

***HORIZONS FOR YOUTH
FINANCIAL STATEMENTS
JUNE 30, 2017***

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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, 2017, 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, 2017, 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. Gunn, CPA

Northbrook, Illinois
September 6, 2017

HORIZONS FOR YOUTH
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
Cash	\$ 660,032	\$ 112,500	\$ 427,342	\$ 1,199,874
Reimbursable expense receivable	194,318	-	-	194,318
Receivables, net of \$21,277 allowance for doubtful accounts	615,223	-	256,000	871,223
Prepaid expense	42,525	-	-	42,525
Property and equipment, net of \$18,955 of accumulated depreciation	16,906	-	-	16,906
Total Assets	\$ 1,529,004	\$ 112,500	\$ 683,342	\$ 2,324,846
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued expense	\$ 3,327	\$ -	\$ -	\$ 3,327
Total Liabilities	3,327	-	-	3,327
NET ASSETS				
Unrestricted net assets	1,525,677	-	-	1,525,677
Temporarily restricted net assets	-	112,500	-	112,500
Permanently restricted net assets	-	-	683,342	683,342
Total Net Assets	1,525,677	112,500	683,342	2,321,519
Total Liabilities and Net Assets	\$ 1,529,004	\$ 112,500	\$ 683,342	\$ 2,324,846

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, 2017

SUPPORT AND REVENUE:	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support:				
Corporations	\$ 237,599	\$ 50,000		\$ 287,599
Foundations	1,125,080	45,000		1,170,080
Government	9,692			9,692
Individuals	885,182	17,500	48,341	951,023
In-kind donations	228,969			228,969
On Cloud Nine	306,687			306,687
No Ordinary Evening net income	477,879			477,879
Other income	21,432			21,432
Net assets released from restrictions	12,000	(12,000)	-	-
Total support	<u>3,304,520</u>	<u>\$ 100,500</u>	<u>\$ 48,341</u>	<u>\$ 3,453,361</u>
Revenue:				
Gain on investments	-	-	11,900	11,900
Unrealized gain on investments	-	-	9,575	9,575
Dividend income	-	-	1,526	1,526
Interest income	294	-	-	294
Total revenue	<u>294</u>	<u>-</u>	<u>23,001</u>	<u>23,295</u>
Total support and revenue	<u>\$ 3,304,814</u>	<u>\$ 100,500</u>	<u>\$ 71,342</u>	<u>\$ 3,476,656</u>
EXPENSES:				
Program services	\$ 1,953,600	\$ -	\$ -	\$ 1,953,600
Management and general	143,532	-	-	143,532
Fundraising and development	547,907	-	-	547,907
Total expenses	<u>\$ 2,645,039</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,645,039</u>
Change in net assets	<u>\$ 659,775</u>	<u>\$ 100,500</u>	<u>\$ 71,342</u>	<u>\$ 831,617</u>
Net assets - July 1, 2016	<u>865,902</u>	<u>12,000</u>	<u>612,000</u>	<u>1,489,902</u>
Net assets - June 30, 2017	<u>\$ 1,525,677</u>	<u>\$ 112,500</u>	<u>\$ 683,342</u>	<u>\$ 2,321,519</u>

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

HORIZONS FOR YOUTH
STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED JUNE 30, 2017

	Organization Total	Program Services	Management and General	Fundraising
Admission Fees	\$ 26,506	\$ 24,916	\$ -	\$ 1,590
Accounts receivable adjustment	17,347	17,347	-	-
Awards	25,837	19,024	1,500	5,313
Background checks	1,206	1,206	-	-
Bank fees	4,945	-	4,945	-
Books and Subscriptions	1,386	191	621	574
College Tours	9,880	9,880	-	-
Conferences/Workshops	3,263	1,858	550	855
Counseling	24,278	24,278	-	-
Credit Card Fees	14,915	-	-	14,915
Depreciation	1,692	1,692	-	-
Emergency family assistance	18,291	18,291	-	-
Equipment	8,472	6,999	-	1,473
Etapestry	6,559	4,136	-	2,423
Food and Refreshments	130,351	58,109	450	71,792
General Supplies	43,169	30,848	1,107	11,214
Health insurance	63,465	42,522	3,173	17,770
High School Scholarships	198,263	198,263	-	-
Insurance - General Liability and D&O	9,310	-	9,310	-
Memberships	1,533	984	-	549
Miscellaneous	2,533	1,808	313	412
Outside Services	16,826	13,823	-	3,003
Other scholarships	51,120	51,120	-	-
Payroll taxes and benefits	75,048	46,017	7,166	21,865
Photography	1,049	-	-	1,049
Postage and Delivery	9,022	2,835	170	6,017
Printing and Reproduction	12,094	5,191	-	6,903
Professional Fees	189,194	116,745	19,650	52,799
Rent	34,500	30,705	-	3,795
Salaries, Wages, Vacation	947,517	571,528	94,538	281,451
Site Rental	29,965	7,250	-	22,715
Summer Teachers and Assistants	44,288	44,288	-	-
Transportation	49,927	43,593	39	6,295
Tuition	503,911	503,911	-	-
Tutoring	47,249	47,249	-	-
Utilities	7,857	6,993	-	864
Young Professional Board	12,271	-	-	12,271
	<u>\$ 2,645,039</u>	<u>\$ 1,953,600</u>	<u>\$ 143,532</u>	<u>\$ 547,907</u>

