



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

**FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND JUNE 30, 2021**



Advisory   Assurance   Tax   Private Client

# **HORIZONS FOUNDATION**

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## Independent Auditors' Report

Board of Directors  
Horizons Foundation

### Opinion

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 June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the 2022 financial statements referred to above present fairly, in all material respects, the financial position of Horizons Foundation as of June 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Horizons Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Prior Period Financial Statements

The financial statements as of June 30, 2021, were audited by RINA Accountancy LLP, who merged with Aprio, LLP as of August 1, 2022, and whose report dated January 19, 2022, expressed an unmodified opinion on those statements.

### Emphasis of Matter

As discussed in Note 2 to the financial statements, as of July 1, 2021, the Foundation adopted Accounting Standards Update (ASU) No. 2016-02 "Leases" (ASC Topic 842). Our opinion is not modified with respect to that matter.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Horizons Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

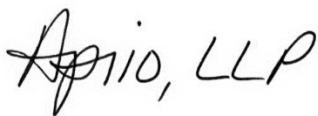
### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Horizons Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Horizons Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



San Francisco, California  
June 1, 2023

# HORIZONS FOUNDATION

## STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
CURRENT:		
Cash and cash equivalents	\$ 1,001,378	\$ 1,351,054
Investments	25,525,015	22,709,881
Grants and bequests receivable	57,746	1,992
Loan receivable	216,608	66,608
Other receivables	12,499	1,922
Prepaid expenses	623,668	24,150
Operating lease right-of-use-assets, net	972,745	-
TOTAL CURRENT ASSETS	28,409,659	24,155,607
PROPERTY AND EQUIPMENT, net	96,845	10,874
OTHER:		
Investments restricted for long-term purposes	17,601,421	17,295,195
Deposits and other assets	33,304	18,452
TOTAL ASSETS	<u>\$ 46,141,229</u>	<u>\$ 41,480,128</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Grants payable	\$ 130,500	\$ 130,700
Accounts payable and accrued expenses	101,583	91,988
Accrued paid leave	119,831	117,399
Agency funds	469,466	536,037
Deferred revenue	-	8,500
Paycheck Protection Program Loan	-	26,554
Operating lease liabilities	15,191	-
TOTAL CURRENT LIABILITIES	836,571	911,178
LONG TERM LIABILITIES		
Operating lease liabilities, net of current	860,145	-
TOTAL LIABILITIES	<u>1,696,716</u>	<u>911,178</u>
NET ASSETS:		
Without donor restrictions	26,482,256	23,470,158
With donor restrictions	17,962,257	17,098,792
TOTAL NET ASSETS	<u>44,444,513</u>	<u>40,568,950</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 46,141,229</u>	<u>\$ 41,480,128</u>

See notes to financial statements.

# HORIZONS FOUNDATION

## STATEMENT OF ACTIVITIES

### YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND OPERATING REVENUE :			
SUPPORT:			
Contributions from individuals	\$ 10,029,148	\$ 45,000	\$ 10,074,148
Foundation and corporation grants	26,304	465,870	492,174
Organizations	1,419	-	1,419
Bequests	1,119,863	4,146,704	5,266,567
	<u>11,176,734</u>	<u>4,657,574</u>	<u>15,834,308</u>
Fundraising event income	229,233	-	229,233
Fundraising event expense	(36,936)	-	(36,936)
Fundraising event, net	<u>192,297</u>	<u>-</u>	<u>192,297</u>
Net assets released from restrictions	<u>2,402,588</u>	<u>(2,402,588)</u>	<u>-</u>
Total support	<u>13,771,619</u>	<u>2,254,986</u>	<u>16,026,605</u>
OPERATING REVENUE (LOSS):			
Fee income	500	-	500
Investment loss, net of fees	(1,218,209)	(1,391,521)	(2,609,730)
Other income	646	-	646
Total operating loss	<u>(1,217,063)</u>	<u>(1,391,521)</u>	<u>(2,608,584)</u>
TOTAL SUPPORT AND OPERATING REVENUE	<u>12,554,556</u>	<u>863,465</u>	<u>13,418,021</u>
OPERATING EXPENSES:			
Program expenses:			
Grantmaking	7,901,834	-	7,901,834
Capacity building	79,208	-	79,208
Promoting philanthropy	752,334	-	752,334
Total program services	<u>8,733,376</u>	<u>-</u>	<u>8,733,376</u>
Supporting services:			
Management and general	442,426	-	442,426
Fundraising	366,656	-	366,656
Total supporting services	<u>809,082</u>	<u>-</u>	<u>809,082</u>
TOTAL OPERATING EXPENSES	<u>9,542,458</u>	<u>-</u>	<u>9,542,458</u>
CHANGE IN NET ASSETS	3,012,098	863,465	3,875,563
NET ASSETS, beginning of year	<u>23,470,158</u>	<u>17,098,792</u>	<u>40,568,950</u>
NET ASSETS, end of year	<u>\$ 26,482,256</u>	<u>\$ 17,962,257</u>	<u>\$ 44,444,513</u>

