

HORIZONS GREATER WASHINGTON INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020



Certified Public Accountants

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Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Horizons Greater Washington Inc.

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Horizons Greater Washington Inc.** as of September 30, 2021 and 2020, 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.

Kositzka, Wicks and Company

Alexandria, Virginia
May 23, 2022

Horizons Greater Washington Inc.

Statements of Financial Position September 30,

2021

2020

Assets

Cash and cash equivalents	\$ 294,100	\$ 246,577
Grants and contributions receivable	60,179	199,000
Prepaid expenses	18,423	8,678
Investments	430,866	414,742
Total assets	<u>\$ 803,568</u>	<u>\$ 868,997</u>

Liabilities and net assets

Accounts payable	\$ 1,614	\$ 6,413
Accrued payroll costs	18,854	19,750
SBA Paycheck Protection Program loan	222,343	87,423
Total liabilities	<u>242,811</u>	<u>113,586</u>

Net assets

Without donor restrictions	535,660	628,288
With donor restrictions	25,097	127,123
Total net assets	<u>560,757</u>	<u>755,411</u>
Total liabilities and net assets	<u>\$ 803,568</u>	<u>\$ 868,997</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, 2021

	Without donor restrictions	With donor restrictions	Total
Revenue			
Contributions and grants	\$ 650,588	\$ 110,000	\$ 760,588
Special events revenue, net of direct benefits of \$2,368	6,915	-	6,915
Donated materials, services and rents	185,313	-	185,313
Government grants	252,423	-	252,423
Application fees	3,840	-	3,840
Urban Teacher contract and other income	36,696	-	36,696
Investment income, net	26,633	-	26,633
Net assets released from restrictions	212,026	(212,026)	-
	<u>1,374,434</u>	<u>(102,026)</u>	<u>1,272,408</u>
Expenses			
Program services	1,036,558	-	1,036,558
Supporting services			
Management and general	220,806	-	220,806
Fundraising	209,698	-	209,698
	<u>1,467,062</u>	<u>-</u>	<u>1,467,062</u>
Change in net assets	(92,628)	(102,026)	(194,654)
Net assets, beginning of year	<u>628,288</u>	<u>127,123</u>	<u>755,411</u>
Net assets, end of year	<u>\$ 535,660</u>	<u>\$ 25,097</u>	<u>\$ 560,757</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, 2020

	Without donor restrictions	With donor restrictions	Total
Revenue			
Contributions and grants	\$ 478,755	\$ 12,123	\$ 490,878
Special events revenue, net of direct benefits of \$71,074	283,045	-	283,045
Donated materials, services and rents	133,865	-	133,865
Government grants	180,486	-	180,486
Application fees	5,515	-	5,515
Other income	65	-	65
Investment income, net	10,592	-	10,592
Net assets released from restrictions	115,000	(115,000)	-
	<u>1,207,323</u>	<u>(102,877)</u>	<u>1,104,446</u>
Expenses			
Program services	738,912	-	738,912
Supporting services			
Management and general	227,754	-	227,754
Fundraising	196,412	-	196,412
	<u>1,163,078</u>	<u>-</u>	<u>1,163,078</u>
Change in net assets	44,245	(102,877)	(58,632)
Net assets, beginning of year	584,043	230,000	814,043
Net assets, end of year	<u>\$ 628,288</u>	<u>\$ 127,123</u>	<u>\$ 755,411</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, 2021

	Program services	Management and general	Fundraising	Total
Expenses				
Bank fees	\$ -	\$ 5,319	\$ -	\$ 5,319
Cost of direct benefits to donors	-	-	2,368	2,368
Dues and subscriptions	2,182	349	-	2,531
Employee benefits	9,542	1,104	3,001	13,647
Field trips	1,915	-	-	1,915
Food and hospitality	36,542	238	-	36,780
Insurance	-	17,467	-	17,467
Miscellaneous	-	774	-	774
Payroll processing fees	-	7,935	-	7,935
Payroll taxes	55,021	6,365	17,302	78,688
Printing and postage	-	1,439	-	1,439
Professional development	2,579	4,800	-	7,379
Professional fees	13,883	59,262	-	73,145
Recruitment	-	199	-	199
Salaries and wages	602,277	68,281	189,395	859,953
Supplies	38,139	4,595	-	42,734
Technology and telecommunications	27,894	17,285	-	45,179
Transportation	86,000	-	-	86,000
Travel	572	93	-	665
	<u>876,546</u>	<u>195,505</u>	<u>212,066</u>	<u>1,284,117</u>
Donated materials, services and rents				
Rent, contributed	86,320	-	-	86,320
Transportation	35,000	-	-	35,000
Food and hospitality	30,782	-	-	30,782
Legal	-	25,301	-	25,301
Supplies	430	-	-	430
Contracted services	7,480	-	-	7,480
	<u>160,012</u>	<u>25,301</u>	<u>-</u>	<u>185,313</u>
Total expenses by function	<u>1,036,558</u>	<u>220,806</u>	<u>212,066</u>	<u>1,469,430</u>
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	<u>-</u>	<u>-</u>	<u>(2,368)</u>	<u>(2,368)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 1,036,558</u>	<u>\$ 220,806</u>	<u>\$ 209,698</u>	<u>\$ 1,467,062</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, 2020

