



HORIZONS FOUNDATION
(A California Not-For-Profit Corporation)

FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2019



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 statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the six month period 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 June 30, 2019, and the changes in its net assets and its cash flows for the six month period then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information in the Statement of Activities for the 12 month period ended June 30, 2019 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RINA Accountancy LLP

Certified Public Accountants

San Francisco, California
January 9, 2020

HORIZONS FOUNDATION
STATEMENT OF FINANCIAL POSITION

<u>ASSETS</u>	<u>June 30, 2019</u>
ASSETS:	
Cash and cash equivalents	\$ 181,258
Investments	21,004,998
Grants receivable	151,992
Bequests receivable	1,000,000
Loan receivable	98,032
Other receivables	1,431
Prepaid expenses	<u>106,114</u>
TOTAL CURRENT ASSETS	22,543,825
Investments restricted for long-term purposes	13,579,413
Property and equipment, net	30,332
Deposits and other assets	<u>20,403</u>
TOTAL ASSETS	<u>\$ 36,173,973</u>
<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:	
Grants payable	\$ 77,000
Accounts payable and accrued expenses	68,134
Accrued paid leave	97,221
Agency funds	441,329
Deferred revenue	<u>11,000</u>
TOTAL LIABILITIES (ALL CURRENT)	<u>694,684</u>
NET ASSETS:	
Without donor restrictions	21,871,961
With donor restrictions	<u>13,607,328</u>
TOTAL NET ASSETS	<u>35,479,289</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 36,173,973</u>

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENT OF ACTIVITIES

SIX MONTH PERIOD ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND OPERATING REVENUE :			
Support:			
Contributions from individuals	\$ 922,204	\$ -	\$ 922,204
Foundation and corporation grants	21,582	388,628	410,210
Organizations	59	-	59
Bequests	800	4,066	4,866
Fundraising event income	55,612	-	55,612
Fundraising event expense	<u>(35,601)</u>	<u>-</u>	<u>(35,601)</u>
Fundraising event, net	<u>20,011</u>	<u>-</u>	<u>20,011</u>
Net assets released from restrictions	<u>308,299</u>	<u>(308,299)</u>	<u>-</u>
Total support	<u>1,272,955</u>	<u>84,395</u>	<u>1,357,350</u>
Revenue:			
Fee income	225	-	225
Investment income, net of fees	<u>1,612,670</u>	<u>1,510,518</u>	<u>3,123,188</u>
Total revenue	<u>1,612,895</u>	<u>1,510,518</u>	<u>3,123,413</u>
TOTAL SUPPORT AND OPERATING REVENUE	<u>2,885,850</u>	<u>1,594,913</u>	<u>4,480,763</u>
OPERATING EXPENSES:			
Program expenses:			
Grantmaking	1,610,256	-	1,610,256
Capacity building	30,429	-	30,429
Promoting philanthropy	<u>517,989</u>	<u>-</u>	<u>517,989</u>
Total program services	<u>2,158,674</u>	<u>-</u>	<u>2,158,674</u>
Supporting services:			
Management and general	264,698	-	264,698
Fundraising	<u>165,668</u>	<u>-</u>	<u>165,668</u>
Total supporting services	<u>430,366</u>	<u>-</u>	<u>430,366</u>
TOTAL OPERATING EXPENSES	<u>2,589,040</u>	<u>-</u>	<u>2,589,040</u>
CHANGE IN NET ASSETS	296,810	1,594,913	1,891,723
NET ASSETS, beginning of period	<u>21,575,151</u>	<u>12,012,415</u>	<u>33,587,566</u>
NET ASSETS, end of period	<u>\$ 21,871,961</u>	<u>\$ 13,607,328</u>	<u>\$ 35,479,289</u>

