

HORIZONS GREATER WASHINGTON INC

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022



Certified Public Accountants

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Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Horizons Greater Washington Inc

Opinion

We have audited the accompanying financial statements of Horizons Greater Washington Inc (a nonprofit organization) which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 Greater Washington Inc as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Greater Washington Inc and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 these 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 Greater Washington Inc'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 Greater Washington Inc'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 Greater Washington Inc'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.

Kositzka, Wicks and Company

Alexandria, Virginia
February 15, 2024

Horizons Greater Washington Inc

Statements of Financial Position September 30,

2023**2022****Assets**

Cash and cash equivalents	\$ 456,725	\$ 251,705
Contributions receivable, net	425,078	793,419
Prepaid expenses	13,322	17,958
Inventory	3,604	-
Investments	363,217	428,368
Total assets	<u>\$ 1,261,946</u>	<u>\$ 1,491,450</u>

Liabilities and net assets**Liabilities**

Accounts payable and other accrued expenses	\$ 60,797	\$ 48,291
Accrued payroll costs	13,384	18,798
SBA Paycheck Protection Program loan	75,800	75,800
Total liabilities	<u>149,981</u>	<u>142,889</u>

Net assets

Without donor restrictions	678,663	780,621
With donor restrictions	433,302	567,940
Total net assets	<u>1,111,965</u>	<u>1,348,561</u>
Total liabilities and net assets	<u>\$ 1,261,946</u>	<u>\$ 1,491,450</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Horizons Greater Washington Inc

Statement of Activities for the year ended September 30, 2023

	Without donor restrictions	With donor restrictions	Total
Revenue			
Contributions and grants	\$ 695,830	\$ 140,000	\$ 835,830
Government grants	378,687	-	378,687
Special events revenue, net of direct benefits of \$115,539	281,481	-	281,481
Donated materials, services and rents	217,588	-	217,588
Other income	4,640	-	4,640
Investment income, net	31,286	802	32,088
Transfer to endowment	(50,000)	50,000	-
Net assets released from restrictions	325,440	(325,440)	-
	<u>1,884,952</u>	<u>(134,638)</u>	<u>1,750,314</u>
Expenses			
Program services	1,426,122	-	1,426,122
Supporting services			
Management and general	279,798	-	279,798
Fundraising	280,990	-	280,990
	<u>1,986,910</u>	<u>-</u>	<u>1,986,910</u>
Change in net assets	(101,958)	(134,638)	(236,596)
Net assets, beginning of year	780,621	567,940	1,348,561
Net assets, end of year	<u>\$ 678,663</u>	<u>\$ 433,302</u>	<u>\$ 1,111,965</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Horizons Greater Washington Inc

Statement of Activities for the year ended September 30, 2022

	Without donor restrictions	With donor restrictions	Total
Revenue			
Contributions and grants	\$ 450,294	\$ 970,440	\$ 1,420,734
Government grants	414,543	-	414,543
Special events revenue, net of direct benefits of \$115,180	311,999	-	311,999
Donated materials, services and rents	191,486	-	191,486
Other income	10,851	-	10,851
Investment income (loss), net	(14,699)	-	(14,699)
Net assets released from restrictions	427,597	(427,597)	-
	<u>1,792,071</u>	<u>542,843</u>	<u>2,334,914</u>
Expenses			
Program services	1,126,465	-	1,126,465
Supporting services			
Management and general	230,977	-	230,977
Fundraising	189,668	-	189,668
	<u>1,547,110</u>	<u>-</u>	<u>1,547,110</u>
Change in net assets	244,961	542,843	787,804
Net assets, beginning of year	535,660	25,097	560,757
Net assets, end of year	<u>\$ 780,621</u>	<u>\$ 567,940</u>	<u>\$ 1,348,561</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Horizons Greater Washington Inc

