

**HORIZONS FOR YOUTH**

**FINANCIAL STATEMENTS**

**June 30, 2018**

**And for the Year Then Ended**

# HORIZONS FOR YOUTH

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# Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## **Independent Auditors' Report**

Board of Directors  
Horizons for Youth  
Chicago, Illinois

We have audited the accompanying financial statements of Horizons for Youth (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and the related statements of activities, functional expenses 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***

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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, 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 Jun 30, 2018 financial statements referred to above present fairly, in all material respects, the financial position of Horizons for Youth as of November 2, 2018, 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.

### ***Adjustments to Prior Period Financial Statements***

The financial statements of Horizons for Youth as of June 30, 2017, were audited by other auditors whose opinion dated September 6, 2017, on those statements was unmodified. As discussed in Note 7 to the financial statements, the Organization has restated its 2017 financial statements during the current year to properly reflect unrestricted and temporarily restricted net assets, in accordance with accounting principles generally accepted in the United States of America.

As part of our audit of the 2018 financial statements, we also audited adjustments described in Note 7 that were applied to restate the 2017 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 financial statements of the Organization other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2017 financial statements as a whole.

*Desmond & Ahern, Ltd*

November 2, 2018  
Chicago, IL

**HORIZONS FOR YOUTH**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2018**

**Assets**

Current Assets

Cash and equivalents	\$ 597,404
Contributions receivable, net of \$21,277 allowance for doubtful accounts	347,223
Prepaid expenses	3,500
Total current assets	<u>948,127</u>

Property and Equipment

Equipment	33,491
Leasehold improvements	2,370
Less accumulated depreciation and amortization	<u>(23,724)</u>
Net property and equipment	<u>12,137</u>

Other Assets

Investments - endowment	714,577
Endowment receivable	<u>134,000</u>
Total other assets	<u>848,577</u>

**Total Assets**

**\$ 1,808,841**

**Liabilities and Net Assets**

Accounts payable and accrued expenses	\$ 9,128
Total liabilities	<u>9,128</u>

**Net Assets**

Unrestricted	601,777
Temporarily restricted	377,000
Permanently restricted	<u>820,936</u>
Total net assets	<u>1,799,713</u>

**Total Liabilities and Net Assets**

**\$ 1,808,841**

See independent auditor's report and notes to financial statements.

**HORIZONS FOR YOUTH**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2018**

<b><u>Revenues and Other Support</u></b>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions				
Corporations and foundations	\$ 469,700	\$ 8,500	\$ -	\$ 478,200
Government	11,838	-	-	11,838
Individual	718,737	-	137,594	856,331
No Ordinary Evening	453,547	-	-	453,547
On Cloud Nine - special event, net	323,728	-	-	323,728
In-kind donations	281,755	-	-	281,755
Unrealized gain on investments	18,917	-	-	18,917
Dividend and interest income	9,029	-	-	9,029
Miscellaneous	10,773	-	-	10,773
Net assets released from restrictions	380,500	(380,500)	-	-
Total revenues and other support	<u>2,678,524</u>	<u>(372,000)</u>	<u>137,594</u>	<u>2,444,118</u>
<b><u>Expenses</u></b>				
Program	2,207,492	-	-	2,207,492
Administrative and general	227,312	-	-	227,312
Fundraising	531,120	-	-	531,120
Total expenses	<u>2,965,924</u>	<u>-</u>	<u>-</u>	<u>2,965,924</u>
<b>Change in net assets</b>	(287,400)	(372,000)	137,594	(521,806)
<b>Net assets, beginning of year (restated)</b>	889,177	749,000	683,342	2,321,519
<b>Net assets, end of year</b>	<u>\$ 601,777</u>	<u>\$ 377,000</u>	<u>\$ 820,936</u>	<u>\$ 1,799,713</u>

See independent auditor's report and notes to financial statements.