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

SIX MONTH PERIOD ENDED JUNE 30, 2019

	<u>Grantmaking</u>	<u>Capacity Building</u>	<u>Promoting Philanthropy</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Shared Expenses</u>	<u>Total</u>
Grants	\$ 1,351,728	\$ -	\$ 92,500	\$ -	\$ 300	\$ -	\$ 1,444,528
Personnel:							
Salaries	133,854	15,235	236,553	136,038	85,360	25,381	632,421
Payroll taxes	10,943	1,294	19,461	11,179	6,892	1,430	51,199
Employee benefits	15,753	1,842	27,261	6,707	8,528	2,353	62,444
Total personnel	<u>160,550</u>	<u>18,371</u>	<u>283,275</u>	<u>153,924</u>	<u>100,780</u>	<u>29,164</u>	<u>746,064</u>
Professional services	14,056	8,500	42,654	42,809	831	26,545	135,395
Occupancy	-	-	-	-	-	73,570	73,570
Travel	26,891	-	3,720	1,229	4,543	-	36,383
Printing	897	-	750	-	2,940	13,710	18,297
Computer equipment & software	-	-	-	5,500	-	8,637	14,137
Merchant service fees	3,842	-	-	9,585	250	52	13,729
Promotion	169	-	9,250	-	1,592	2,396	13,407
Depreciation	-	-	-	-	-	11,917	11,917
Meeting expense and supplies	629	287	1,296	3,735	1,070	4,853	11,870
Community events	-	-	11,241	-	-	-	11,241
Board support	-	-	-	10,007	-	-	10,007
Computer repairs	-	-	-	-	-	8,268	8,268
Postage	-	-	50	-	4,863	704	5,617
Bad debt expense	-	-	-	-	5,500	-	5,500
Insurance	-	-	-	-	344	4,879	5,223
Telephone	-	-	-	-	-	4,692	4,692
Branded collateral	-	-	103	-	3,425	-	3,528
Meals and entertainment	-	-	20	-	1,935	1,343	3,298
Equipment rental and maintenance	-	-	-	314	-	2,788	3,102
Dues and subscriptions	-	-	2,012	-	735	182	2,929
Legal	1,407	-	631	276	49	-	2,363
Donor cultivation events	-	-	191	-	2,033	-	2,224
Bank fees	8	-	-	1,064	-	-	1,072
Recruitment	-	-	-	425	-	-	425
Staff development	-	-	-	-	159	25	184
Permits, licenses and property taxes	-	-	-	70	-	-	70
Allocation of communications	15,179	930	19,989	10,169	9,759	(56,026)	-
Allocation of shared expenses	34,900	2,341	50,307	25,591	24,560	(137,699)	-
Total other expenses	<u>97,978</u>	<u>12,058</u>	<u>142,214</u>	<u>110,774</u>	<u>64,588</u>	<u>(29,164)</u>	<u>398,448</u>
Total functional expenses	<u>\$ 1,610,256</u>	<u>\$ 30,429</u>	<u>\$ 517,989</u>	<u>\$ 264,698</u>	<u>\$ 165,668</u>	<u>\$ -</u>	<u>\$ 2,589,040</u>

See notes to financial statements.

HORIZONS FOUNDATION

STATEMENT OF CASH FLOWS

	<u>Six Months Ended June 30, 2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 1,891,723
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	11,917
Donor restricted contributions held for long-term purposes	(4,066)
Net realized and unrealized gains on investments	(2,842,263)
Donated securities	(441,113)
Changes in operating assets and liabilities:	
Receivables	6,224
Prepaid expenses	(52,333)
Grants payable	37,000
Accounts payable and accrued expenses	(26,156)
Agency funds	53,704
Deferred rent	11,000
	<hr/>
NET CASH USED BY OPERATING ACTIVITIES	(1,354,363)
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CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investments	(988,264)
Purchases of equipment	(4,237)
Proceeds from sale and maturities of investments	2,081,888
	<hr/>
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,089,387
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CASH FLOWS FROM FINANCING ACTIVITIES:	
Donor restricted contributions held for long-term purposes	4,066
	<hr/>
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,066
	<hr/>
NET DECREASE IN CASH	(260,910)
CASH AND CASH EQUIVALENTS, beginning of period	442,168
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CASH AND CASH EQUIVALENTS, end of period	\$ 181,258
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See notes to financial statements.