Statement of Functional Expenses for the year ended September 30, 2023

	Program services	Management and general	Fundraising	Total
Expenses				
Bank fees	\$ -	\$ 6,771	\$ -	\$ 6,771
Cost of direct benefits to donors	-	-	115,539	115,539
Dues and subscriptions	5,200	1,122	-	6,322
Employee benefits	13,998	1,378	4,578	19,954
Field trips	17,484	-	-	17,484
Food and hospitality	94,942	901	-	95,843
Insurance	-	24,284	-	24,284
Miscellaneous	23	492	4,432	4,947
Payroll processing fees	-	17,260	-	17,260
Payroll taxes	62,643	6,165	20,485	89,293
Pool rental	7,439	-	-	7,439
Printing and postage	277	798	-	1,075
Professional development	9,060	3,106	-	12,166
Professional fees	97,585	75,164	29,885	202,634
Recruitment	-	210	-	210
Rent	3,427	-	-	3,427
Salaries and wages	677,690	63,781	221,610	963,081
Supplies	65,015	691	-	65,706
Technology and telecommunications	8,214	38,613	-	46,827
Transportation	184,011	-	-	184,011
Travel	338	250	-	588
	<u>1,247,346</u>	<u>240,986</u>	<u>396,529</u>	<u>1,884,861</u>
Donated materials, services and rent				
Contracted services	-	23,512	-	23,512
Food and hospitality	19,935	-	-	19,935
Legal	-	15,300	-	15,300
Rent, contributed	115,895	-	-	115,895
Supplies	9,796	-	-	9,796
Transportation	33,150	-	-	33,150
	<u>178,776</u>	<u>38,812</u>	<u>-</u>	<u>217,588</u>
Total expenses by function	1,426,122	279,798	396,529	2,102,449
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	-	-	(115,539)	(115,539)
Total expenses included in the expense section on the statement of activities	<u>\$ 1,426,122</u>	<u>\$ 279,798</u>	<u>\$ 280,990</u>	<u>\$ 1,986,910</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Horizons Greater Washington Inc

Statement of Functional Expenses for the year ended September 30, 2022

	Program services	Management and general	Fundraising	Total
Expenses				
Bank fees	\$ -	\$ 12,920	\$ -	\$ 12,920
Cost of direct benefits to donors	-	-	115,180	115,180
Dues and subscriptions	4,342	275	-	4,617
Employee benefits	13,398	1,516	3,879	18,793
Field trips	2,375	-	-	2,375
Food and hospitality	79,881	952	-	80,833
Insurance	-	25,977	-	25,977
Miscellaneous	-	195	-	195
Payroll processing fees	-	6,530	-	6,530
Payroll taxes	53,464	6,049	15,479	74,992
Pool rental	10,720	-	-	10,720
Printing and postage	3,390	1,637	-	5,027
Professional development	3,790	6,927	-	10,717
Professional fees	23,128	70,776	-	93,904
Recruitment	-	569	-	569
Salaries and wages	587,370	67,926	170,060	825,356
Supplies	42,564	2,170	-	44,734
Technology and telecommunications	3,883	15,097	-	18,980
Transportation	117,484	-	-	117,484
Travel	780	121	-	901
	<u>946,569</u>	<u>219,637</u>	<u>304,598</u>	<u>1,470,804</u>
Donated materials, services and rent				
Contracted services	-	-	250	250
Food and hospitality	6,361	-	-	6,361
Legal	-	11,340	-	11,340
Rent, contributed	120,171	-	-	120,171
Supplies	26,664	-	-	26,664
Transportation	26,700	-	-	26,700
	<u>179,896</u>	<u>11,340</u>	<u>250</u>	<u>191,486</u>
Total expenses by function	1,126,465	230,977	304,848	1,662,290
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	<u>-</u>	<u>-</u>	<u>(115,180)</u>	<u>(115,180)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 1,126,465</u>	<u>\$ 230,977</u>	<u>\$ 189,668</u>	<u>\$ 1,547,110</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Horizons Greater Washington Inc