See notes to financial statements.

# HORIZONS FOUNDATION

## STATEMENT OF ACTIVITIES

**YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUE AND SUPPORT:</b>			
Support:			
Contributions from individuals	\$ 5,133,332	\$ 559,114	\$ 5,692,446
Foundation and corporation grants	11,623	576,715	588,338
Organizations	101	-	101
Bequests	180,130	-	180,130
Government grant	5,326	-	5,326
	<u>5,330,512</u>	<u>1,135,829</u>	<u>6,466,341</u>
Fundraising event income	344,276	-	344,276
Fundraising event expense	(38,703)	-	(38,703)
Fundraising event, net	<u>305,573</u>	<u>-</u>	<u>305,573</u>
Net assets released from restrictions	988,740	(988,740)	-
Total support	<u>6,624,825</u>	<u>147,089</u>	<u>6,771,914</u>
Revenue:			
Fee income	500	-	500
Investment income, net of fees	2,883,404	3,033,716	5,917,120
Other income	3,826	-	3,826
Total revenue	<u>2,887,730</u>	<u>3,033,716</u>	<u>5,921,446</u>
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<u>9,512,555</u>	<u>3,180,805</u>	<u>12,693,360</u>
<b>OPERATING EXPENSES:</b>			
Program expenses:			
Grantmaking	5,633,193	-	5,633,193
Capacity building	88,415	-	88,415
Promoting philanthropy	597,005	-	597,005
Total program services	<u>6,318,613</u>	<u>-</u>	<u>6,318,613</u>
Supporting services:			
Management and general	428,541	-	428,541
Fundraising	321,945	-	321,945
Total supporting services	<u>750,486</u>	<u>-</u>	<u>750,486</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>7,069,099</u>	<u>-</u>	<u>7,069,099</u>
CHANGE IN NET ASSETS	2,443,456	3,180,805	5,624,261
NET ASSETS, beginning of year	<u>21,026,702</u>	<u>13,917,987</u>	<u>34,944,689</u>
NET ASSETS, end of year	<u>\$ 23,470,158</u>	<u>\$ 17,098,792</u>	<u>\$ 40,568,950</u>

See notes to financial statements.

# HORIZONS FOUNDATION

## STATEMENTS OF FUNCTIONAL EXPENSES

### YEAR ENDED JUNE 30, 2022

	Program Services			Supporting Services			Total
	Grantmaking	Capacity Building	Promoting Philanthropy	Management and General	Fundraising	Shared Expenses	
Grants	\$ 7,469,405	\$ -	\$ 88,500	\$ -	\$ -	\$ -	\$ 7,557,905
PERSONNEL:							
Salaries	262,146	44,195	414,365	213,698	156,842	74,137	1,165,383
Payroll taxes	18,178	3,051	29,123	13,654	10,922	5,246	80,174
Employee benefits	29,204	5,651	35,153	17,909	8,152	11,379	107,448
Total personnel	309,528	52,897	478,641	245,261	175,916	90,762	1,353,005
OTHER:							
Occupancy	-	-	-	-	-	181,965	181,965
Professional services	9,178	18,700	10,751	57,596	20,000	36,704	152,929
Donor cultivation events	-	-	-	-	34,939	-	34,939
SaaS subscriptions/ licenses	25,839	-	-	6,613	384	21,255	54,091
Promotion	-	-	16,719	-	18,712	-	35,431
Telephone	331	-	-	-	-	21,527	21,858
Recruitment	-	-	-	20,311	-	-	20,311
Merchant service fees	754	-	-	17,663	1,086	-	19,503
Postage	326	-	-	664	10,445	5,155	16,590
Travel	1,779	-	1,161	6,155	356	5,721	15,172
Dues and subscriptions	5,000	-	7,500	24	1,617	24	14,165
Insurance	-	-	-	3,789	-	8,490	12,279
Printing and design	-	-	-	-	8,797	2,730	11,527
Community events	-	-	7,044	-	-	-	7,044
Depreciation	-	-	-	-	-	10,525	10,525
Board support	-	-	-	6,076	-	-	6,076
Equipment rental and maintenance	-	-	-	-	-	4,384	4,384
Meeting expense and supplies	-	-	-	482	616	5,081	6,179
Bank fees	-	-	-	2,562	-	-	2,562
Meals and entertainment	-	-	-	444	1,225	-	1,669
Permits, licenses and property taxes	73	-	-	1,779	-	29	1,881
Staff development	-	-	-	120	349	-	469
Allocation of communications	17,968	2,113	15,617	20,233	42,944	(109,470)	(10,595)
Allocation of shared expenses	61,653	5,498	126,401	52,654	49,270	(284,882)	10,594
Total other expenses	122,901	26,311	185,193	197,165	190,740	(90,762)	631,548
Total functional expenses	\$ 7,901,834	\$ 79,208	\$ 752,334	\$ 442,426	\$ 366,656	\$ -	\$ 9,542,458