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2019

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 June 30, 2019. 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. Property and equipment 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

SIX MONTHS ENDED JUNE 30, 2019

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

- g) Basis of Presentation - 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 \$19,816,939 at June 30, 2019, 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 \$346,470 at June 30, 2019 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 June 30, 2019.

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 June 30, 2019.

- 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.

- 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

SIX MONTH PERIOD ENDED JUNE 30, 2019

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 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. Of the next \$1,000,000, 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 \$3,500,000, 75% will be designated for the Endowment Fund and the remainder for operations or board-approved purposes. For any additional funds received above an annual total of \$5,000,000, 90 % will be designated to the Endowment Fund.
- n) Accounting Changes – On June 21, 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Update is effective to annual periods beginning after December 15, 2019. Early adoption is permitted. The Foundation has implemented ASU 2018-08 and has adjusted the presentation in these financial statements accordingly.
- o) Subsequent Events - Management has evaluated subsequent events through January 9, 2020 the date the financial statements were available for issue.

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

SIX MONTH PERIOD ENDED JUNE 30, 2019

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	\$ 181,258
Investments	21,004,998
Grants receivable	151,992
Bequests receivable	687,500
Other receivables	<u>1,431</u>
Total	\$ 22,027,179
Donor advised funds	<u>(19,816,939)</u>
Available for general expenditure	<u>\$ 2,210,240</u>

Of the investments listed above, \$19,816,939 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 12. 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.

Of the \$1,000,000 of current bequests receivable, a minimum of \$312,500 will be designated as board-designated endowment upon receipt pursuant to the Policy on Bequests Without Donor Restrictions described in Note 2.

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.

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SIX MONTH PERIOD ENDED JUNE 30, 2019

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

June 30, 2019	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level	Total
Cash and money market	\$ 7,595,054	\$ -	\$ 7,595,054
Trading securities	13,486,337	-	13,486,337
Mutual funds	5,547,820	-	5,547,820
Fixed income	-	7,955,200	7,955,200
Totals	\$ 26,629,211	\$ 7,955,200	\$ 34,584,411

Net investment income consisted of the following for the six- month period ended:

	June 30, 2019
Dividends and interest	\$ 327,360
Realized gains	164,617
Unrealized gains	2,677,646
Investment fees	(46,435)
Total	\$ 3,123,188

Note 6. GRANTS, BEQUESTS AND PLEDGES RECEIVABLE:

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

	June 30, 2019
In one year or less	\$ 1,151,992
Totals	\$ 1,151,992

Grants receivable at June 30, 2019 include an unconditional promise from one foundation, which comprises 11% of receivables.

Bequests receivable at June 30, 2019 include an unconditional promise from one estate, which comprises 87 % of receivables.

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SIX MONTH PERIOD ENDED JUNE 30, 2019

Note 7. PROPERTY AND EQUIPMENT:

Property and equipment consisted of:

	<u>June 30,</u> <u>2019</u>
Furniture and equipment	\$ 105,506
Software and website	169,391
Leasehold improvements	3,976
Accumulated depreciation	<u>(248,541)</u>
Totals	<u>\$ 30,332</u>

Depreciation expense was \$11,917 for the six months ended June 30, 2019.

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 \$19,303 and six months ended June 30, 2019.

Note 9. LINE OF CREDIT:

The Foundation has a secured line of credit from a financial institution in the amount of \$1,000,000. 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%. The balance of this line of credit was \$0 at June 30, 2019. The line of credit matures August 31, 2020.

Note 10. NET ASSETS WITHOUT DONOR RESTRICTIONS:

Net assets without donor restrictions consisted of the following:

	<u>June 30,</u> <u>2019</u>
Available for operations	\$ 1,622,997
Designated as endowment	85,555
Donor advised funds and other named funds	<u>20,163,409</u>
Totals	<u>\$ 21,871,961</u>

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SIX MONTH PERIOD ENDED JUNE 30, 2019

Note 11. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions at June 30, 2019 related to the following:

	January 1, 2019	Contributions and Income	Released from Restrictions	June 30, 2019
Endowment funds -corpus	\$ 10,202,664	\$ 4,066	\$ -	\$ 10,206,730
Endowment funds -earnings	951,106	1,510,518	-	2,461,624
Purpose restricted:				
LGBT giving	47,164	167,000	(27,894)	186,270
LGBT research	129,028	-	(4,305)	124,723
Planned giving	148,158	-	(58,083)	90,075
Capacity building	531,265	196,628	(208,456)	519,437
ED convenings	3,030	25,000	(9,561)	18,469
Totals	\$ 12,012,415	\$ 1,903,212	\$ (308,299)	\$ 13,607,328

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 made no distributions of its endowment fund for the six months ended June 30, 2019.