**HORIZONS FOR YOUTH**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2018**

	Program	Administrative and General	Fundraising	Total
Salaries and payroll taxes	\$ 629,538	\$ 171,052	\$ 414,265	\$ 1,214,855
Employee benefits	38,765	10,533	25,509	74,807
Depreciation	2,471	671	1,627	4,769
Emergency family assistance	22,889	-	-	22,889
Equipment and software	8,913	2,422	5,865	17,200
Fundraising expenses	-	-	10,452	10,452
In-kind expense	281,755	-	-	281,755
Insurance	4,970	1,350	3,270	9,590
Meals and entertainment	64,358	3,417	2,853	70,628
Miscellaneous	23,977	-	-	23,977
Occupancy	33,116	770	4,621	38,507
Postage and mailing	2,920	793	1,921	5,634
Printing	10,667	2,898	7,019	20,584
Professional fees	57,423	18,644	37,787	113,854
Program fees	159,487	-	-	159,487
Subscriptions	4,441	1,207	2,922	8,570
Supplies	34,870	1,421	7,035	43,326
Telephone and internet	3,498	951	2,302	6,751
Temporary help	41,639	205	401	42,245
Travel and meetings	51,654	10,978	3,271	65,903
Tuition and scholarship expense	730,141	-	-	730,141
<b>Total Expenses</b>	<b>\$ 2,207,492</b>	<b>\$ 227,312</b>	<b>\$ 531,120</b>	<b>\$ 2,965,924</b>

See independent auditor's report and notes to financial statements.

**HORIZONS FOR YOUTH  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2018**

**Cash Flows from Operating Activities**

Change in net assets	\$ (521,806)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Unrealized gain on investments	(18,917)
Depreciation	4,769
Decrease in assets	
Accounts receivable	268,000
Reimbursements received	194,318
Endowment received	122,000
Prepaid expenses and other assets	39,025
Increase in liabilities	
Accounts payable	5,801
<b>Net cash provided by operating activities</b>	<u>93,190</u>

**Cash Flows from Investing Activities**

Purchase of investments	<u>(268,318)</u>
<b>Net cash used in investing activities</b>	<u>(268,318)</u>
<b>Net decrease in cash and equivalents</b>	(175,128)
<b>Cash and equivalents, beginning of year</b>	<u>772,532</u>
<b>Cash and equivalents, end of year</b>	<u><u>\$ 597,404</u></u>

See independent auditor's report and notes to financial statements.



**HORIZONS FOR YOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**

Organization

Horizons for Youth (Organization) was founded in 1990 as a not-for-profit organization dedicated to providing education and personal support for children from financially disadvantaged families throughout the Chicago area. The Organization enables children from low-resource areas of Chicago to become the first in their families to graduate from college and achieve their full potential. Among the programs offered by the Organization are a financial scholarship program, child enrichment program, summer program, and mentoring program.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities in accordance with the accounting principles generally accepted in the United States of America (“GAAP”).

Basis of presentation

As required by the generally accepted accounting principles for Not-for-Profit accounting, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2018, the Organization had \$820,936 in permanently and \$377,000 in temporarily restricted net assets.

Cash and Equivalents

Cash and equivalents consist of bank deposits in federally insured accounts. At times, balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with an original maturity or anticipated liquidation of three months or less and all certificates of deposit to be cash equivalents. No cash was paid for interest or taxes during the year ended June 30, 2018.

Use of 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 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.

Income Tax Status

The Organization was granted an exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private Organization under Section 509(a)(1).

**HORIZONS FOR YOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

The tax-exempt purpose of the Organization and the nature in which it operates is described above. Management believes the Organization continues to operate in compliance with its tax-exempt purpose. Thus, no provision for income tax has been provided for in the financial statements. The Organization's Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the IRS, generally for three years after it has been filed.

The Organization has adopted the requirements for accounting for uncertain tax positions and management has determined that the Organization was not required to record a liability related to uncertain tax positions as of June 30, 2018.

Support and Revenue

The Organization 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, a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Contributions Receivable

Contributions receivable represent amounts promised by donors (unconditional promises to give), some of which are due in installments. The Organization uses the allowance method to determine uncollectible unconditional promises to give. An allowance of \$21,277 was deemed necessary at June 30, 2018.

Donated Services

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of donated services for the year ending June 30, 2018 was \$89,100.

Many individuals have made significant contributions of time to the Organization's programs and support functions, but the value of this contributed time does not meet the above criteria for recognition of contributed services contained per Generally Accepted Accounting Principles.

In-Kind Contributions and Donated facilities

In addition to receiving cash contributions, the Organization may receive in-kind contributions and donated facilities from various contributors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase donations by a like amount. For the year ending June 30, 2018, the Organization received \$192,655 of in-kind donations.

**HORIZONS FOR YOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentration of Risk

During the year ended June 30, 2018, contributions from the Organization's largest donor (see Note 6) amounted to approximately 17% of total revenues and support. Changes in the economy could have a significant impact on future revenues.