See notes to financial statements.



# HORIZONS FOUNDATION

## STATEMENTS OF FUNCTIONAL EXPENSES

### YEAR ENDED JUNE 30, 2021

	Program Services			Supporting Services			Total
	Grantmaking	Capacity Building	Promoting Philanthropy	Management and General	Fundraising	Shared Expenses	
Grants	\$ 5,190,482	\$ -	\$ 89,000	\$ -	\$ -	\$ -	\$ 5,279,482
Personnel:							
Salaries	246,505	49,278	284,740	238,912	170,232	71,415	1,061,082
Payroll taxes	17,763	3,541	20,894	16,977	12,044	5,091	76,310
Employee benefits	25,976	6,001	28,659	10,291	18,084	7,414	96,425
Total personnel	290,244	58,820	334,293	266,180	200,360	83,920	1,233,817
Other:							
Occupancy	-	-	-	-	-	173,181	173,181
Professional services	27,142	20,400	12,132	61,024	-	39,380	160,078
SaaS subscriptions/ licenses	37,925	-	-	6,420	-	16,040	60,385
Printing and design	-	-	6,960	-	8,439	15,692	31,091
Merchant service fees	2,020	-	30	15,450	3,801	-	21,301
Telephone	354	-	-	2,319	-	15,481	18,154
Promotion	-	-	15,538	-	1,167	726	17,431
Dues and subscriptions	5,000	-	7,500	564	385	907	14,356
Recruitment	30	-	-	2,582	10,534	-	13,146
Depreciation	-	-	-	-	322	11,376	11,698
Insurance	-	-	-	30	-	10,628	10,658
Equipment rental and maintenance	-	-	-	-	-	5,383	5,383
Postage	293	-	-	244	3,392	828	4,757
Meeting expense and supplies	-	-	-	491	-	4,043	4,534
Legal	1,236	-	52	550	650	-	2,488
Board support	-	-	-	2,338	-	-	2,338
Bank fees	-	-	-	2,111	-	-	2,111
Permits, licenses and property taxes	475	-	-	491	-	-	966
Travel	-	-	-	940	-	-	940
Staff development	-	-	-	349	169	25	543
Meals and entertainment	-	-	-	27	230	-	257
Allocation of communications	22,604	2,665	33,136	19,253	44,716	(109,441)	12,933
Allocation of shared expenses	55,388	6,530	98,364	47,178	47,780	(268,169)	(12,929)
Total other expenses	152,467	29,595	173,712	162,361	121,585	(83,920)	555,800
Total functional expenses	\$ 5,633,193	\$ 88,415	\$ 597,005	\$ 428,541	\$ 321,945	\$ -	\$ 7,069,099

See notes to financial statements.