	Program services	Management and general	Fundraising	Total
Expenses				
Bank fees	\$ -	\$ 2,920	\$ -	\$ 2,920
Cost of direct benefits to donors	-	-	18,327	18,327
Dues and subscriptions	1,181	2,489	-	3,670
Employee benefits	12,032	1,901	4,168	18,101
Field trips	500	-	-	500
Food and hospitality	511	-	-	511
Insurance	664	9,095	-	9,759
Miscellaneous	192	1,007	-	1,199
Payroll processing fees	-	8,584	-	8,584
Payroll taxes	44,089	6,968	15,273	66,330
Printing and postage	1,699	-	4,142	5,841
Professional development	4,502	675	-	5,177
Professional fees	-	55,914	-	55,914
Recruitment	-	903	-	903
Salaries and wages	503,557	79,922	172,829	756,308
Supplies	56,385	735	-	57,120
Technology and telecommunications	25,148	8,030	-	33,178
Travel	1,256	1,942	-	3,198
	<u>651,716</u>	<u>181,085</u>	<u>214,739</u>	<u>1,047,540</u>
Donated materials, services and rents				
Rent, contributed	81,288	-	-	81,288
Legal	-	45,937	-	45,937
Miscellaneous	-	732	-	732
Supplies	5,908	-	-	5,908
	<u>87,196</u>	<u>46,669</u>	<u>-</u>	<u>133,865</u>
Total expenses by function	<u>738,912</u>	<u>227,754</u>	<u>214,739</u>	<u>1,181,405</u>
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	<u>-</u>	<u>-</u>	<u>(18,327)</u>	<u>(18,327)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 738,912</u>	<u>\$ 227,754</u>	<u>\$ 196,412</u>	<u>\$ 1,163,078</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,

2021

2020

Cash flows from operating activities

Change in net assets	\$ (194,654)	\$ (58,632)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	(25,040)	(7,231)
SBA Paycheck Protection Program loan forgiveness	(87,423)	-
Proceeds from sales of contributed investments	(19,737)	(40,625)
Decrease (increase) in operating assets		
Grants and contributions receivable	138,821	153,457
Prepaid expenses	(9,745)	110
Increase (decrease) in operating liabilities		
Accounts payable	(4,799)	(40,464)
Accrued payroll costs		
Accrued payroll costs	(896)	(14,612)
Deferred revenue	-	(7,500)
Net cash provided by (used in) operating activities	<u>(203,473)</u>	<u>(15,497)</u>

Cash flows from investing activities

Purchase of investments and reinvestments	(296,347)	(224,676)
Sales of investments	325,000	-
Net cash provided by (used in) investing activities	<u>28,653</u>	<u>(224,676)</u>

Cash flows from financing activities

Proceeds from SBA Paycheck Protection Program loan	<u>222,343</u>	<u>87,423</u>
Net cash provided by investing activities	<u>222,343</u>	<u>87,423</u>

Net change in cash and cash equivalents

47,523 (152,750)

Cash and cash equivalents, beginning of year

246,577 399,327

Cash and cash equivalents, end of year

\$ 294,100 \$ 246,577

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, 2021 and 2020

1. Organization

Horizons Greater Washington Inc. is a tuition-free academic and enrichment program serving K-8 students in families from underserved communities in Washington, DC, and Montgomery County, MD. Our mission is to advance educational equity in the DC region by building long-term partnerships with students, families, communities, and schools to create experiences that inspire the joy of learning. To accomplish this, we offer an intensive summer program that builds critical skills in reading, math, swimming, and social and emotional development to prepare our students for successful school years and transitions. Our project-based STEAM (science, technology, engineering, arts, and math) curriculum focuses on the whole child while allowing veteran and new professional teachers to hone their craft with us each summer. Throughout the nine years their child is in our program, we partner with our families and remove the physical barriers to learning by absorbing the total 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 70 Horizons programs in 19 states and the District of Columbia. We operate independently of Horizons National - raising our own resources and managing our programs - but benefit from the exchange of information, research, and support across a national network. We began in 2000 with one program location in Washington, DC. A second DC program location opened in 2009, and in 2010, expansion led us to open a third location in Montgomery County, MD. Our program has continued to grow, and in 2022 we aim to serve 400 students (ages 5-15 years old) across our two program sites in Washington, DC and single site in Montgomery County, MD.

