

HORIZONS FOR YOUTH

FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2022**

HORIZONS FOR YOUTH

Table of Contents

Independent Auditor’s Report.....	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Functional Expenses	5
Statement of Cash flows	6
Notes to Financial Statements.....	7 – 16



Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditors' Report

Board of Directors
Horizons for Youth
Chicago, Illinois

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Horizons for Youth as of June 30, 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Horizons for Youth's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Horizons for Youth's ability to continue as a going concern for a reasonable period of time.

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

Desmond J. Ahern, Ltd

September 20, 2022
Chicago, IL

HORIZONS FOR YOUTH
STATEMENT OF FINANCIAL POSITION
June 30, 2022

Assets

Current Assets

Cash and equivalents	\$ 1,017,062
Contributions receivable, net of \$3,930 allowance for doubtful accounts	481,983
Prepaid expenses	26,826
Total current assets	<u>1,525,871</u>

Property and Equipment

Equipment	33,491
Leasehold improvements	8,169
Less accumulated depreciation and amortization	<u>(37,020)</u>
Net property and equipment	<u>4,640</u>

Other Assets

Cash - endowment	80,071
Investments - endowment	1,040,616
Contributions receivables, net of \$9,145 discount on long term pledges	290,855
Total other assets	<u>1,411,542</u>

Total Assets

\$ 2,942,053

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 15,616
Credit card payable	17,376
Payroll liabilities	46,940
Total current liabilities	<u>79,932</u>

Net Assets

Without donor restrictions	
Undesignated	1,121,434
With donor restrictions	
Purpose restricted	571,187
Perpetual in nature - endowment	<u>1,169,500</u>
Total net assets	<u>2,862,121</u>

Total Liabilities and Net Assets

\$ 2,942,053

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

HORIZONS FOR YOUTH
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions - Purpose	With Donor Restrictions - Perpetual	Total
<u>Revenues and Other Support</u>				
Contributions				
Corporations and foundations	\$ 655,823	\$ 20,000	\$ -	\$ 675,823
Government (PPP loan forgiveness)	159,730	-	-	159,730
Government (Employee Retention Credit)	120,837	-	-	120,837
Individual	597,728	-	80,000	677,728
No Ordinary Evening	551,446	-	-	551,446
Special event	278,462	-	-	278,462
In-kind and donated services	128,994	-	-	128,994
Unrealized loss on investments	-	(150,894)	-	(150,894)
Dividend and interest income	24	11,473	-	11,497
Net assets released from restrictions	368,200	(368,200)	-	-
Total revenues and other support	<u>2,861,244</u>	<u>(487,621)</u>	<u>80,000</u>	<u>2,453,623</u>
<u>Expenses</u>				
Program	1,794,540	-	-	1,794,540
Administrative and general	440,423	-	-	440,423
Fundraising	271,652	-	-	271,652
Total expenses	<u>2,506,615</u>	<u>-</u>	<u>-</u>	<u>2,506,615</u>
Change in net assets	354,629	(487,621)	80,000	(52,992)
Net assets, beginning of year	<u>766,805</u>	<u>1,058,808</u>	<u>1,089,500</u>	<u>2,915,113</u>
Net assets, end of year	<u>\$ 1,121,434</u>	<u>\$ 571,187</u>	<u>\$ 1,169,500</u>	<u>\$ 2,862,121</u>

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

HORIZONS FOR YOUTH
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	Program	Administrative and General	Fundraising	Total
Salaries and payroll taxes	\$ 696,514	\$ 287,450	\$ 121,614	\$ 1,105,578
Employee benefits	48,691	27,353	8,501	84,545
Bank and credit card fees	-	8,513	235	8,748
Depreciation	1,796	741	314	2,851
Equipment and software	9,845	10,234	17,199	37,278
Family assistance	19,650	-	-	19,650
Fundraising expenses	-	-	60,470	60,470
Insurance	-	9,052	-	9,052
Meals and entertainment	1,791	2,494	1,200	5,485
Occupancy	25,573	12,153	9,017	46,743
Postage and mailing	-	19	666	685
Printing	-	3,185	10,767	13,952
Professional fees	34,853	58,747	20,262	113,862
Program fees	199,261	-	-	199,261
Supplies	7,338	17,598	3,630	28,566
Telephone and internet	6,987	2,884	1,220	11,091
Travel and meetings	10,122	-	16,557	26,679
Tuition and scholarship expense	732,119	-	-	732,119
Total Expenses	\$ 1,794,540	\$ 440,423	\$ 271,652	\$ 2,506,615

