

HORIZONS FOR YOUTH

FINANCIAL STATEMENTS

June 30, 2019

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, 2019 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, 2019 financial statements referred to above present fairly, in all material respects, the financial position of Horizons for Youth as of October 2, 2019, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Horizons for Youth adopted the Financial Accounting Standards Board's Accounting Standards update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

Desmond & Ahern, Ltd

October 2, 2019
Chicago, IL

HORIZONS FOR YOUTH
STATEMENT OF FINANCIAL POSITION
June 30, 2019

Assets

Current Assets

Cash and equivalents	\$ 533,092
Contributions receivable, net of \$3,930 allowance for doubtful accounts	69,570
Due from DDS (Note 7)	10,181
Prepaid expenses	11,262
Total current assets	<u>624,105</u>

Property and Equipment

Equipment	33,491
Leasehold improvements	2,370
Less accumulated depreciation and amortization	<u>(27,087)</u>
Net property and equipment	<u>8,774</u>

Other Assets

Cash - endowment	20,563
Investments - endowment	854,670
Endowment receivable	109,000
Total other assets	<u>984,233</u>

Total Assets

\$ 1,617,112

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 18,280
Credit card payable	20,014
Accrued expenses	2,177
Due to DDS (Note 7)	897
Note payable	100,000
Total current liabilities	<u>141,368</u>

Net Assets

Without donor restrictions	
Undesignated	481,955
With donor restrictions	
Purpose restricted	132,853
Perpetual in nature	860,936
Total net assets	<u>1,475,744</u>

Total Liabilities and Net Assets

\$ 1,617,112

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

HORIZONS FOR YOUTH
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

<u>Revenues and Other Support</u>	Without Donor Restrictions	With Donor Restrictions - Purpose	With Donor Restrictions - Perpetual	Total
Contributions				
Corporations	\$ 211,577	\$ 20,400	\$ -	\$ 231,977
Foundations	234,525	20,000	-	254,525
Government	11,625	-	-	11,625
Individual	656,743	18,953	40,000	715,696
No Ordinary Evening	550,962	-	-	550,962
Special event, net	302,964	5,000	-	307,964
In-kind	221,158	-	-	221,158
Unrealized gain on investments	46,420	-	-	46,420
Dividend and interest income	14,297	-	-	14,297
Miscellaneous	-	-	-	-
Net assets released from restrictions	308,500	(308,500)	-	-
Total revenues and other support	<u>2,558,771</u>	<u>(244,147)</u>	<u>40,000</u>	<u>2,354,624</u>
<u>Expenses</u>				
Program	1,867,060	-	-	1,867,060
Administrative and general	143,522	-	-	143,522
Fundraising	668,011	-	-	668,011
Total expenses	<u>2,678,593</u>	<u>-</u>	<u>-</u>	<u>2,678,593</u>
Change in net assets	(119,822)	(244,147)	40,000	(323,969)
Net assets, beginning of year	<u>601,777</u>	<u>377,000</u>	<u>820,936</u>	<u>1,799,713</u>
Net assets, end of year	<u>\$ 481,955</u>	<u>\$ 132,853</u>	<u>\$ 860,936</u>	<u>\$ 1,475,744</u>

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

HORIZONS FOR YOUTH
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	Program	Administrative and General	Fundraising	Total
Salaries and payroll taxes	\$ 536,985	\$ 71,196	\$ 530,584	\$ 1,138,765
Employee benefits	26,263	3,482	25,950	55,695
Depreciation	1,586	210	1,567	3,363
Emergency family assistance	21,803	-	-	21,803
Equipment and software	17,727	412	2,474	20,613
Fundraising expenses	-	-	53,671	53,671
In-kind expense	221,158	-	-	221,158
Insurance	5,545	735	5,479	11,759
Miscellaneous	20,531	-	-	20,531
Occupancy	37,792	879	5,273	43,944
Postage and mailing	1,846	245	1,823	3,914
Printing	5,971	792	5,900	12,663
Professional fees	-	62,171	10,611	72,782
Program fees	301,699	-	-	301,699
Subscriptions	13,113	1,739	12,957	27,809
Supplies	19,585	455	2,733	22,773
Telephone and internet	3,392	450	3,351	7,193
Travel and meetings	5,706	756	5,638	12,100
Tuition and scholarship expense	626,358	-	-	626,358
Total Expenses	\$ 1,867,060	\$ 143,522	\$ 668,011	\$ 2,678,593

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

HORIZONS FOR YOUTH
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

Cash Flows from Operating Activities

Change in net assets	\$ (323,969)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Unrealized/realized gain on investments	(60,717)
Depreciation	3,363
Decrease in assets	
Accounts receivable	277,653
Endowment received	25,000
Due from DDS (Note 7)	(10,181)
Prepaid expenses and other assets	(7,762)
Increase in liabilities	
Accounts payable	18,280
Credit card payable	16,661
Accrued expenses	(3,598)
Due to DDS (Note 7)	897
Net cash used in operating activities	<u>(64,373)</u>