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SIX MONTH PERIOD ENDED JUNE 30, 2019

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.

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:

June 30, 2019	Without donor Restriction	With donor Restriction	Total
Donor restricted	\$ -	\$ 12,668,351	\$ 12,668,351
Board designated	85,555	-	85,555
Totals	\$ 85,555	\$ 12,668,351	\$ 12,753,906

Changes in endowment net assets for the six months ended June 30, 2019:

	Without donor Restriction	With donor Restriction	Total
Endowment net assets, beginning	\$ 85,555	\$ 11,140,863	\$ 11,226,418
Investment return:			
Interest and dividends	-	122,116	122,116
Net gains (realized and unrealized)	-	1,388,402	1,388,402
Total investment return	-	1,510,518	1,510,518
Contributions	-	16,970	16,970
Appropriation of endowment for expenditures	-	-	-
Endowment net assets, ending	\$ 85,555	\$ 12,668,351	\$ 12,753,906

HORIZONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SIX MONTH PERIOD ENDED JUNE 30, 2019

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 June 30, 2019 were as follows:

Year Ending June 30,	
2020	\$ 162,922
2021	167,726
2022	<u>464</u>
	<u>\$ 331,112</u>

Total rent expense during the six months ended June 30, 2019 was \$73,570.

HORIZONS FOUNDATION

SUPPLEMENTARY INFORMATION

HORIZONS FOUNDATION
STATEMENT OF ACTIVITIES
TWELVE MONTHS ENDED JUNO 30, 2019

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
SUPPORT AND OPERATING REVENUE:			
Support:			
Contributions from individuals	\$ 4,291,237	\$ 21,000	\$ 4,312,237
Foundation and corporation grants	109,510	417,000	526,510
Organizations	59	-	59
Bequests	1,188,545	1,134,418	2,322,963
Fundraising event income	365,499	-	365,499
Fundraising event expense	(261,247)	-	(261,247)
Fundraising event, net	104,252	-	104,252
Net assets released from restrictions	<u>1,138,388</u>	<u>(1,138,388)</u>	<u>-</u>
Total support	6,831,991	434,030	7,266,021
Revenue:			
Fee income	680	-	680
Investment income, net of fees	1,265,201	1,190,165	2,455,366
Other income	<u>6,020</u>	<u>-</u>	<u>6,020</u>
Total revenue	<u>1,271,901</u>	<u>1,190,165</u>	<u>2,462,066</u>
TOTAL SUPPORT AND OPERATING REVENUE	<u>8,103,892</u>	<u>1,624,195</u>	<u>9,728,087</u>
OPERATING EXPENSES			
Program expenses:			
Grantmaking	4,615,177	-	4,615,177
Capacity building	63,816	-	63,816
Promoting philanthropy	<u>900,253</u>	<u>-</u>	<u>900,523</u>
Total program services	5,579,246	-	5,579,246
Supporting services:			
Management and general	469,977	-	469,977
Fundraising	<u>402,228</u>	<u>-</u>	<u>778,355</u>
Total supporting services	<u>872,205</u>	<u>-</u>	<u>872,205</u>
TOTAL OPERATING EXPENSES	<u>6,451,451</u>	<u>-</u>	<u>6,451,451</u>
CHANGE IN NET ASSETS	1,652,441	1,624,195	3,276,636
NET ASSETS at June 30, 2018	<u>20,219,520</u>	<u>11,983,133</u>	<u>32,202,653</u>
NET ASSETS at June 30, 2019	<u>\$ 21,871,961</u>	<u>\$ 13,607,328</u>	<u>\$ 35,479,289</u>