# HORIZONS FOUNDATION

## STATEMENTS OF CASH FLOWS

	<u>Year Ended</u> <u>June 30, 2022</u>	<u>Year Ended</u> <u>June 30, 2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 3,875,563	\$ 5,624,261
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	10,525	11,698
Donor restricted contributions held for long-term purposes	(2,616,704)	(559,114)
Net realized and unrealized losses (gains) on investments	3,207,733	(5,389,213)
Donated securities	(6,689,711)	(4,000,442)
Non-cash lease expense	43,671	-
Changes in operating assets and liabilities:		
Grants and bequests receivable	(55,754)	350,000
Loans receivable	(150,000)	-
Other receivables	(10,577)	-
Prepaid expenses	(599,518)	3,415
Grants payable	(200)	70,200
Accounts payable and accrued expenses	9,595	(80,537)
Accrued paid leave	2,432	6,858
Agency funds	(66,571)	86,724
Deposits and other assets	(14,852)	364
Deferred revenue	(8,500)	(77,000)
Lease liabilities	(141,080)	-
	<u>(3,203,948)</u>	<u>(3,952,786)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(7,472,464)	(2,959,155)
Purchases of equipment	(96,496)	3,470
Proceeds from sale and maturities of investments	7,833,082	7,011,601
	<u>264,122</u>	<u>4,055,916</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Paycheck Protection Program Loan repayment	(26,554)	(5,250)
Donor restricted contributions held for long-term purposes	2,616,704	559,114
	<u>2,590,150</u>	<u>553,864</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(349,676)</b>	<b>656,994</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>1,351,054</b>	<b>694,060</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 1,001,378</b>	<b>\$ 1,351,054</b>

See notes to financial statements.

# HORIZONS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2022 AND JUNE 30, 2021

### **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:

#### **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.

#### **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 \$24,061,836 and \$21,221,074 at June 30, 2022 and 2021, 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 \$423,176 and \$581,666 at June 30, 2022 and 2021, 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 10 for a summary of net assets without donor restrictions as of June 30, 2022.

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 11 for a summary of net assets with donor restrictions as of June 30, 2022 and 2021.

#### **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.

# HORIZONS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

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

#### 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.

#### 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, 2022. It is the Foundation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

#### 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.

#### 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.

#### 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 – JUNE 30, 2022 AND JUNE 30, 2021

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

#### 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.

#### 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.

#### Policy on bequests without donor restrictions:

The Board adopted a policy with respect to the receipt of bequests without donor restrictions in March 2020. 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.

#### Leases:

The Foundation adopted ASC 842 - Leases effective July 1, 2021, with all the available practical expedients, retrospectively at the beginning of the period of adoption. There was no retained earnings impact on the adoption of ASC 842. The Foundation recognizes and measures its leases in accordance with ASC 842 Leases. The Foundation determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Foundation recognizes a lease liability and a right of use (ROU) asset at the commencement date of each lease. The lease liability is initially and subsequently recognized based on the present value of the contract's future lease payments.

Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate, if it is readily determinable, or the Foundation's incremental borrowing rate, or a risk-free rate determined using a period comparable with that of the lease term . The implicit rate is not readily determinable and the Foundation elects to use its incremental borrowing rate.

The Foundation has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Foundation is reasonably certain to exercise. The Foundation recognizes lease costs associated with its short-term leases on a straight-line basis over the lease term. When contracts contain lease and non-lease components, the Foundation accounts for both components as a single lease component.

# HORIZONS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

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

#### 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.

#### Subsequent events:

Management has evaluated subsequent events through June 1, 2023, the date the financial statements were available for issuance.

### **Note 3. USE OF ESTIMATES:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant accounting estimates reflected in the Foundation's financial statements include valuation of investments, valuation of grants receivable, and the functional allocation of expenses. Actual results could differ from those estimates.

### **Note 4. 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. The Foundation maintains cash balances at one commercial bank, and these balances can exceed the FDIC insured deposit limit of \$250,000 per financial institution. At June 30, 2022 and June 30, 2021, the Foundation's cash balances held at the commercial banks exceeded the FDIC limit by approximately \$1,100,000 and \$750,000. The Foundation has not experienced any losses through the date when the financial statements were available to be issued.

## HORIZONS FOUNDATION

### NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

**Note 5. 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 at June 30:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Cash and cash equivalents	\$ 1,001,378	\$ 1,351,054
Investments	25,525,015	22,709,881
Grants and bequests receivable	57,746	1,992
Loans receivable	216,608	66,608
Other receivables	<u>12,499</u>	<u>1,922</u>
Totals	26,813,246	24,131,457
Donor advised funds	(24,061,836)	(21,221,074)
Other named funds	<u>(423,176)</u>	<u>(581,666)</u>
Available for general expenditure	<u>\$ 2,328,234</u>	<u>\$ 2,328,717</u>

Of the investments listed above, \$24,061,836 and \$21,221,074, respectively, consist of donor advised funds and \$423,176 and \$581,666, respectively, consist of other named 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. For other named funds, the Foundation's policy is to spend those funds according to the advice of the sponsors of other named funds.

