

***HORIZONS FOR YOUTH  
FINANCIAL STATEMENTS  
JUNE 30, 2016***

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Horizons For Youth

**Report on the Financial Statements**

I have audited the accompanying financial statements of Horizons For Youth (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expense, change in net assets and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Horizons For Youth, as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Arthur S. Mann, CPA*

Northbrook, Illinois  
September 29, 2016

**HORIZONS FOR YOUTH**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2016**

|  | Unrestricted      | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|--|-------------------|---------------------------|---------------------------|---------------------|
| <b>ASSETS</b>  |                   |                           |                           |                     |
| Cash   | \$ 475,794        | \$ -                      | \$ 72,454                 | \$ 548,248          |
| Investments  | -                 | -                         | 104,546                   | 104,546             |
| Pledge receivable  | 376,500           | 12,000                    | 435,000                   | 823,500             |
| Other current assets   | 119               | -                         | -                         | 119                 |
| Prepaid expense  | 36,463            | -                         | -                         | 36,463              |
| Property and equipment, net of<br>\$17,263 of accumulated depreciation | 3,614             | -                         | -                         | 3,614               |
| <b>Total Assets</b>  | <b>\$ 892,490</b> | <b>\$ 12,000</b>          | <b>\$ 612,000</b>         | <b>\$ 1,516,490</b> |
| <b>LIABILITIES AND NET ASSETS</b>                                      |                   |                           |                           |                     |
| <b>LIABILITIES</b>   |                   |                           |                           |                     |
| Accounts payable and accrued expense                                   | \$ 26,588         | \$ -                      | \$ -                      | \$ 26,588           |
| <b>Total Liabilities</b>   | <b>26,588</b>     | <b>-</b>                  | <b>-</b>                  | <b>26,588</b>       |
| <b>NET ASSETS</b>  |                   |                           |                           |                     |
| Unrestricted net assets  | 865,902           | -                         | -                         | 865,902             |
| Temporarily restricted net assets                                      | -                 | 12,000                    | -                         | 12,000              |
| Permanently restricted net assets                                      | -                 | -                         | 612,000                   | 612,000             |
| <b>Total Net Assets</b>  | <b>865,902</b>    | <b>12,000</b>             | <b>612,000</b>            | <b>1,489,902</b>    |
| <b>Total Liabilities and Net Assets</b>                                | <b>\$ 892,490</b> | <b>\$ 12,000</b>          | <b>\$ 612,000</b>         | <b>\$ 1,516,490</b> |

The accompanying notes are an integral part of these financial statements.

**HORIZONS FOR YOUTH**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2016**

| <b>SUPPORT AND REVENUE:</b>                            | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| <b>Support:</b>  |                     |                                   |                                   |                     |
| Corporations   | \$ 180,713          | \$ 55,000                         | \$ 10,000                         | \$ 245,713          |
| Foundations  | 188,500             | 139,950                           | 25,000                            | 353,450             |
| Government   | 3,288               | -                                 | -                                 | 3,288               |
| Individuals  | 357,473             | 348,668                           | 577,000                           | 1,283,141           |
| In-kind donations                                      | 230,242             | -                                 | -                                 | 230,242             |
| On Cloud Nine  | 447,334             | -                                 | -                                 | 447,334             |
| No Ordinary Evening net income                         | 492,578             | -                                 | -                                 | 492,578             |
| Net assets released from restrictions                  | 531,618             | (531,618)                         | -                                 | -                   |
| <b>Total support</b>                                   | <u>2,431,746</u>    | <u>\$ 12,000</u>                  | <u>\$ 612,000</u>                 | <u>\$ 3,055,746</u> |
| <b>Revenue:</b>  |                     |                                   |                                   |                     |
| Unrealized gain on investments                         | 4,547               | -                                 | -                                 | 4,547               |
| Interest income  | 223                 | -                                 | -                                 | 223                 |
| <b>Total revenue</b>                                   | <u>4,770</u>        | <u>-</u>                          | <u>-</u>                          | <u>4,770</u>        |
| <b>Total support and revenue</b>                       | <u>\$ 2,436,516</u> | <u>\$ 12,000</u>                  | <u>\$ 612,000</u>                 | <u>\$ 3,060,516</u> |
| <b>EXPENSES:</b>                                       |                     |                                   |                                   |                     |
| Program services                                       | \$ 1,754,709        | \$ -                              | \$ -                              | \$ 1,754,709        |
| Management and general                                 | 66,338              | -                                 | -                                 | 66,338              |
| Fundraising and development                            | 606,922             | -                                 | -                                 | 606,922             |
| <b>Total expenses</b>                                  | <u>\$ 2,427,969</u> | <u>\$ -</u>                       | <u>\$ -</u>                       | <u>\$ 2,427,969</u> |
| <b>Change in net assets</b>                            | <u>\$ 8,547</u>     | <u>\$ 12,000</u>                  | <u>\$ 612,000</u>                 | <u>\$ 632,547</u>   |
| <b>Net assets - July 1, 2015, as originally stated</b> | 867,095             | -                                 | -                                 | 867,095             |
| <b>Prior period adjustment</b>                         | <u>(9,740)</u>      | <u>-</u>                          | <u>-</u>                          | <u>(9,740)</u>      |
| <b>Net assets - July 1, 2015, as restated</b>          | <u>857,355</u>      | <u>-</u>                          | <u>-</u>                          | <u>857,355</u>      |
| <b>Net assets - June 30, 2016</b>                      | <u>\$ 865,902</u>   | <u>\$ 12,000</u>                  | <u>\$ 612,000</u>                 | <u>\$ 1,489,902</u> |

