



HORIZONS FOR HOMELESS CHILDREN

**FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

HORIZONS FOR HOMELESS CHILDREN

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JUNE 30, 2010 AND 2009**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Horizons for Homeless Children:

We have audited the accompanying statements of financial position of Horizons for Homeless Children (a Massachusetts corporation, not for profit) (the Agency) as of June 30, 2010 and 2009, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Agency's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Horizons for Homeless Children as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Alexander, Aronson, Finning & Co., P.C.
Westborough, Massachusetts
November 9, 2010

HORIZONS FOR HOMELESS CHILDREN
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Cash	\$ 1,628,087	\$ 2,106,073
Investments	16,355,779	15,199,047
Contracts and grants receivable	343,779	511,686
Pledges receivable, net of discount and reserve	219,984	955,678
Prepaid expenses	142,426	128,519
Deposits	12,242	10,855
Property and equipment, net	<u>255,733</u>	<u>457,445</u>
Total assets	<u>\$ 18,958,030</u>	<u>\$ 19,369,303</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
LIABILITIES:		
Accounts payable	\$ 245,941	\$ 301,345
Accrued expenses	<u>212,257</u>	<u>192,744</u>
Total liabilities	<u>458,198</u>	<u>494,089</u>
 NET ASSETS:		
Unrestricted -		
Operating	3,014,188	9,950,996
Property and equipment	255,733	457,445
Board designated	<u>14,957,616</u>	<u>7,357,562</u>
Total unrestricted	18,227,537	17,766,003
Temporarily restricted	<u>272,295</u>	<u>1,109,211</u>
Total net assets	<u>18,499,832</u>	<u>18,875,214</u>
Total liabilities and net assets	<u>\$ 18,958,030</u>	<u>\$ 19,369,303</u>

The accompanying notes are an integral part of these statements.

HORIZONS FOR HOMELESS CHILDREN

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010			2009		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUES:						
Program revenues						
Contracts, grants and vouchers	\$ 2,743,443	\$ -	\$ 2,743,443	\$ 2,911,922	\$ -	\$ 2,911,922
Donated services	177,196	-	177,196	177,559	-	177,559
Training, conferences and other	38,595	-	38,595	57,482	-	57,482
Total program revenues	<u>2,959,234</u>	<u>-</u>	<u>2,959,234</u>	<u>3,146,963</u>	<u>-</u>	<u>3,146,963</u>
Fundraising revenues						
Contributions	2,142,711	379,540	2,522,251	2,056,217	589,350	2,645,567
Special events, net of expenses	1,131,630	-	1,131,630	895,160	-	895,160
Campaign contributions	922,950	-	922,950	1,933,544	-	1,933,544
Net assets released from restrictions						
Satisfaction of purpose restrictions	388,758	(388,758)	-	435,817	(435,817)	-
Satisfaction of time restrictions	827,698	(827,698)	-	912,291	(912,291)	-
Total fundraising revenues	<u>5,413,747</u>	<u>(836,916)</u>	<u>4,576,831</u>	<u>6,233,029</u>	<u>(758,758)</u>	<u>5,474,271</u>
Investment income	407,399	-	407,399	370,791	-	370,791
Total revenues	<u>8,780,380</u>	<u>(836,916)</u>	<u>7,943,464</u>	<u>9,750,783</u>	<u>(758,758)</u>	<u>8,992,025</u>
EXPENSES:						
Program expenses						
Community Children's Centers	5,096,361	-	5,096,361	4,924,437	-	4,924,437
Playspace Programs	1,324,402	-	1,324,402	1,185,371	-	1,185,371
Training and Technical Assistance	107,788	-	107,788	172,699	-	172,699
Policy and Advocacy	466,361	-	466,361	320,811	-	320,811
Total program expenses	<u>6,994,912</u>	<u>-</u>	<u>6,994,912</u>	<u>6,603,318</u>	<u>-</u>	<u>6,603,318</u>
Supporting services expenses						
Fundraising	1,022,233	-	1,022,233	1,040,108	-	1,040,108
General and Administrative	301,701	-	301,701	466,651	-	466,651
Total supporting services expenses	<u>1,323,934</u>	<u>-</u>	<u>1,323,934</u>	<u>1,506,759</u>	<u>-</u>	<u>1,506,759</u>
Total expenses	<u>8,318,846</u>	<u>-</u>	<u>8,318,846</u>	<u>8,110,077</u>	<u>-</u>	<u>8,110,077</u>
Changes in net assets	461,534	(836,916)	(375,382)	1,640,706	(758,758)	881,948
NET ASSETS, beginning of year	<u>17,766,003</u>	<u>1,109,211</u>	<u>18,875,214</u>	<u>16,125,297</u>	<u>1,867,969</u>	<u>17,993,266</u>
NET ASSETS, end of year	<u>\$ 18,227,537</u>	<u>\$ 272,295</u>	<u>\$ 18,499,832</u>	<u>\$ 17,766,003</u>	<u>\$ 1,109,211</u>	<u>\$ 18,875,214</u>