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

HORIZONS FOR YOUTH
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

INCREASE <DECREASE> IN CASH:	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 831,617
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,692
Change in receivables	(242,041)
Change in prepaid expense and miscellaneous current assets	(5,943)
Change in accounts payable and accrued expense	<u>(23,261)</u>
Net Cash Provided by Operating Activities	<u>562,064</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Property and equipment purchase	\$ (14,984)
Net change in investment	<u>104,546</u>
Net Cash (Used in) Investing Activities	<u>89,562</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
	<u>-</u>
NET INCREASE (DECREASE) IN CASH	\$ 651,626
CASH - BEGINNING OF THE YEAR	<u>548,248</u>
CASH - END OF THE YEAR	<u><u>\$ 1,199,874</u></u>

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

HORIZONS FOR YOUTH

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 and Presentation

The financial statements have been prepared on the accrual basis of accounting. 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 \$112,500 temporarily and \$683,342 permanently restricted net assets at June 30, 2017.

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. During the year ended June 30, 2016 the Organization established a permanently restricted endowment, for the preservation of capital. Horizons for Youth received \$17,500 and \$48,341 during the year ended June 30, 2017 in contributions with donor imposed restrictions that are recorded as temporarily restricted and permanently restricted revenue, respectively.

Promises to Give, Receivables, and related allowance

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 net unrestricted receivables were \$615,223 and an additional \$256,000 in permanently restricted receivables were pledged with restrictions at June 30, 2017. \$194,318 of subsequently paid reimbursement receivables for the NOE event were included as receivables at June 30, 2017. Based on past history and those making the pledges, management believes that the majority of all receivables will be collected. Governance set an allowance for doubtful accounts policy at 2% of receivable balances to determine an appropriate allowance for future pledges, and this allowance does not include reimbursable receivables. The annual adjustment to the allowance for doubtful accounts is reported as an "accounts receivable adjustment" in the Statement of Functional Expense. An endowment fund was established during the year ended June 30, 2016 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, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

\$228,969 of in kind contributions were included in the financial statements as income and related off-setting expense during the year ended June 30, 2017. 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, 2017

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, 2017 have been filed by the Organization. The Organization has filed its US Form 990 and Illinois AG 990 IL through June 30, 2016, with the current year's return due without extension by November 15, 2017.

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, 2017.

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, 2014, 2015 and 2016 are subject to examination by the IRS, generally for three years after they were filed. Any years prior to July 1, 2013 are therefore considered closed. The tax return for the year ended June 30, 2017 is due by November 15, 2017.

DATE OF MANAGEMENT REVIEW

The Organization has reviewed subsequent events through and including September 6, 2017 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 403(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, 2017

PROPERTY AND EQUIPMENT

Purchased property and equipment are recorded at cost, and the Organization adopted a policy effective July 1, 2016 which capitalizes items of \$5,000 or greater. 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, 2017 amounted to \$1,692.

Property and equipment at June 30, 2017 consist of the following:

Office equipment, furniture and fixtures	\$ 33,491
Leasehold improvements	<u>2,370</u>
Net property and equipment at cost	\$ 35,861
Less: accumulated depreciation	<u>(18,955)</u>
Net property and equipment	<u>\$ 16,906</u>

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, 2015, the Organization entered into a new lease for the period of January 1, 2015, through and including May 31, 2018. The renewal term calls for an annual rent of \$30,000 not including parking. Rents paid to the landlord, Old St. Patrick's Parish, for rent and parking amounted to \$34,500 during the year ending June 30, 2017. The scheduled facility lease payments for rent and parking for the duration of the lease subsequent to the year ending June 30, 2017, are as follows:

Year ended June 30:

2018	<u>\$ 31,625</u>
Total	<u><u>\$ 31,625</u></u>

HORIZONS FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017, approximately 23% 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 (\$500,000 aggregate). The Organization had \$791,063 on deposit in these institutions at June 30, 2017. This amount exceeded the FDIC insurance aggregate limit by \$291,063 and that amount was deemed at risk. While management is aware of the risk, it is a temporary cyclic condition that will be corrected as program and tuition costs are paid early in the new fiscal year. The Organization also maintains an account for its endowment with Fidelity Funds.

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 \$477,879 for the Organization.