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

HORIZONS FOR YOUTH
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022

Cash Flows from Operating Activities

Change in net assets	\$ (52,992)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Unrealized/realized gain on investments	139,397
Depreciation	2,851
(Increase) decrease in assets	
Contributions receivable	74,263
Prepaid expenses and other assets	(17,225)
Increase (decrease) in liabilities	
Accounts payable	3,156
Credit card payable	10,628
Accrued expenses	46,372
Refundable advance - PPP loan	(159,730)
Net cash provided by operating activities	<u>46,720</u>

Cash Flows from Investing Activities

Purchase of investments	<u>(295,937)</u>
Net cash used in investing activities	<u>(295,937)</u>

Net decrease in cash and equivalents	(249,217)
Cash and equivalents, beginning of year	<u>1,346,350</u>
Cash and equivalents, end of year	<u>\$ 1,097,133</u>

Summary of Cash and Equivalents

Cash and equivalents	\$ 1,017,062
Cash - endowment	<u>80,071</u>
Total cash and equivalents, end of year	<u>\$ 1,097,133</u>

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

HORIZONS FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2022.

At June 30, 2022, the Organization had a restricted cash balance of \$80,071 related to their endowment.

HORIZONS FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the year. 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, 2022.

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, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as net assets without donor restricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. During the year ending June 30, 2022 no such gifts of land, buildings, or equipment were received.

The Organization did not have any revenue from contracts for the year ending June 30, 2022.

HORIZONS FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

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, 2022. Contributions receivable with due dates extending beyond one year are discounted using Treasury Bill rates at 1.56% annual rate of interest as of June 30, 2022. Discount on long term contributions receivable was \$9,145 as of June 30, 2022. Amounts are due as follows:

Less than one year	\$ 481,983
One to five years	290,855
	<u>\$ 772,838</u>

Every year, management reviews its outstanding receivables to ensure collectability. When it has been determined that the receivable will not be collected, management recognizes a loss associated with the receivable. For the year ended June 30, 2022, no bad debt expense has been recorded.

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 \$11,100 of donated services for the year ending June 30, 2022.

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, 2022, the Organization received \$117,894 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.

HORIZONS FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Concentration of Risk

During the year ended June 30, 2022, contributions from the Organization’s largest donor amounted to approximately 25% of total revenues and support. Changes in the donor selection or economy could have a significant impact on future revenues and operations.

Reclassifications

Certain reclassifications have been made to the fiscal year 2022 financial statement presentation to correspond to the current year’s format. Total net assets and change in net assets are unchanged due to these reclassifications.

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 September 30, 2022, 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 – 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, 2022, 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	\$ 1,017,062
Contributions receivable, current gross	485,913
Total financial assets, at year-end	<u>1,502,975</u>
Less amount not available to be used within one year:	
Allowance for doubtful accounts	(3,930)
Restricted by donor for purpose	<u>(600,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 899,045</u>

HORIZONS FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 2 – Financial Assets and Liquidity Resources (cont.)

The Organization moderately relies on contributions with donor restrictions, all of which will be released in future periods related to program operations. The organization manages its liquidity and reserves by adhering to the following principles: operating within a stable and balanced budget, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves beyond near-term to provide reasonable assurance that programming is continued and obligation will be adequately discharged in the future. In addition, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

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, 2022 was \$2,851.

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.

HORIZONS FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

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 or 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.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investment consists of the following components for the year ended June 30, 2022:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Mutual Funds	\$ 1,040,616	\$ -	\$ -	\$ 1,040,616

Investment carrying cost and fair market value for the year ended June 30, 2022:

	Cost Basis	FMV
Mutual Funds	\$ 1,126,801	\$ 1,040,616

HORIZONS FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 5 – Operating Lease

The Organization entered into an original 3-year lease with one facility located in Chicago, Illinois effective January 1, 2015 through May 31, 2018. This lease was renewed on multiple occasions now effective through May 31, 2024 with annual rent of increasing from \$36,000 to \$42,000 as of June 1, 2021. Total occupancy expense included on the statement of activities for the fiscal year ended June 30, 2022 amounted to \$46,243. Future minimum lease payments for the years ending June 30:

	<u>Amount</u>
2023	\$ 42,000
2024	38,500
	<u>\$ 80,500</u>

Note 6 – Special Events

The Organization normally hosts an annual event, “On Cloud Nine.” For the year ended June 30, 2022 this event was cancelled. All sponsorship and donations were given the option of full refund. Amounts not refunded at the discretion of the donor are to be considered without donor restricted contributions in the amount of \$278,462.

Note 7 – Related Party

The Organization had a former member of management and board or directors 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 DDS. Horizons also pays event expenses, for which it is reimbursed by the DDS.

Note 8 – Net Assets With Donor Restriction (Purpose Restricted)

As of June 30, 2022, the Organization has the following net assets with donor restrictions:

	<u>Amount</u>
Diverse Learners - contribution receivable	\$ 600,000
Future period	20,000
Underwater endowment	(48,813)
	<u>\$ 571,187</u>

HORIZONS FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 9 – Net Assets With Donor Restriction (Perpetual 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.

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 (with exceptions noted below) 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.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The Organization's endowment spending policy determines the distribution of the investment earnings of these funds absent any donor specifications to the contrary. This spending policy calculated the amount annually distributed from the Organization's endowment fund. Under the current endowment spending policy, 5 percent of the average fair value of donor-restricted marketable securities at the end of the previous 12 months is appropriated to support current operations, representing an appropriation of current year total investment return.

HORIZONS FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Changes and composition in endowment net assets for the year ending June 30, 2022 are as follows:

	Purpose Restricted	Perpetual in Nature	Total
Endowment net assets, beginning of year	\$ 130,608	\$ 1,089,500	\$ 1,220,108
Contributions	-	80,000	80,000
Unrealized loss	(150,894)	-	(150,894)
Dividends and interest	11,473	-	11,473
Amount appropriated for expenditure	(40,000)	-	(40,000)
Endowment net assets, end of year	<u>\$ (48,813)</u>	<u>\$ 1,169,500</u>	<u>\$ 1,120,687</u>

During fiscal year 2022, the endowment suffered losses which have caused the endowment to be underwater. These losses are classified in the net assets with donor restrictions purpose category. Therefore, when applicable, endowment earnings are classified as net assets with donor restrictions purpose in order to replenish the with donor restrictions purpose fund. The net assets with donor restrictions purpose deficit is \$48,813 at June 30, 2022.

Reconciliation of endowment fund composition as of June 30, 2022 is as follows:

Cash - endowment	\$ 80,071
Investments - endowment	<u>1,040,616</u>
	<u>\$ 1,120,687</u>

Note 10 – Paycheck Protection Loan

During fiscal year 2022, the Organization received loan proceeds in the amount of \$159,730 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period.

HORIZONS FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 10 – Paycheck Protection Loan (cont.)

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization believes it has used the loan for purposes consistent with the PPP and elected to follow ASC 958-605 and record the loan as a refundable advance where once forgiveness conditions are substantially met or explicitly waived, the entity would reduce the refundable advance and record a contribution for the amount forgiven. The Organization has recognized the full amount of \$159,730 as a government grant for the year ended June 30, 2022.

Note 11 – Employee Retention Credit

The Organization is eligible for the Employee Retention Credit (“ERC”) under the CARES Act. As of June 30, 2022 the Organization was eligible to receive \$120,837 in combination of unpaid employment taxes and Form 941 Employer Quarterly Federal Tax Return refund payments for the quarters ending March 31, 2021 and June 30, 2021. As of June 30, 2022 the Organization has recorded a receivable in the amount of \$120,837 for ERC. This amount was received in the subsequent fiscal year, July 2022.