Statements of Cash Flows for the years ended September 30,

2023**2022****Cash flows from operating activities**

Change in net assets	\$ (236,596)	\$ 787,804
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized loss (gain) on investments	(9,966)	33,277
SBA Paycheck Protection Program loan forgiveness	-	(146,543)
Receipt of contributed securities	(4,883)	(19,850)
Proceeds from sales of contributed securities	4,883	19,850
Decrease (increase) in operating assets		
Contributions receivable, net	368,341	(733,240)
Prepaid expenses	4,636	465
Inventory	(3,604)	-
Increase (decrease) in operating liabilities		
Accounts payable and other accrued expenses	12,506	46,677
Accrued payroll costs	(5,414)	(56)
Net cash provided by (used in) operating activities	<u>129,903</u>	<u>(11,616)</u>

Cash flows from investing activities

Purchase of investments and reinvestments	(870,384)	(570,000)
Proceeds from sales of investments	<u>945,501</u>	<u>539,221</u>
Net cash provided by (used in) investing activities	<u>75,117</u>	<u>(30,779)</u>

Net change in cash and cash equivalents205,020 (42,395)**Cash and cash equivalents, beginning of year**251,705 294,100**Cash and cash equivalents, end of year**\$ 456,725 \$ 251,705**Noncash transactions**

Contributed securities	<u>\$ (4,883)</u>	<u>\$ (19,850)</u>
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The accompanying independent auditor's report and notes are an integral part of the financial statements.

Horizons Greater Washington Inc

Notes to Financial Statements September 30, 2023 and 2022

1. Organization

Horizons Greater Washington Inc (the Organization or Horizons) is an out-of-school time academic and enrichment program serving K-8 students in families from underserved communities in Washington, DC and Montgomery County, MD. Horizons' mission is to advance educational equity by building long-term partnerships with students, families, communities, and schools to create experiences outside of school that inspire the joy of learning. Horizons offers an intensive summer program and school year programming that build critical skills in reading, math, swimming, and social and emotional development to prepare its students for successful school years and transitions. The project-based STEAM curriculum focuses on the whole child while allowing veteran and new professional teachers to hone their craft with the Organization. Horizons makes a long-term commitment to each student as young people enter the summer program as rising first graders and return each summer until they begin high school. Throughout the nine years a child is in the program, Horizons partners with its families and removes the physical barriers to learning by absorbing the full cost of each student and providing transportation, supplies, and meals.

Horizons Greater Washington Inc is an affiliate of Horizons National, a 501(c)(3) organization that oversees a network of 75 Horizons programs in 20 states and the District of Columbia. Horizons Greater Washington serves the DC area exclusively and operates independently of Horizons National - raising its own resources and managing its own programs - but benefits from the exchange of information and support across a national network. Horizons began in 2000 with one program location in Washington, DC. A second DC program location opened in 2009, and in 2010, expansion led the Organization to open a third location in Montgomery County, MD. In 2023, the hallmark summer program served 422 students and in 2024 will aim to serve 435 K-8 students across the three program sites.

High-quality instruction, hands-on experiential learning, and individualized support from skilled professional teachers are the pillars of the Horizons model. To ensure its approach is student centered, holistic, and inclusive, Horizons Greater Washington's programming adheres to the Weikart Center's pyramid of program quality. The pyramid's steps - creating safe, supportive, interactive, and engaging learning environments - inform all instructional, programmatic, and site-specific decisions and goals. In alignment with the pyramid of program quality, Horizons fosters joyful and engaging environments full of academic, artistic, and athletic activities that inspire young minds. As a result, students experience gains in math, reading, writing, and swim proficiency in small class sizes. Through pre- and post-program stakeholder surveys, the Organization works to ensure its students' voices and the voices of their caregivers drive program design and improvements. Horizons believes that every child should have access to opportunities that help them thrive.

2. Summary of significant accounting policies

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported in two categories as described below.