The accompanying notes are an integral part of these statements.

HORIZONS FOR HOMELESS CHILDREN

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (375,382)	\$ 881,948
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	221,828	273,135
Campaign contributions	(922,950)	(1,933,544)
Unrealized gains on investments	(174,259)	(136,616)
Change in discount on pledges receivable	5,500	21,868
Changes in assets and liabilities:		
Contracts and grants receivable	167,907	14,975
Pledges receivable	1,653,144	2,763,967
Prepaid expenses	(13,907)	8,925
Deposits	(1,387)	11,037
Accounts payable	(55,404)	118,857
Accrued expenses	19,513	2,175
	<u>524,603</u>	<u>2,026,727</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(20,116)	(14,097)
Purchase of investments	(8,232,473)	(19,903,636)
Proceeds on sales and maturities of investments	7,250,000	17,178,739
	<u>(1,002,589)</u>	<u>(2,738,994)</u>
NET DECREASE IN CASH	(477,986)	(712,267)
CASH, beginning of year	2,106,073	2,818,340
	<u>2,106,073</u>	<u>2,818,340</u>
CASH, end of year	\$ 1,628,087	\$ 2,106,073
	<u>\$ 1,628,087</u>	<u>\$ 2,106,073</u>
NON-CASH INVESTMENT ACTIVITY -		
Unrealized gains on investments	\$ 174,259	\$ 136,616
	<u>\$ 174,259</u>	<u>\$ 136,616</u>

The accompanying notes are an integral part of these statements.

HORIZONS FOR HOMELESS CHILDREN

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

(With Summarized Comparative Totals for the Year Ended June 30, 2009)

	2010					2009		
	PROGRAM SERVICES			SUPPORTING SERVICES		GENERAL		
	COMMUNITY CHILDREN'S CENTERS	PLAYSPACE PROGRAMS	TRAINING AND TECHNICAL ASSISTANCE	POLICY AND ADVOCACY	TOTAL PROGRAM SERVICES	FUNDRAISING	ADMINISTRATIVE	TOTAL
EXPENSES:								
Salaries and related expenses								
Salaries	\$ 2,905,783	\$ 563,405	\$ 36,763	\$ 191,248	\$ 3,697,199	\$ 556,785	\$ 575,082	\$ 4,829,066
Employee benefits	446,000	84,056	5,452	26,974	562,482	84,781	83,377	730,640
Payroll taxes	248,031	48,724	3,155	16,198	316,108	47,631	49,320	413,059
Donated services	-	140,820	-	-	140,820	-	-	140,820
Total salaries and related expenses	3,599,814	837,005	45,370	234,420	4,716,609	689,197	707,779	6,113,585
Office and occupancy	483,068	50,587	1,623	6,778	542,056	30,031	68,300	640,387
Services and professional fees	37,625	103,620	18,720	168,307	328,272	105,284	132,007	565,563
Supplies and training	289,231	125,649	5,344	6,456	426,680	16,548	10,667	453,895
Depreciation	164,108	18,954	1,292	5,169	189,523	17,229	15,076	221,828
Miscellaneous	81,788	43,451	1,215	1,004	127,458	38,496	30,231	196,185
Transportation	57,498	21,557	5,065	3,960	88,080	2,225	722	91,027
Donated professional services	-	-	-	-	-	5,200	31,176	36,376
Total expenses before general and administrative allocation	4,713,132	1,200,823	78,629	426,094	6,418,678	904,210	995,958	8,318,846
General and administrative allocation	383,229	123,579	29,159	40,267	576,234	118,023	(694,257)	-
Total expenses	\$ 5,096,361	\$ 1,324,402	\$ 107,788	\$ 466,361	\$ 6,994,912	\$ 1,022,233	\$ 301,701	\$ 8,318,846

The accompanying notes are an integral part of these statements.

HORIZONS FOR HOMELESS CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

	PROGRAM SERVICES				SUPPORTING SERVICES			TOTAL
	COMMUNITY CHILDREN'S CENTERS	PLAYSPACE PROGRAMS	TRAINING AND TECHNICAL ASSISTANCE	POLICY AND ADVOCACY	TOTAL PROGRAM SERVICES	FUNDRAISING	GENERAL AND ADMINISTRATIVE	
EXPENSES:								
Salaries and related expenses								
Salaries	\$ 2,802,104	\$ 459,870	\$ 42,591	\$ 168,883	\$ 3,473,448	\$ 537,736	\$ 479,638	\$ 4,490,822
Employee benefits	378,779	61,920	5,550	22,417	468,666	73,224	62,216	604,106
Payroll taxes	236,523	38,880	3,593	14,196	293,192	45,364	40,538	379,094
Donated services	-	108,589	-	-	108,589	-	-	108,589
Total salaries and related expenses	3,417,406	669,259	51,734	205,496	4,343,895	656,324	582,392	5,582,611
Office and occupancy	483,687	51,896	2,169	7,220	544,972	33,453	55,904	634,329
Services and professional fees	49,161	123,111	76,852	43,128	292,252	135,331	369,511	797,094
Supplies and training	277,703	139,042	3,575	15,213	435,533	20,406	11,206	467,145
Depreciation	204,467	22,547	1,794	5,893	234,701	20,288	18,146	273,135
Miscellaneous	87,741	35,125	691	1,130	124,687	38,333	29,228	192,248
Transportation	54,911	25,261	6,436	5,252	91,860	2,119	566	94,545
Donated professional services	-	-	-	-	-	-	68,970	68,970
Total expenses before general and administrative allocation	4,575,076	1,066,241	143,251	283,332	6,067,900	906,254	1,135,923	8,110,077
General and administrative allocation	349,361	119,130	29,448	37,479	535,418	133,854	(669,272)	-
Total expenses	\$ 4,924,437	\$ 1,185,371	\$ 172,699	\$ 320,811	\$ 6,603,318	\$ 1,040,108	\$ 466,651	\$ 8,110,077

The accompanying notes are an integral part of these statements.

HORIZONS FOR HOMELESS CHILDREN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

(1) **CORPORATE ORGANIZATION AND PURPOSE**

Horizons for Homeless Children (the Agency) improves the lives of homeless children and their families. The Agency provides homeless children in Massachusetts with the nurturing, stimulation, and opportunities for early education and play that all children need to learn and grow in healthy ways. To improve the lives of the children they serve over the long-term, the Agency connects their parents with the tools they need to achieve social and economic self-sufficiency. The Agency provides leadership in advocating for homeless children and their families through leveraging and sharing their expertise with others and advocating with policy makers and the public.

The Agency is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. The Agency is also exempt from state income taxes. Donors may deduct contributions made to the Agency within the Internal Revenue Code regulations.

(2) **SIGNIFICANT ACCOUNTING POLICIES**

The Agency prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Funding

The Agency receives a significant portion of its funding from the Commonwealth of Massachusetts and the Federal government under unit-rate contracts. Payments to the Agency are subject to audit by the appropriate government agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Agency as of June 30, 2010 and 2009, or on the changes in its net assets for the years then ended.

Revenue Recognition

Contracts and grants are recorded over the period covered by the contract or grant as services are provided and costs are incurred. Vouchers are recorded as revenue as services are provided. Unrestricted grants and contributions are recorded when unconditionally pledged or received. Training, conferences and other revenue are earned as services are provided.

Classification of Net Assets

Net assets, revenue and support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - include all resources that are not subject to donor-imposed stipulations. Unrestricted net assets designated by the Board represent funds set aside by internal Board action. These funds include funds set aside for long-term planning and related projects. Unrestricted net assets denoted as property and equipment represent equity in such property and equipment.

HORIZONS FOR HOMELESS CHILDREN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

(Continued)

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Assets (Continued)

Temporarily restricted net assets - subject to legal or donor-imposed stipulations that may or will be met either by actions of the Agency and/or passage of time.

Temporarily restricted net assets consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Time restricted	\$169,480	\$1,006,178
Purpose restricted	<u>102,815</u>	<u>103,033</u>
	<u>\$272,295</u>	<u>\$1,109,211</u>

When a donor restriction expires (when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Investment income is reported as an increase or decrease in unrestricted net assets unless its use is restricted by explicit donor stipulation or by law.

Investments

Investments are recorded at fair value. Investment income includes interest and dividends and is recorded when earned. Realized gains and losses from investment transactions and changes in fair value (unrealized gains and losses) of investments are recorded as incurred. Investments are not insured and are subject to ongoing market fluctuations.

Contributions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted support. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Gifts of non-cash assets are recorded at their fair value at the date of contribution. Special event revenue is recognized in the year the event occurs.

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair market value at the time of donation. Depreciation is computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	Lease term
Computer and office equipment	3 - 5 years
Vehicles	3 years

HORIZONS FOR HOMELESS CHILDREN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

(Continued)

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The statements of activities and changes in net assets reflect expenses on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services functions.

Estimates

The preparation of financial statements in accordance with U.S. GAAP 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurement

The Agency follows the criteria for standards pertaining to *Fair Value Measurements* under U.S. GAAP. These standards define fair value, establish a framework for measuring fair value under U.S. GAAP, and expand disclosures about fair value measurements. These standards establish a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value. The three levels of the fair value framework are as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets and liabilities at the measurement date.

Level 2: Inputs other than quoted prices in active markets that are observable for the asset and liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable.

A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Accounting for Uncertainty in Income Taxes

During fiscal year 2010, the Agency adopted the *Accounting for Uncertainty in Income Taxes* standard which requires the Agency to report uncertain tax positions, related interest and penalties, and to adjust its assets and liabilities related to unrecognized tax benefits and accrued interest and penalties accordingly. As of June 30, 2010, the Agency determined that there are no material unrecognized tax benefits to report.

Information returns filed for the years ended June 30, 2009, 2008, and 2007, remain subject to examination by the Internal Revenue Service and Massachusetts. The Agency does not expect that the amounts of unrecognized tax benefits will change significantly within the next twelve months.

HORIZONS FOR HOMELESS CHILDREN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

(Continued)

(2) **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Subsequent Events

The preparation of financial statements in accordance with U.S. GAAP requires management to disclose the date through which subsequent events have been evaluated for possible recognition or disclosure in the accompanying financial statements. Subsequent events are transactions or events that occur after the statement of financial position date, but before the financial statements are issued or available to be issued. The accompanying financial statements include the evaluation of subsequent events that have occurred through November 5, 2010, which is the date the financial statements were available to be issued.

(3) **INVESTMENTS**

Investments by type consisted of the following at June 30:

	<u>2010</u>	<u>2009</u>
Money market funds	\$ 7,279,428	\$10,524,073
Multi-asset funds	4,348,977	1,607,131
Mutual funds - fixed income	4,239,574	3,067,843
Investment in Limited Partnership	<u>487,800</u>	<u>-</u>
	<u>\$16,355,779</u>	<u>\$15,199,047</u>

Investments by purpose consisted of the following at June 30:

	<u>2010</u>	<u>2009</u>
Undesignated	\$ 8,998,163	\$ 7,841,485
Board designated	<u>7,357,616</u>	<u>7,357,562</u>
	<u>\$16,355,779</u>	<u>\$15,199,047</u>

Investment income consisted of the following for the years ended June 30:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$233,140	\$234,175
Net unrealized gains	<u>174,259</u>	<u>136,616</u>
	<u>\$407,399</u>	<u>\$370,791</u>

Investments are reflected at fair value, which is subject to significant fluctuations on a daily basis. Management does not believe these fluctuations permanently impair the value of investments as of the statements of financial position date.

HORIZONS FOR HOMELESS CHILDREN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

(Continued)

(3) **INVESTMENTS** (Continued)

The investment portfolio as of June 30, 2010, summarized using Level 1, 2 and 3 inputs are as follows:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 7,279,428	\$ -	\$ -	\$ 7,279,428
Mutual funds - fixed income	4,239,574	-	-	4,239,574
Multi-asset funds	4,348,977	-	-	4,348,977
Investment in Limited Partnership	<u>-</u>	<u>-</u>	<u>487,800</u>	<u>487,800</u>
Total	<u>\$15,867,979</u>	<u>\$ -</u>	<u>\$487,800</u>	<u>\$16,355,779</u>

The changes in investments measured at fair value for which the Agency has used Level 3 inputs to determine fair value were as follows for fiscal year 2010:

Investment balance at June 30, 2009	\$ -
Purchases	500,000
Net unrealized loss on investments in non-marketable securities	<u>(12,200)</u>
Investment balance at June 30, 2010	<u>\$487,800</u>

All investment fair market values have been provided by investment managers. The valuation of the Agency's investment in the Limited Partnership is subject to audit, which was not completed as of the date of this report. The value provided above contains no adjustment for potential changes arising from such audit results. The investment in Limited Partnership is subject to a two year lock up period.

As of June 30, 2009, all investments were valued using Level 1, observable, inputs.

(4) **PLEDGES RECEIVABLE**

During fiscal year 2005, the Agency began a fundraising campaign to raise \$25 million over five years to fund the expansion, initiation and implementation of all the programs and services provided by the Agency. As of June 30, 2010 and 2009, the Agency has \$259,984 and \$1,001,178, respectively, in outstanding pledges, of which approximately 53% and 75% relate to the campaign. The balance at June 30, 2010, net of the reserve of a \$40,000, is expected to be collected in fiscal year 2011. The reserve is recorded based on the Agency's analysis of specific accounts and their estimate of amounts that may become uncollectible.

Approximately 11% of the Agency's campaign pledges receivable at June 30, 2010, are from Board members.

HORIZONS FOR HOMELESS CHILDREN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

(Continued)

(5) FUNDRAISING ACTIVITIES

Special Events

Special events revenue is shown net of related direct expenses in the accompanying statements of activities and changes in net assets and is as follows for the years ended June 30:

	<u>2010</u>	<u>2009</u>
Special event revenue	\$1,329,720	\$1,196,985
Less: direct expenses	<u>(198,090)</u>	<u>(301,825)</u>
Net special events revenue	<u>\$1,131,630</u>	<u>\$ 895,160</u>

Donated Goods and Services

Volunteers and other organizations contribute services to the Agency in support of various aspects of its programs. These services are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donating volunteers, agencies, or by management.

The value of donated professional services for the years ended June 30, 2010 and 2009, was \$177,196 and \$177,559, respectively.

In addition, the Agency receives goods and services of volunteers in various aspects of its programs. The value of these goods and services is not reflected in the accompanying financial statements, since the value of these donations does not meet the criteria for recognition under standard pertaining to *Accounting for Contributions Received* under U.S. GAAP.

Total unrecorded donated goods and services were as follows at June 30:

	<u>2010</u>	<u>2009</u>
Volunteer workers	\$3,108,392	\$3,112,434
Other	1,341,028	907,743
Educational supplies	122,049	145,602
Printing and design services	<u>28,000</u>	<u>30,663</u>
	<u>\$4,599,469</u>	<u>\$4,196,442</u>

(6) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2010</u>	<u>2009</u>
Leasehold improvements	\$ 1,787,330	\$ 1,781,643
Computer and office equipment	340,235	325,806
Vehicles	<u>118,931</u>	<u>118,931</u>
	2,246,496	2,226,380
Less: accumulated depreciation	<u>(1,990,763)</u>	<u>(1,768,935)</u>
	<u>\$ 255,733</u>	<u>\$ 457,445</u>

HORIZONS FOR HOMELESS CHILDREN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

(6) PROPERTY AND EQUIPMENT (Continued)

Included in property and equipment are approximately \$1,119,619 of fully depreciated assets which are still being utilized by the Agency as of June 30, 2010.

(7) LEASE AGREEMENTS

The Agency leases equipment and space under various operating leases expiring through July, 2020. The terms of these lease agreements are from five to ten years. The facility leases require the Agency to maintain certain insurance coverage and pay for its proportionate share of real estate taxes and operating expenses. Rent expense under the facility leases was approximately \$473,000 and \$444,000 for the years ended June 30, 2010 and 2009, respectively.

Future minimum lease payments under these agreements are as follows:

	<u>Equipment</u>	<u>Facilities</u>
2011	\$11,143	\$ 447,810
2012	9,939	452,607
2013	9,939	439,697
2014	6,824	443,365
2015	-	335,651
Thereafter	-	635,986
	<u>\$37,845</u>	<u>\$2,755,116</u>

(8) PENSION PLAN

The Agency has a defined contribution pension plan covering all employees. Participation in the plan is voluntary and contributions are limited by the Internal Revenue Code. The Agency made discretionary matching contributions of \$28,324 and \$11,467 to the plan for the years ended June 30, 2010 and 2009, respectively.

(9) CONCENTRATION OF CREDIT RISK

The Agency maintains its cash balances in a bank in Massachusetts and its balances are insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, cash balances may exceed the insured amounts. The Agency has not experienced any losses in such accounts. The Agency believes it is not exposed to any significant credit risk on its cash.

The Agency receives a significant portion of its revenue (approximately 12% and 14% in fiscal years 2010 and 2009, respectively) from another not-for-profit. The same not-for-profit represents approximately 35% and 20% of contracts and grants receivable as of June 30, 2010 and 2009, respectively.

In addition, the Agency receives a significant portion of its revenues (approximately 13% and 7% in fiscal years 2010 and 2009, respectively) from the Massachusetts Department of Early Education and Care (EEC) under unit-rate contracts. Approximately 38% and 14% of the contract and grants receivable as of June 30, 2010 and 2009, respectively, are due from EEC.

HORIZONS FOR HOMELESS CHILDREN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

(Continued)

(10) RELATED PARTIES

On occasion, the Agency transacts with individuals or entities that have a family or business relationship with members of the Agency's Board of Directors or management. During the years ended June 30, 2010 and 2009, pro bono services received from such related parties were valued at \$31,176 and \$68,970, respectively (see Note 5).

(11) CONTINGENCIES

In the ordinary course of the Agency's business, the Agency is from time-to-time involved in disputes concerning individual's employment with the Agency and/or litigation with outside parties. The Agency denies any wrong doing in these cases and takes the appropriate legal steps in defense of these disputes. It is the Agency's opinion that any potential settlement would not be material to the accompanying June 30, 2010 financial statements.