Subsequent Events

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Organization has evaluated subsequent events through November 2, 2018, which is the date the financial statements were available to be issued. No subsequent events have been identified that are required to be disclosed as of that date.

**Note 2 – Property and Equipment**

Expenditures for property and equipment, and items which substantially increase the useful lives of existing assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of these assets ranging from five to thirty-nine years. The Organization capitalizes all expenditures and contributions of property and equipment over \$5,000. Depreciation expense for the year ended June 30, 2018 was \$4,769.

**Note 3 – Investments and Fair Value Measurements**

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Generally accepted accounting principles define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the transaction and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

Generally accepted accounting principles also establish a fair value hierarchy that requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

**HORIZONS FOR YOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 3 – Investments and Fair Value Measurements (cont.)**

A financial instrument’s categorization within the fair value hierarchy is based upon the lowest of input that is significant to the fair value measurement. Generally accepted accounting principles establish three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or dissimilar assets of liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Investment consists of the following components for the year ended June 30, 2018:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Money Markets	\$ -	\$ 1,366	\$ -	\$ 1,366
Mutual Funds	713,211	-	-	713,211
	<u>\$ 713,211</u>	<u>\$ 1,366</u>	<u>\$ -</u>	<u>\$ 714,577</u>

Investment carrying cost and fair market value for the year ended June 30, 2018:

	Cost	FMV
Money Markets	\$ 1,366	\$ 1,366
Mutual Funds	699,870	713,211
	<u>\$ 701,236</u>	<u>\$ 714,577</u>

**Note 4 – Operating Lease**

The Organization entered into a 3-year lease with one facility located in Chicago, Illinois effective January 1, 2015 through May 31, 2018. This lease was renewed effective from June 1, 2018 through May 31, 2021 with annual rent of \$36,000 not including parking. Total occupancy expense included on the statement of activities for the fiscal year ended June 30, 2018 amounted to \$38,507.

**HORIZONS FOR YOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 4 – Operating Lease (cont.)**

Future minimum lease payments for the years ending June 30, are as follows:

	Amount
2019	\$ 36,000
2020	36,000
2021	33,000
	<u>\$ 105,000</u>

**Note 5 – Special Events**

The Organization hosted an annual event, ‘On Cloud Nine.’ A summary of the event is as follows for the year ended June 30, 2018:

Contributions, including sponsorships	\$ 318,014
In-kind contributions	2,210
Special events revenue, ticket portion	76,800
Revenue from special events	<u>397,024</u>
Less direct benefit to donors	<u>(73,296)</u>
Net revenues from special events	<u>\$ 323,728</u>

**Note 6 – Related Parties**

The Organization has a member of management that is a trustee on the Declan Drumm Sullivan Memorial Fund, which makes donations to Horizons for Youth stemming from an annual fundraising event, No Ordinary Evening. Horizons for Youth collects payments from donors and sponsors on behalf of the Fund. Horizons also pays event expenses, for which it is reimbursed by the Fund.

**Note 7 – Prior Period Adjustment**

The Organization had to correct the balance of temporarily restricted net assets at June 30, 2017. Temporarily restricted net assets were increased by \$636,500, subsequently reducing unrestricted net assets based upon recognizing and correctly recording time-restricted contribution.

**Note 8 – Permanently Restricted Net Assets**

The Organization accounts for endowment net assets by preserving the fair value of the original donation as of the gift date to the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result, the Organization classifies as endowment net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts donated to the permanent endowment and (3) accumulations to the permanent endowment made in

**HORIZONS FOR YOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 8 – Permanently Restricted Net Assets (cont.)**

accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA).

The Organization considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Organization and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effects of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Organization.
7. The investment policies of the Organization.

It is the policy of the Organization to manage the endowment fund in a manner that will, at a minimum, preserve and maintain the real purchasing power of the principal while allowing for annual distributions to support the Organization’s mission statement in accordance with the Organization’s investment policy. The Board of Directors meets regularly to ensure that the objectives of the investment policy are being met, and that the strategies used to meet the objectives are in accordance with the investment policy.

The endowment net asset composition by type of fund at June 30, 2018 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 820,936	\$ 820,936

Changes in endowment net assets for the fiscal year ending June 30, 2018 are as follows:

	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 683,342	\$ 683,342
Contribution	137,594	137,594
Endowment net assets, end of year	<u>\$ 820,936</u>	<u>\$ 820,936</u>