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor

Horizons Greater Washington Inc

Notes to Financial Statements September 30, 2023 and 2022

stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Horizons maintains its cash on deposit with financial institutions in the United States of America. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage for up to \$250,000 of cash held in each separate FDIC insured bank savings institution. From time to time, Horizons may have amounts on deposit in excess of the insured limits. Horizons has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Contributions receivable

Contributions receivable are comprised of pledges and grants receivable which are measured at net realizable value. Grants receivable and unconditional promises to give are recognized as revenue in the period promised. Conditional promises to give include both a measurable performance or other barrier and a right of return, and they are recognized when the conditions on which they depend are substantially met.

Balances are stated at the amount management expects to collect from outstanding balances within one year. Management provides for probably uncertain amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on historical experience, an assessment of economic conditions, and a review of subsequent collections as deemed necessary. All contributions are considered collectible on September 30, 2023, no allowance has been recorded.

Investments held by third-party trustee

Investments of Horizons are held by a third-party trustee, The Greater Washington Community Foundation (the Foundation). Under this agency fund agreement, Horizons has both a non-endowed fund, and endowed fund managed by the Foundation under the investment policies and investment direction of the Foundation.

During the year ended September 30, 2023, Horizons created a perpetually restricted endowment with the funds to be held and administered by The Greater Washington Community Foundation. A total of \$50,000 was contributed by a donor and \$50,000 was matched by Horizons as a condition of receiving this endowment gift. See note 5 for further details.

Horizons has an interest in the pooled investment funds maintained by the Foundation in the "Combined Investment Fund" (CIF). Distributions from the fund are available quarterly with prior written notice provided via email or letter by one of the assigned fund advisors as outlined in the agency fund agreement. Horizons pays an administrative fee to the Foundation of 1.1 percent for the accounting and reporting services, which are deducted from the investment assets in quarterly payments.

Property and equipment

Horizons capitalizes all property and equipment with a useful life of more than one year and an acquisition value of over \$5,000. Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the property or equipment. As of September 30, 2023 and 2022,

See independent auditor's report.

Horizons Greater Washington Inc

Notes to Financial Statements September 30, 2023 and 2022

there were no purchases of property and equipment meeting the capitalization threshold and therefore no property and equipment or depreciation reported.

Other financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents, contributions receivables, and prepaid expenses. Financial liabilities with carrying values approximating fair value include accounts payable and other accrued expenses and accrued payroll costs. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities and any associated interest rates approximate current market rates.

Support and revenue recognition

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. 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, or if they are designated for future periods. When a donors 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Sources of revenue from contracts with customers include an exchange element of tickets purchased for special events and other income. All remaining sources of support and revenue are contributions. Special events revenue consisting of donations collected during special events are recognized at the point in time the event takes place.

Donated materials, services and rents

Horizons receives in-kind contributions of time and pro bono services from members of the community related to program operations, special events and fund-raising. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Horizons. Horizons recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated or readily available fair value at the time of the donation.

Functional classification of expenses

The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses are charged to programs and supporting services based on a combination of specific identification and allocation by management. Certain categories of expenses are attributed to more than one function and have been allocated on a reasonable basis that is consistently applied. Allocated expenses include salaries and wages, payroll taxes and employee benefits.

Fair value measurements

Accounting standards require companies to determine fair value based on the price that would be received to sell the asset or paid to transfer the liability to a market participant. A three-level hierarchy for disclosure of fair value measurements is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels of the fair value hierarchy are defined as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Horizons Greater Washington Inc

Notes to Financial Statements September 30, 2023 and 2022

Level 2 – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Income taxes

Horizons Greater Washington Inc is exempt from federal income tax as a nonprofit organization described in Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation. Horizons did not have a liability for unrelated business income taxes for the years ended September 30, 2023 and 2022.

The material jurisdictions subject to potential examination by taxing authorities include the U.S. and the District of Columbia. Management does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on the Organization's results of operations. Tax years that are subject to examination by the IRS include the fiscal years ended September 30, 2020 through 2023.