The accompanying notes are an integral part of these financial statements.

**HORIZONS FOR YOUTH**  
**STATEMENT OF FUNCTIONAL EXPENSE**  
**YEAR ENDED JUNE 30, 2016**

|                                       | <u>Organization<br/>Total</u> | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Fundraising</u> |
|---------------------------------------|-------------------------------|-----------------------------|-----------------------------------|--------------------|
| Admission Fees                        | \$ 37,190                     | \$ 36,750                   | \$ -                              | \$ 440             |
| Awards                                | 22,408                        | 19,113                      | 2,983                             | 312                |
| Background checks                     | 1,134                         | 1,134                       | -                                 | -                  |
| Bank fees                             | 388                           | -                           | 388                               | -                  |
| Books and Subscriptions               | 1,243                         | 645                         | -                                 | 598                |
| College Tours                         | 9,251                         | 9,251                       | -                                 | -                  |
| Conferences/Workshops                 | 11,837                        | 11,372                      | -                                 | 465                |
| Counseling                            | 18,448                        | 18,448                      | -                                 | -                  |
| Credit Card Fees                      | 12,109                        | -                           | -                                 | 12,109             |
| Depreciation                          | 1,358                         | 453                         | 453                               | 452                |
| Emergency family assistance           | 22,274                        | 22,274                      | -                                 | -                  |
| Etapestry                             | 10,682                        | 4,721                       | -                                 | 5,961              |
| Food and Refreshments                 | 109,010                       | 47,791                      | 62                                | 61,157             |
| General Supplies                      | 53,823                        | 45,388                      | 1,271                             | 7,164              |
| Health insurance                      | 66,693                        | 38,015                      | 2,668                             | 26,010             |
| High School Scholarships              | 184,856                       | 184,856                     | -                                 | -                  |
| Insurance - General Liability and D&O | 9,227                         | -                           | 9,227                             | -                  |
| Memberships                           | 2,240                         | 1,104                       | -                                 | 1,136              |
| Miscellaneous                         | 1,293                         | 1,293                       | -                                 | -                  |
| Outside Services                      | 20,518                        | 19,125                      | -                                 | 1,393              |
| Other scholarships                    | 42,865                        | 42,865                      | -                                 | -                  |
| Payroll taxes and benefits            | 68,055                        | 38,983                      | 2,541                             | 26,531             |
| Photography                           | 1,371                         | 871                         | -                                 | 500                |
| Postage and Delivery                  | 8,110                         | 2,717                       | -                                 | 5,393              |
| Printing and Reproduction             | 19,023                        | 7,703                       | -                                 | 11,320             |
| Professional Fees                     | 116,178                       | 23,220                      | 10,438                            | 82,520             |
| Rent                                  | 35,340                        | 31,453                      | 353                               | 3,534              |
| Salaries, Payroll Taxes and Benefits  | 867,512                       | 494,926                     | 35,877                            | 336,709            |
| Site Rental                           | 14,405                        | 5,750                       | -                                 | 8,655              |
| Summer Teachers and Assistants        | 53,509                        | 53,509                      | -                                 | -                  |
| Transportation                        | 41,517                        | 38,586                      | -                                 | 2,931              |
| Tuition                               | 498,164                       | 498,164                     | -                                 | -                  |
| Tutoring                              | 47,377                        | 47,377                      | -                                 | -                  |
| Utilities                             | 7,699                         | 6,852                       | 77                                | 770                |
| Young Professional Board              | 10,862                        | -                           | -                                 | 10,862             |
|                                       | <u>\$ 2,427,969</u>           | <u>\$ 1,754,709</u>         | <u>\$ 66,338</u>                  | <u>\$ 606,922</u>  |

The accompanying notes are an integral part of these financial statements.

**HORIZONS FOR YOUTH**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2016**

| <b>INCREASE &lt;DECREASE&gt; IN CASH:</b>   | <u>Total</u>             |
|---|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                          |
| Change in net assets  | \$ 632,547               |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                          |
| Depreciation  | 1,358                    |
| Change in receivables   | (759,494)                |
| Change in prepaid expense and miscellaneous current assets                                  | (22,837)                 |
| Change in accounts payable and accrued expense  | <u>11,362</u>            |
| <b>Net Cash Provided by Operating Activities</b>  | <u>(137,064)</u>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                          |
| Computer purchase   | \$ (1,371)               |
| Net change in investment  | <u>(104,546)</u>         |
| <b>Net Cash (Used in) Investing Activities</b>  | <u>(105,917)</u>         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                          |
|   | <u>-</u>                 |
| <b>NET INCREASE (DECREASE) IN CASH</b>  | <b>\$ (242,981)</b>      |
| <b>CASH - BEGINNING OF THE YEAR</b>   | <u>791,229</u>           |
| <b>CASH - END OF THE YEAR</b>   | <u><u>\$ 548,248</u></u> |
| <br><b><u>Supplemental disclosure of non cash investing information:</u></b>                |                          |
| Investment transfer from donor to fulfill endowment obligation                              | <u><u>\$ 100,000</u></u> |

The accompanying notes are an integral part of these financial statements.



**HORIZONS FOR YOUTH**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NATURE OF ORGANIZATION**

Horizons for Youth is an Illinois not-for-profit corporation formed to provide educational and personal support for children from financially disadvantaged families throughout the Chicago area. Among the programs offered by Horizons for Youth are a financial scholarship program, a child enrichment program, a summer program, and a mentoring program.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting.

**Basis of Presentation**

Financial statement presentation follows current accounting standards. Under those standards, the Organization is required to report information regarding its financial position according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by passage of time; and permanently restricted net assets, which represents resources whose use by the organization is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization. The Organization had \$12,000 temporarily and \$612,000 permanently restricted net assets at June 30, 2016.

**Restricted and Unrestricted Revenue**

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Temporarily restricted contributions whose restrictions are met in the same reporting period are included in unrestricted support. Temporarily restricted contributions from prior periods whose restrictions are met are reclassified to unrestricted net assets and reported in the statement of activities as temporarily restricted net assets released from restrictions. Additionally, during 2016 the Organization established a permanently restricted endowment. Horizons for Youth received \$612,000 during the year ended June 30, 2016 in contributions with donor imposed restrictions that are recorded as permanently restricted net assets, including a transfer of an investment in the amount of \$100,000 from a donor to fulfill the first installment of his endowment obligation. Of this amount, \$435,000 was recorded as pledge receivables at June 30, 2016.

**Promises to Give**

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give recorded as receivables were \$376,500 and an additional \$447,000 pledged with restrictions at June 30, 2016. Based on past history and those making the pledges, management believes that all receivables will be collected. Accordingly, no allowance for doubtful accounts has been established. Governance is reviewing the allowance for doubtful accounts policy to determine an appropriate allowance for future pledges. An endowment fund was in the process of being established during the year ended for the purpose of managing various investments on a total return basis, with the income used for managing predictable expenses during times of need for financing the Organization's mission. The ultimate goal is the preservation of capital.

*HORIZONS FOR YOUTH*

*NOTES TO FINANCIAL STATEMENTS*

*JUNE 30, 2016*

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Donated Services**

\$230,242 of in kind contributions were included in the financial statements as income and related off-setting expense during the year ended June 30, 2016. These amounts consist of tuition reductions and pro bono or reduced professional services rendered to Horizons for Youth.

A substantial number of unpaid volunteers have made significant contributions of their time to develop Horizons for Youth Programs. Their contributions include the organization of child enrichment activities and parent program events, solicitation of financial support, monitoring the performance of children in the program, service as “Big Siblings” to the children, and planning various special events.

Horizons for Youth tracks volunteer hours for tutoring, mentoring, events, and services rendered by the Board of Directors. These services have not otherwise been included in the financial statements, as they do not meet the criteria established by current accounting standards for recording donated services.

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Financial Statement Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Statement of Functional Expenses**

The costs of providing various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Directly identifiable expenses are charged to programs; scholarships; general and administrative expense; and fund raising. Expenses related to more than one function are charged on pro-rata basis as estimated by management. Salaries and benefits are allocated on the percentage of time that the individual spends working on a given area. The allocation is done as a percentage of hours dedicated to an area to the total amount of the hours the staff member works. Certain expenses are allocated based on their usage. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**HORIZONS FOR YOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Tax Status**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It qualifies for charitable contribution deductions under Section 170(b)(1)(iii) and has been classified as an organization that is not a private foundation under Section 509(a)(1). All required payroll tax filings through June 30, 2016 have been filed by the Organization. The Organization has filed its US Form 990 and Illinois AG 990 IL through June 30, 2015, with the current year's return due without extension by November 17, 2016.

**Long Lived Assets**

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the assets' carrying amount over the fair value of the asset. Fair value is based on market quotes, if available, or is based on valuation techniques. There were no impairment losses recognized during the year ended June 30, 2016.

**Uncertain Tax Positions**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization is not involved in any venture which, in its opinion, is subject to tax on unrelated business income. Accordingly, the Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's federal Exempt Organization Returns for the years ending June 30, 2013, 2014 and 2015 are subject to examination by the IRS, generally for three years after they were filed. Any years prior to July 1, 2012 are therefore considered closed. The tax return for the year ended June 30, 2016 is due by November 17, 2016.

**DATE OF MANAGEMENT REVIEW**

The Organization has reviewed subsequent events through and including September 29, 2016 which is the first date the financial statements were available for distribution.

**EMPLOYEE RETIREMENT PLAN**

The organization offers employees the opportunity to participate in a deferred compensation plan pursuant to Internal Revenue Code Section 401(b). The plan is funded 100% by employee deferrals. The organization does not make any employer contributions to the plan.

**HORIZONS FOR YOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**PROPERTY AND EQUIPMENT**

Purchased property and equipment are recorded at cost, and the Organization capitalizes items of \$500 or more. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recognized. Depreciation is calculated using the straight-line method, over periods of 5 to 15 years. Depreciation for the year ended June 30, 2016 amounted to \$1,358.

Property and equipment at June 30, 2016 consist of the following:

|  |    |          |
|--|----|----------|
| Office equipment, furniture and fixtures | \$ | 18,507   |
| Leasehold improvements                   |    | 2,370    |
| Net property and equipment at cost       | \$ | 20,877   |
| Less: accumulated depreciation           |    | (17,263) |
| Net property and equipment               | \$ | 3,614    |

**FACILITY LEASE**

The organization leases one facility located in Chicago, Illinois which serves as the Organization's center for child enrichment, volunteer activities and its administrative office. Additionally, the Organization may from time to time, rent sites for its specific fundraising activities. The headquarters facility is leased from Old St. Patrick's Parish. Commencing January 1, 2016 the Organization entered into a new lease for the period of January 1, 2016 through and including December 31, 2019. The renewal term calls for an annual rent of \$30,000 not including parking. Rents paid to the landlord, Old Saint Patrick's Parish, for rent and parking amounted to \$35,340 during the year ended June 30, 2016. The scheduled facility lease payments for the duration of the lease subsequent to the year ending June 30, 2016 are as follows:

Year ended June 30:

|       |    |         |
|-------|----|---------|
| 2017  | \$ | 30,000  |
| 2018  |    | 30,000  |
| 2019  |    | 30,000  |
| 2020  |    | 15,000  |
| Total | \$ | 105,000 |

**HORIZONS FOR YOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**FAIR VALUE OF FINANCIAL INSTRUMENTS**

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, accounts receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

**CONCENTRATION OF RISK**

Of the organization's revenue during the year ended June 30, 2016, approximately 31% of the Organization's total support and revenue was derived from its two major special events, specifically its Cloud Nine fundraiser and partnership regarding the "No Ordinary Evening" gala.

The Organization maintained account balances in two depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 in each institution. The Organization had \$336,286 on deposit in one institution at June 30, 2016. This amount exceeded the FDIC insurance limit by \$86,286 and that amount was deemed at risk.

**NO ORDINARY EVENING EVENT**

The Organization partnered with the Declan Drumm Sullivan Memorial Fund to host the "No Ordinary Evening" event, a gala attended by over 700 people. Horizons for Youth had been selected as the primary beneficiary of this event, receiving 90% of the proceeds. The event raised \$492,572 for the Organization.

**ENDOWMENT INVESTMENT**

During 2016, a contributor to the endowment who also is an Organization board member, transferred some units of Siena Capital Partners to the Organization as the first installment in his endowment pledge. Siena Capital Partners invests in community banks behind strong management teams with a long-term investment horizon. Siena makes investments in both public and private companies. The majority of Siena's positions are in community banks with less than \$1 billion in assets. Siena's portfolio is highly diversified with investments in community banks and thrifts in many types of communities across the country.