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 \$273,055 is subject to an annual spending rate of 5 percent as described in Note 12. Although the Foundation does 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 6. 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 - JUNE 30, 2022 AND JUNE 30, 2021

**Note 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED):**

Financial assets are comprised of the following at June 30:

June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Cash and money market	\$ 15,162,746	\$ -	\$ 15,162,746
Trading securities	13,259,919	-	13,259,919
Mutual funds	6,344,034	-	6,344,034
Fixed income	-	8,359,737	8,359,737
Totals	\$ 34,766,699	\$ 8,359,737	\$ 43,126,436

June 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Cash and money market	\$ 8,598,212	\$ -	\$ 8,598,212
Trading securities	16,482,980	-	16,482,980
Mutual funds	6,669,789	-	6,669,789
Fixed income	-	8,254,095	8,254,095
Totals	\$ 31,750,981	\$ 8,254,095	\$ 40,005,076

Net investment income (loss) consisted of the following for the years ended June 30:

	June 30, 2022	June 30, 2021
Dividends and interest	\$ 702,908	\$ 629,749
Realized gains	2,511,885	1,166,843
Unrealized (losses) gains	(5,719,618)	4,222,370
Investment fees	(104,905)	(101,842)
Totals	\$ (2,609,730)	\$ 5,917,120

**Note 7. GRANTS, BEQUESTS AND PLEDGES RECEIVABLE:**

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

	June 30, 2022	June 30, 2021
In one year or less	\$ 57,746	\$ 1,992
Totals	\$ 57,746	\$ 1,992

Grants and bequests receivable at June 30, 2022 include unconditional promises from two trusts, which comprise 82% of receivables.



## HORIZONS FOUNDATION

### NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

**Note 8. PROPERTY AND EQUIPMENT:**

Property and equipment consisted of the following at June 30:

	2022	2021
Furniture and equipment	\$ 87,981	\$ 119,355
Software and website	169,391	169,391
Leasehold improvements	40,074	3,976
	297,446	292,722
Less: accumulated depreciation	(200,601)	(281,848)
Totals	\$ 96,845	\$ 10,874

Depreciation expense was \$10,525 and \$11,698 for the years ended June 30, 2022 and 2021, respectively.

**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, 2022 and June 30, 2021. The line of credit matures March 31, 2024.

**Note 10. NET ASSETS WITHOUT DONOR RESTRICTIONS:**

Net assets without donor restrictions consisted of the following at June 30:

	2022	2021
Available for operations	\$ 1,724,189	\$ 1,394,363
Designated as endowment	273,055	273,055
Donor advised funds and other named funds	24,485,012	21,802,740
Totals	\$ 26,482,256	\$ 23,470,158

## HORIZONS FOUNDATION

### NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

**Note 11. NET ASSETS WITH DONOR RESTRICTIONS:**

Net assets with donor restrictions at June 30, 2022 related to the following:

	June 30, 2021	Contributions and Income	Released from Restrictions	June 30, 2022
Endowment funds -corpus	\$ 10,870,844	\$ 2,616,704	\$ -	\$ 13,487,548
Endowment funds -earnings	5,115,350	(1,391,519)	(812,392)	2,911,439
Purpose restricted:				
LGBTQ giving	252,133	546,430	(411,034)	387,529
LGBTQ research	121,272	-	(585)	120,687
Planned giving	89,045	-	(68,783)	20,262
Capacity building	547,509	(35,562)	(41,055)	470,892
ED convenings	23,109	-	(16,590)	6,519
Covid 19	79,530	-	(79,530)	-
Holmnstrom Bequest	-	1,530,000	(972,619)	557,381
Totals	\$ 17,098,792	\$ 3,266,053	\$ (2,402,588)	\$ 17,962,257

Net assets with donor restrictions at June 30, 2021 related to the following:

	June 30, 2020	Contributions and Income	Released from Restrictions	June 30, 2021
Endowment funds -corpus	\$ 10,311,730	\$ 559,114	\$ -	\$ 10,870,844
Endowment funds -earnings	2,252,655	3,033,716	(171,021)	5,115,350
Purpose restricted:				
LGBTQ giving	238,537	215,000	(201,404)	252,133
LGBTQ research	122,780	-	(1,508)	121,272
Planned giving	197,058	25,000	(133,013)	89,045
Capacity building	567,352	286,792	(306,635)	547,509
ED convenings	25,057	35,000	(36,948)	23,109
Covid 19	202,818	14,923	(138,211)	79,530
Totals	\$ 13,917,987	\$ 4,169,545	\$ (988,740)	\$ 17,098,792

**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.

Management 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 Foundation in accordance with the Foundation's spending policy. The amounts allocated to funds with deficiencies are classified as net assets with donor restrictions.

## HORIZONS FOUNDATION

### NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

**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 \$812,392 and \$171,021 of its endowment fund for the years ended June 30, 2022 and 2021, respectively.

*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 Statements of Financial Position.

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

June 30, 2022	Without Donor Restriction	With Donor Restriction	Total
Donor restricted	\$ -	\$ 16,398,988	\$ 16,398,988
Board designated	273,055	-	273,055
Totals	\$ 273,055	\$ 16,398,988	\$ 16,672,043

June 30, 2021	Without Donor Restriction	With Donor Restriction	Total
Donor restricted	\$ -	\$ 15,986,195	\$ 15,986,195
Board designated	273,055	-	273,055
Totals	\$ 273,055	\$ 15,986,195	\$ 16,259,250

## HORIZONS FOUNDATION

### NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

**Note 12. ENDOWMENT FUNDS (Continued):**

Changes in endowment net assets for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 273,055	\$ 15,986,195	\$ 16,259,250
Investment return:			
Interest and dividends	-	293,308	293,308
Net gains (realized and unrealized)	-	(1,684,827)	(1,684,827)
Total investment return	-	(1,391,519)	(1,391,519)
Contributions	-	2,616,704	2,616,704
Appropriation of endowment for expenditures	-	(812,392)	(812,392)
Endowment net assets, ending	\$ 273,055	\$ 16,398,988	\$ 16,672,043

Changes in endowment net assets for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 273,055	\$ 12,564,385	\$ 12,837,440
Investment return:			
Interest and dividends	-	248,894	248,894
Net gains (realized and unrealized)	-	2,784,822	2,784,822
Total investment return	-	3,033,716	3,033,716
Contributions	-	559,114	559,114
Appropriation of endowment for expenditures	-	(171,020)	(171,020)
Endowment net assets, ending	\$ 273,055	\$ 15,986,195	\$ 16,259,250

**Note 13. GOVERNMENT GRANT:**

On April 22, 2020, the Foundation received loan proceeds in the amount of \$245,555 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness may be reduced if the borrower terminates employees or reduces salaries during the 24-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.

## HORIZONS FOUNDATION

### NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

**Note 13. GOVERNMENT GRANT (Continued):**

The Foundation has used \$219,343 of the proceeds for purposes consistent with the PPP through August 11, 2021. On August 11, 2021, the SBA forgave \$219,343 in principal and \$2,821 in accrued interest. The remaining proceeds of \$26,554 at June 30, 2021 have been reported as Paycheck Protection Program loan on the Statements of Financial Position. The unused PPP proceeds of \$26,554 was returned in full on August 2021.

**Note 14. 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 \$58,959 and \$36,920 for the years ended June 30, 2022 and 2021, respectively.

**Note 15. COMMITMENTS UNDER OPERATING LEASES:**

The Foundation has obligations as a lessee primarily for office spaces. All the leases are classified as operating leases. Payments due under the lease contracts include mainly fixed payments. ASC 842 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months). For the year ended June 30, 2022, the Foundation has no short-term lease expense.

The components of the operating leases for the year ended June 30, 2022, are as follows:

Operating lease cost	55,962
Cash paid for amounts included in the measurement of lease liabilities	153,372
Lease liabilities arising from obtaining the right of use assets	1,016,416
Weighted-average remaining term	6.67
Weighted-average discount rate	4.25%

Maturities of the lease liabilities under the noncancelable operating leases as of June 30, 2022, are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2023	\$ 52,658
2024	159,553
2025	164,339
2026	169,270
2027	174,348
Thereafter	<u>301,667</u>
	1,021,835
Discount to present value	<u>(146,500)</u>
	<u>\$ 875,335</u>