Recently adopted accounting pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with terms greater than 12 months. ASU 2016-02 is effective for private companies for annual reporting periods beginning after December 15, 2021. Horizons adopted the standard on its effective date, which for Horizons was October 1, 2022. There was no impact to Horizon's beginning net assets as a result of the adoption of this ASU because of the election of the practical expedients. The Organization has elected to utilize the package of practical expedients that allows entities to not reassess (1) the classification of leases existing at the date of adoption, (2) the initial direct costs for any existing leases, and (3) whether any expired or existing contracts are or contain leases.

Impact on transition

At the date of adoption, Horizons applied ASU 2016-02 using the modified retrospective approach, however there were no lease liabilities identified for the year ending September 30, 2023. The adoption of this standard did not have a material impact on Horizon's Statements of Activities. The comparative information presented for the year ended September 30, 2022 has not been restated.

New accounting pronouncements

The FASB has issued ASU 2016-13 which adopts the current expected credit loss (CECL) model. The CECL model requires a financial asset or a group of financial assets (including trade receivables, contract assets, lease receivables, financial guarantees, loans and loan commitments, and held-to-maturity debt securities) measured at amortized cost basis to be presented at the net amount expected to be collected. The income statement will reflect the measurement of credit losses for newly recognized financial assets, as well as the increases or decreases of expected credit losses that have taken place during the period. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2022. Horizons adopted this standard on its effective date, October 1, 2023. Management is assessing the impact that the standard will have on the financial statements.

Horizons Greater Washington Inc

Notes to Financial Statements September 30, 2023 and 2022

3. Investments and fair value measurements

Level 1 assets consist of investments held in a bank deposit program with a national broker. The carrying amount is considered to be a reasonable estimate of fair value.

Level 3 assets consist of investments held by a third-party trustee, The Greater Washington Community Foundation (the Foundation). The fair market value is the reported net asset values as obtained from the trustee on a quarterly basis. Underlying securities are comprised of both readily marketable securities and funds as well as hard-to-value securities. This method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Although Horizons believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the value could result in a different fair value at the reporting date.

The following table presents the investment assets within the hierarchy measured at fair value on a recurring basis as of September 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments held by third-party trustee:				
Money market fund	\$ -	\$ -	\$ 23,878	\$ 23,878
Combined investment fund	-	-	214,907	214,907
Investments directly held:				
Cash and money market accounts	124,432	-	-	124,432
Total assets at fair value	<u>\$ 124,432</u>	<u>\$ -</u>	<u>\$ 238,785</u>	<u>\$ 363,217</u>

The following table presents the investment assets within the hierarchy measured at fair value on a recurring basis as of September 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments held by third-party trustee:				
Money market fund	\$ -	\$ -	\$ 16,567	\$ 16,567
Combined investment fund	-	-	149,110	149,110
Investments directly held:				
Cash and money market accounts	262,691	-	-	262,691
Total assets at fair value	<u>\$ 262,691</u>	<u>\$ -</u>	<u>\$ 165,677</u>	<u>\$ 428,368</u>

Investment return was composed of the following for the years ending September 30:

	<u>2023</u>	<u>2022</u>
Dividend and interest income	\$ 14,234	\$ 19,750
Interest income	9,364	36
Realized and unrealized gains (losses)	9,966	(33,277)
Investment management fees	(1,476)	(1,208)
	<u>\$ 32,088</u>	<u>\$ (14,699)</u>

See independent auditor's report.

Horizons Greater Washington Inc

Notes to Financial Statements September 30, 2023 and 2022

The table below represents a reconciliation for all Level 3 investment assets measured at fair value on a recurring basis for the years ending:

Balance, October 1, 2021	\$ 179,943
Dividend and interest income	19,750
Realized and unrealized losses	(33,108)
Investment management fees	(908)
Balance, September 30, 2022	<u>\$ 165,677</u>
Transfer in	50,384
Dividend and interest income	14,234
Realized and unrealized gains	9,966
Investment management fees	(1,476)
Balance, September 30, 2023	<u>\$ 238,785</u>

The investments held by the third-party trustee are valued based on the net asset value of the fund and are available for quarterly redemption or distributions with the prior written request of Horizons.