High-quality instruction, hands-on experiential learning, and individualized support from skilled professional teachers are the pillars of our model. To ensure our approach is student-centered, holistic, and inclusive, Horizons Greater Washington Inc.'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. We believe 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 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.

Horizons Greater Washington Inc.

Notes to Financial Statements September 30, 2021 and 2020

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 in various bank accounts which, at times, may exceed federally insured limits. FDIC insurance on interest-bearing accounts is \$250,000 per depositor, per insured bank.

At September 30, 2021 and 2020, Horizons' cash did not exceed the FDIC limit. Horizons has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Grants receivable and promises to give

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, 2021, 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 a non-endowed fund managed by the Foundation under the investment policies and investment direction of the Foundation. 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, 2021 and 2020, 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, grants and contributions receivables, and prepaid expenses. Financial liabilities with carrying values approximating fair value include accounts payable 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.

Horizons Greater Washington Inc.

Notes to Financial Statements September 30, 2021 and 2020

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 as support for future periods. 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. 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, application fees and other income. All remaining sources of support and revenue are contributions. Special events revenue consists of donations collected during special events and also registrations for events that are recognized at the point in time the event takes place. Amounts received in advance of the program or event are included in deferred revenue. Application fees revenue consists of application fees to sign up for the summer program and are recognized at the point in time the application fee is received. The majority of other income is made up of a contract with Urban Teachers DC for the Organization to hire Summer Fellows Employees during the defined term in exchange for a fee. This income is recognized over the term of the contract.

Donated materials, services and rents

Donated materials and rents are recorded at their fair value at the date of the gift. Donated services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets or (2) require specialized skills provided by individuals possessing those skills and would typically be purchased if not provided by donation. The value of these donated materials, services and rents are reported in the statement of activities and statement of functional expenses totaling \$185,313 and \$133,865 for the years ending September 30, 2021 and 2020, respectively.

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.

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.

See independent auditor's report.

Horizons Greater Washington Inc.

Notes to Financial Statements September 30, 2021 and 2020

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, 2021 and 2020.

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, 2018 through 2021.

Recently adopted accounting pronouncements

The FASB issued Accounting Standards Update (ASU) 2014-09 (as amended by ASU 2015-14), which provides a single comprehensive accounting standard for revenue recognition for contracts with customers and supersedes current industry-specific guidance. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2019. The Organization adopted the standard as of and for the year ended September 30, 2021, using a modified retrospective method with no effect on net assets.

Upcoming accounting pronouncements

The FASB issued 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 annual reporting periods beginning after December 15, 2021. The Organization plans to adopt the standard on its effective date, which is October 1, 2022. The Organization has not evaluated the impact of this statement.

The FASB has issued ASU 2020-07, which clarifies the presentation and disclosure of contributed nonfinancial assets, which include tangible property, intangible items, and specialized services. Upon implementation, nonprofits will be required to show in-kind contributions of nonfinancial assets as a separate line, apart from cash contributions, on the statement of activities, along with qualitative information about how the organization either monetized or utilized the assets and a description of the valuation techniques used to arrive at the fair value of the assets at initial recognition. ASU 2020-07 is effective for annual reporting periods beginning after June 15, 2021. The Organization plans to adopt the standard on its effective date, which for the organization is October 1, 2021, and is evaluating the impact of this statement.

3. Investments

Level 1 investments consists of amounts 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 consists of investments held by a third-party trustee, The Greater Washington Community Foundation (the Foundation), based on the fair market value which is generally 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 fair value could result in a different fair value measurement at the reporting date.

See independent auditor's report.

Horizons Greater Washington Inc.

Notes to Financial Statements September 30, 2021 and 2020

The following table presents the investment assets within the hierarchy measured at fair value on a recurring basis:

At September 30, 2021:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments held by third-party trustee:				
Money market fund	\$ -	\$ -	\$ 17,994	\$ 17,994
Combined investment fund	-	-	161,949	161,949
Investments directly held:				
Cash and money market accounts	250,923	-	-	250,923
Total assets at fair value	<u>\$ 250,923</u>	<u>\$ -</u>	<u>\$ 179,943</u>	<u>\$ 430,866</u>
At September 30, 2020:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments held by third-party trustee:				
Money market fund	\$ -	\$ -	\$ 15,291	\$ 15,291
Combined investment fund	-	-	137,623	137,623
Investments directly held:				
Cash and money market accounts	261,828	-	-	261,828
Total assets at fair value	<u>\$ 261,828</u>	<u>\$ -</u>	<u>\$ 152,914</u>	<u>\$ 414,742</u>

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

	<u>2021</u>	<u>2020</u>
Dividend and interest income	\$ 2,925	\$ 4,336
Interest income on bank accounts	28	5
Realized and unrealized gains (losses)	25,040	7,231
Investment management fees	(1,360)	(980)
	<u>\$ 26,633</u>	<u>\$ 10,592</u>

The table below represents a reconciliation for all Level 3 investment assets measured at fair value on a recurring basis for the years ending September 30:

Balance, October 1, 2019	\$ 142,210
Dividend and interest income	4,325
Realized and unrealized gains (losses)	7,129
Investment management fees	(750)
Balance, September 30, 2020	<u>\$ 152,914</u>
Dividend and interest income	\$ 2,925
Realized and unrealized gains (losses)	24,989
Investment management fees	(885)
Balance, September 30, 2021	<u>\$ 179,943</u>

See independent auditor's report.

Horizons Greater Washington Inc.

Notes to Financial Statements September 30, 2021 and 2020

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. Net assets with donor restrictions

Net assets with donor restrictions consisted of the following at September 30, 2021 and 2020:

	<u>9/30/2020</u>	<u>Additions</u>	<u>Releases from restrictions</u>	<u>9/30/2021</u>
Time restricted contributions receivable	<u>\$ 127,123</u>	<u>\$ 110,000</u>	<u>\$ (212,026)</u>	<u>\$ 25,097</u>

	<u>9/30/2019</u>	<u>Additions</u>	<u>Releases from restrictions</u>	<u>9/30/2020</u>
Time restricted contributions receivable	<u>\$ 230,000</u>	<u>\$ 12,123</u>	<u>\$ (115,000)</u>	<u>\$ 127,123</u>

These net assets have been classified as donor-restricted based on the inherent time restrictions or purpose restrictions for which the purpose was not met during the year.

5. 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 follows for the years ending September 30:

	<u>2021</u>	<u>2020</u>
Revenue recognized at a point in time:		
Exchange portion of special events revenue	\$ 2,368	\$ 71,074
Application fees	3,840	5,515
Revenue recognized over-time:		
Other income	36,696	65
	<u>\$ 42,904</u>	<u>\$ 76,654</u>

There were no related contract assets or liabilities as of September 30, 2021 and 2020.

6. Retirement plan

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

See independent auditor's report.

Horizons Greater Washington Inc.

Notes to Financial Statements September 30, 2021 and 2020

7. Commitments and contingencies

Horizons Greater Washington Inc. has executed memorandums of understanding (MOUs) with three host schools: St. Patrick's Episcopal Day School, Maret School, and Norwood 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, 2021 and 2020, all three host schools were able to provide a reasonable estimate of the value of in-kind materials and services.

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. 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.

Maret School also serves as the headquarters location for Horizons Greater Washington Inc.; however Maret School was unable to estimate the value of the use of the facilities year-round.

8. 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 \$2,182 and \$250 as of September 30, 2021 and 2020, respectively. In turn, Horizons Greater Washington Inc. collaborates with and receives grants from the National office, which totaled \$8,599 and \$8,928 for the years ended September 30, 2021 and 2020, respectively.

9. 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:

	2021	2020
Cash and cash equivalents	\$ 294,100	\$ 246,577
Investments	430,866	414,742
Grants and contributions receivable	60,179	199,000
Time-restricted grants and contributions	(25,097)	(127,123)
	<u>\$ 760,048</u>	<u>\$ 733,196</u>

10. 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 has been 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. Subsequent to year end, SBA selected the Organization's PPP loan for audit. 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, 2021.

See independent auditor's report.

Horizons Greater Washington Inc.

Notes to Financial Statements September 30, 2021 and 2020

The organization obtained second PPP loan in March 2021 in the amount of \$146,543 which is 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.

11. Subsequent events

Horizons Greater Washington Inc. assessed events occurring subsequent to September 30, 2021 through May 23, 2022, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements.

On March 15, 2022, the Organization's second PPP loan in the amount of \$146,543 was fully forgiven by the SBA. In May 2022, the Organization was notified by the SBA of an audit of their first PPP loan. This is addressed in note 10.

No other events have occurred that would require adjustment to or disclosure in the financial statements.