 were as follows:

<u>Year Ending December 31,</u>	
2018	\$ 144,739
2019	<u>85,890</u>
Total	<u>\$ 230,629</u>

Total rent expense during the years ended December 31, 2017 and 2016 was \$133,303 and \$99,980, respectively.