4. Donor-restricted net assets

Net assets with donor restrictions consisted of the following at September 30, 2023 and 2022:

	September 30, 2022	Additions	Releases from restrictions	September 30, 2023
Time restricted contributions receivable	\$ 567,940	\$ 90,000	\$ (325,440)	\$ 332,500
Perpetually restricted endowment	-	100,802	-	100,802
	<u>\$ 567,940</u>	<u>\$ 190,802</u>	<u>\$ (325,440)</u>	<u>\$ 433,302</u>

	September 30, 2021	Additions	Releases from restrictions	September 30, 2022
Time restricted contributions receivable	\$ 25,097	\$ 970,440	\$ (427,597)	\$ 567,940

Time restricted net assets have been classified as donor-restricted based on the inherent time restrictions on the receipt of the contributions.

5. Donor-restricted net assets subject to perpetual restriction

The endowment assets are comprised of the following as of September 30, 2023:

	Without restrictions	Purpose restricted	Perpetually restricted	Total
Endowment funds	\$ -	\$ 802	\$ 100,000	\$ 100,802

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The endowment fund represents net assets restricted by a donor in perpetuity, the income from which is used for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The endowment is governed by applicable federal laws for tax exempt organizations and the laws of the District of Columbia, which include but are not limited to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). In accordance with UPMIFA, the endowment is required to persevere the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Horizons classifies as perpetually restricted net assets the original value of gifts donated to the endowment and the original value of subsequent gifts to the endowment.

The remaining portion of the donor-restricted endowment fund that is not classified with perpetual restriction is classified as donor-restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Horizons has adopted the Greater Washington Community Foundation's (the Foundation's) endowment and investment policies. Endowment assets are invested in a diversified asset mix. The expected return varies dependent on the primary endowed fund objective of growth or capital preservation. Actual returns in any given year may vary. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The Foundation annually determines the amount available for distribution by applying its spending policy for the endowment funds. The spending rate is calculated annually by applying the spending rate, currently 5%, to the average of the fund's principal value for the previous twelve quarters ending each March 31. The spending rate may be changed for any given year at the discretion of the Board of Directors based on prevailing market and economic conditions. Annual fees for the endowment funds charged by the Foundation are 1.1%.

The endowment net activity consisted of the following activities:

	<u>Without restrictions</u>	<u>Purpose restricted</u>	<u>Perpetually restricted</u>	<u>Total</u>
Endowment funds as of September 30, 2022	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	100,000	100,000
Investment income, net	-	802	-	802
Appropriated for expenditure	-	-	-	-
Endowment funds as of September 30, 2023	<u>\$ -</u>	<u>\$ 802</u>	<u>\$ 100,000</u>	<u>\$ 100,802</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Horizons to retain as a fund in perpetual duration. There were no such deficiencies as of September 30, 2023.

6. Revenue from contracts with customers

Revenue with performance obligations satisfied at a point in time includes exchange element of tickets purchased for special events, application fees and other income. These revenues are disaggregated as

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follows for the years ending September 30:

	<u>2023</u>	<u>2022</u>
Revenue recognized at a point in time:		
Exchange portion of special events	\$ 115,539	\$ 115,180
Revenue recognized over-time:		
Other income	4,640	10,851
	<u>\$ 120,179</u>	<u>\$ 126,031</u>

There were no related contract assets or liabilities as of September 30, 2023 and 2022.

7. Contributions receivable

Contributions receivable are collectible over a one-to three-year period and have been discounted using 4.27 percent rate to record the present value of future receipts at September 30, 2022. The discount rate utilized is the two-year U.S. Treasury rate at year-end 2022, used to discount receivables due in one-to five-years. As there were no contributions due in one to five years for the year ended September 30, 2023, there was no discount recorded.