Cash Flows from Investing Activities

Purchase of investments	(109,376)
Proceeds from sale of investments	30,000
Net cash used in investing activities	<u>(79,376)</u>

Cash Flows from Financing Activities

Note payable	100,000
Net cash provided by financing activities	<u>100,000</u>

Net decrease in cash and equivalents	(43,749)
Cash and equivalents, beginning of year	597,404
Cash and equivalents, end of year	<u><u>\$ 553,655</u></u>

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

HORIZONS FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

Organization

Horizons for Youth (the “Organization”) was founded in 1990 as a not-for-profit organization dedicated to providing education and personal support for children from financially disadvantaged neighborhoods 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 two classes:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions. Such gifts include gifts without restrictions, including restricted gifts whose donor-imposed restrictions were met during the year.

With donor restrictions – Net assets subject to donor-imposed restrictions which will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Restrictions that have been met on net assets with donor restrictions are reported 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 without donor restrictions.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization, including gifts and pledges wherein donors stipulate that the corpus of the gift is to be held in perpetuity and that only the income be made available for programs.

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, 2019.

HORIZONS FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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).

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, 2019.

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.

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 \$3,930 was deemed necessary at June 30, 2019.

HORIZONS FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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 Organization received \$75,000 of donated services for the year ending June 30, 2019.

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, 2019, the Organization received \$146,158 of in-kind donations as such.

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.

Directly identifiable expenses are charged to the specific program or supporting service. Expenses related to more than one function are allocated to program expenses and supporting services as the basis of periodic time and expense reviews made by management.

Concentration of Risk

During the year ended June 30, 2019, contributions from the Organization's largest donor (see Note 7) amounted to approximately 24% of total revenues and support. Changes in the donor selection or 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 October 2, 2019, 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.

HORIZONS FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

Not-for-Profit Financial Statement Presentation

During fiscal 2019, the Organization adopted Accounting Standards Update (“ASU”) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. The other main provisions of this guidance that impact the Organization are: presentation of two classes of net assets versus the previously required three; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. No reclassification of 2018 net assets were necessary by the adoption of ASU No. 2016-14 by the Organization as of June 30, 2019.

Note 2 – Financial Assets and Liquidity Resources

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets, at year-end	
Cash and equivalents	\$ 533,092
Contributions receivable	65,640
Due from DDS (Note 7)	10,181
Total financial assets, at year-end	<u>608,913</u>
Less amount not available to be used within one year:	
Allowance for doubtful accounts	(3,930)
Restricted by donor for purpose - future periods	<u>(132,853)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 472,130</u></u>

The Organization currently has approximately four months of operating expenditures covered by financial assets available within one year. The Organization moderately relies on contributions with donor restrictions including their endowment which is perpetual in nature. In addition, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

HORIZONS FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 3 – 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, 2019 was \$3,363.

Note 4 – 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.

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.

HORIZONS FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 4 – Investments and Fair Value Measurements (cont.)

Investment consists of the following components for the year ended June 30, 2019:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Mutual Funds	\$ 854,670	\$ -	\$ -	\$ 854,670

Investment carrying cost and fair market value for the year ended June 30, 2019:

	Cost	FMV
Mutual Funds	\$ 820,364	\$ 854,670

Note 5 – 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. Total occupancy expense included on the statement of activities for the fiscal year ended June 30, 2019 amounted to \$43,944.

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

	Amount
2020	\$ 36,000
2021	33,000
	\$ 69,000

Note 6 – 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, 2019:

Sponsorships	\$ 212,500
Donations	105,510
Tickets	42,628
Raffle	10,086
Revenue from special events	370,724
Less direct benefit to donors	(85,260)
Net revenues from special events	\$ 285,464

HORIZONS FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 6 – Special Events (cont.)

The Organization also held an event during the year ended June 30, 2019 with total sponsorship amounting to \$22,500. For total special event revenue of \$307,964 for the year ended June 30, 2019.

Note 7 – Related Parties

The Organization had a former member of management that is a trustee on the Declan Drumm Sullivan Memorial Fund (DDS), 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 8 – Note Payable (Related Party)

The Organization has board member that is an employee of a corporation that entered into a note payable to supplement program costs with a balance of \$100,000 as of June 30, 2019. This loan is interest free and the amount is due in full on December 31, 2019.

Note 9 – Net Assets With Donor Restriction (Endowment)

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 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.

HORIZONS FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 9 – Net Assets With Donor Restriction (Endowment) (cont.)

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.

Changes and composition in endowment net assets for the fiscal year ending June 30, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>Purpose Restricted</u>	<u>Perpetual in Nature</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 820,936	\$ 820,936
Contributions	-	-	40,000	40,000
Dividends and interest	14,297	-	-	14,297
Endowment net assets, end of year	<u>\$ 14,297</u>	<u>\$ -</u>	<u>\$ 860,936</u>	<u>\$ 875,233</u>