Contributions receivable, including pledges and grants receivable, were reported as of September 30:

	<u>2023</u>	<u>2022</u>
Contributions due in		
Less than one year	\$ 425,078	\$ 570,413
One to five years	-	242,500
	<u>425,078</u>	<u>812,913</u>
Present value discount	-	(19,494)
	<u>\$ 425,078</u>	<u>\$ 793,419</u>

Adjustments in the discount on grants receivable during the year were recorded as a reduction in contributions totaling \$19,494 for the year ended September 30, 2022.

8. Donated materials, services, and rent

Horizons received various in-kind donations of materials, services, and rents. These donations included: free legal consultation, free contracted services, free nursing services, advertising, use of facilities (rent), transportation for program participants, and donated goods to support the program.

Horizons has executed memorandums of understanding (MOUs) with three host schools: Maret School, Norwood School, and St. Patrick's Episcopal Day School. These MOUs provide access to the facilities that allow Horizons to administer its programs and outline the in-kind nature of use of the facilities. For the years ended September 30, 2023 and 2022, all three host schools were able to provide a reasonable estimate of the value of in-kind materials and services based on the rental fees charged to other third party organizations utilizing their facilities.

In addition, these MOUs outline certain requirements for Horizons, which include background checks and minimum general liability insurance requirements among other minimum standards. The MOUs also specify that the head of each school serve as an ex-officio member of the Governing Board of Horizons.

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Termination of the MOUs is required in writing within 60 days of the close of the summer program or with written notice no later than December 31 for the following year's summer program.

Donated legal services included in management and general are valued at the standard hourly rates charged for those services. Donated goods are valued at the wholesale prices that would be received for selling similar products or for the pricing available to those members of the community that purchased those items.

These in-kind donations are summarized as follows for the years ending September 30:

	2023	2022
Contracted services	\$ 23,512	\$ 250
Food and hospitality	19,935	6,361
Legal	15,300	11,340
Rent, contributed	115,895	120,171
Supplies	9,796	26,664
Transportation	33,150	26,700
	<u>\$ 217,588</u>	<u>\$ 191,486</u>

9. Retirement plan

Horizons sponsors a defined contribution 401(k) plan covering all full-time employees. Horizons does not make any matching contributions.

10. Related-party transactions

Horizons Greater Washington Inc is an affiliate of Horizons National. As an affiliate, the Organization is required to make certain payments to the National office for expenses such as testing materials and conference fees. Payments to Horizons National totaled \$5,200 and \$4,342 for the years ending September 30, 2023 and 2022, respectively. In turn, Horizons Greater Washington Inc collaborates with and receives grants from the National office occasionally. However, no such grants were received for the years ended September 30, 2023 and 2022.

11. Liquidity and availability of resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following at September 30:

	2023	2022
Cash and cash equivalents	\$ 456,725	\$ 251,705
Contributions receivable	425,078	793,419
Investments	363,217	428,368
Restricted contributions and endowment assets	(443,302)	(567,940)
	<u>\$ 801,718</u>	<u>\$ 905,552</u>

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12. SBA Paycheck Protection Program loan

Under the “Coronavirus Aid, Relief, and Economic Security (CARES) Act” funds were appropriated for the SBA Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment. The Organization obtained a PPP loan in April 2020 in the amount of \$87,423. The loan was fully forgiven by the SBA on June 14, 2021 and was previously recorded in government grants income for the year ended September 30, 2021. The Organization received an additional \$75,800 as part of the first PPP loan. The Organization is uncertain if they qualify for this additional amount but were informed by the SBA in August 2021 that the additional amount was forgiven. SBA notified the Organization during 2022 that they were selected for review. Due to the uncertain outcome, the Organization has not treated the additional \$75,800 as forgiven, but instead retained this amount as a liability as of September 30, 2022 and 2023 as there has been no decision made by the SBA.

The organization obtained second PPP loan in March 2021 in the amount of \$146,543 which was reflected as a liability in the statement of financial position as of September 30, 2021. The loan was fully forgiven by the SBA on March 15, 2022.

13. Subsequent events

Horizons Greater Washington Inc assessed events occurring subsequent to September 30, 2023 through February 15, 2024, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements.