



Financial Statements
and
Independent Auditors' Report

June 30, 2017 and 2016

Horizons for Homeless Children

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DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
Horizons for Homeless Children

We have audited the accompanying financial statements of Horizons for Homeless Children (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016 and the related statements of activities 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.

Auditors' 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 audits 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 auditors' 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 for Homeless Children as of June 30, 2017 and 2016, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of functional expenses on page 18 and 19 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Daniel Dennis & Company LLP

September 28, 2017

Horizons for Homeless Children
Statements of Financial Position
June 30, 2017 and 2016

	<i>2017</i>	<i>2016</i>
<i>Assets</i>		
<hr/>		
<i>Current Assets</i>		
Cash	\$ 2,927,754	\$ 1,175,407
Investments at fair value	7,852,285	11,036,744
Contracts and grants receivable	409,559	330,767
Pledges receivable, net	645,243	593,816
Prepaid expenses and other	<u>295,506</u>	<u>182,711</u>
Total current assets	<u>12,130,347</u>	<u>13,319,445</u>
 <i>Property and Equipment</i>		
Property and equipment, net	<u>240,482</u>	<u>262,384</u>
 <i>Other Assets</i>		
Investment in joint venture	154,942	-
Pledges receivable	75,000	-
Deposits	<u>27,317</u>	<u>27,317</u>
Total other assets	<u>257,259</u>	<u>27,317</u>
Total assets	<u><u>\$ 12,628,088</u></u>	<u><u>\$ 13,609,146</u></u>
 <i>Liabilities and Net Assets</i>		
<hr/>		
<i>Current Liabilities</i>		
Accounts payable	\$ 112,901	\$ 122,189
Accrued expenses	543,241	590,841
Deferred revenue	<u>7,500</u>	<u>1,000</u>
Total current liabilities	<u>663,642</u>	<u>714,030</u>
 <i>Net Assets</i>		
Unrestricted:		
Operating	2,585,532	2,542,629
Property and equipment	240,482	262,384
Board designated	<u>8,846,452</u>	<u>9,776,452</u>
Total unrestricted	11,672,466	12,581,465
Temporarily restricted	<u>291,980</u>	<u>313,651</u>
Total net assets	<u>11,964,446</u>	<u>12,895,116</u>
Total liabilities and net assets	<u><u>\$ 12,628,088</u></u>	<u><u>\$ 13,609,146</u></u>

See accompanying notes to the financial statements.

Horizons for Homeless Children
Statements of Activities
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>			<u>2016</u>		
	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
Revenues						
<i>Program revenues:</i>						
Contracts, grants and vouchers	\$ 2,859,109	\$ -	\$ 2,859,109	\$ 2,452,318	\$ -	\$ 2,452,318
Donated goods	-	-	-	34,850	-	34,850
Donated professional services	62,979	-	62,979	109,781	-	109,781
Training, conferences and other	<u>105</u>	<u>-</u>	<u>105</u>	<u>17,520</u>	<u>-</u>	<u>17,520</u>
Total program revenues	<u>2,922,193</u>	<u>-</u>	<u>2,922,193</u>	<u>2,614,469</u>	<u>-</u>	<u>2,614,469</u>
<i>Fundraising revenues:</i>						
Contributions	3,243,918	245,000	3,488,918	3,256,959	35,000	3,291,959
Special events	1,806,214	-	1,806,214	1,588,715	-	1,588,715
Net assets released from restrictions:			-			-
Satisfaction of purpose restrictions	91,114	(91,114)	-	82,785	(82,785)	-
Satisfaction of time restrictions	<u>175,557</u>	<u>(175,557)</u>	<u>-</u>	<u>269,854</u>	<u>(269,854)</u>	<u>-</u>
Total income	<u>5,316,803</u>	<u>(21,671)</u>	<u>5,295,132</u>	<u>5,198,313</u>	<u>(317,639)</u>	<u>4,880,674</u>
Total revenues	<u>8,238,996</u>	<u>(21,671)</u>	<u>8,217,325</u>	<u>7,812,782</u>	<u>(317,639)</u>	<u>7,495,143</u>
Expenses						
<i>Program services:</i>						
Community children's centers	5,082,094	-	5,082,094	5,046,212	-	5,046,212
Playspace programs	1,119,951	-	1,119,951	1,166,311	-	1,166,311
Training and technical assistance	216,117	-	216,117	251,118	-	251,118
Evaluation	110,330	-	110,330	165,463	-	165,463
Policy and advocacy	<u>275,221</u>	<u>-</u>	<u>275,221</u>	<u>229,017</u>	<u>-</u>	<u>229,017</u>
Total program services	<u>6,803,713</u>	<u>-</u>	<u>6,803,713</u>	<u>6,858,121</u>	<u>-</u>	<u>6,858,121</u>
<i>Supporting services:</i>						
Fundraising	1,515,360	-	1,515,360	1,327,814	-	1,327,814
Marketing/communications	312,120	-	312,120	265,052	-	265,052
General and administrative	<u>1,337,165</u>	<u>-</u>	<u>1,337,165</u>	<u>1,308,114</u>	<u>-</u>	<u>1,308,114</u>
Total supporting services	<u>3,164,645</u>	<u>-</u>	<u>3,164,645</u>	<u>2,900,980</u>	<u>-</u>	<u>2,900,980</u>
Total expenses	<u>9,968,358</u>	<u>-</u>	<u>9,968,358</u>	<u>9,759,101</u>	<u>-</u>	<u>9,759,101</u>
Changes in net assets from operations	<u>(1,729,362)</u>	<u>(21,671)</u>	<u>(1,751,033)</u>	<u>(1,946,319)</u>	<u>(317,639)</u>	<u>(2,263,958)</u>
Non-operating activity						
Interest and dividends	41,868	-	41,868	91,264	-	91,264
Net realized and unrealized gain/(loss) on investments	<u>778,495</u>	<u>-</u>	<u>778,495</u>	<u>(323,355)</u>	<u>-</u>	<u>(323,355)</u>
Total non-operating revenues	<u>820,363</u>	<u>-</u>	<u>820,363</u>	<u>(232,091)</u>	<u>-</u>	<u>(232,091)</u>
Changes in net assets	<u>(908,999)</u>	<u>(21,671)</u>	<u>(930,670)</u>	<u>(2,178,410)</u>	<u>(317,639)</u>	<u>(2,496,049)</u>
Net assets, beginning of year	<u>12,581,465</u>	<u>313,651</u>	<u>12,895,116</u>	<u>14,759,875</u>	<u>631,290</u>	<u>15,391,165</u>
Net assets, end of year	<u>\$ 11,672,466</u>	<u>\$ 291,980</u>	<u>\$ 11,964,446</u>	<u>\$ 12,581,465</u>	<u>\$ 313,651</u>	<u>\$ 12,895,116</u>

See accompanying notes to the financial statements.

Horizons for Homeless Children
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
<i>Cash Flows from Operating Activities</i>		
Changes in net assets	\$ (930,670)	\$ (2,496,049)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	74,072	65,763
Net unrealized and realized (gain)/loss on investments	(778,495)	323,355
Donated stock	(164,494)	(194,461)
Donated fixed assets	-	(40,000)
Changes in operating assets and liabilities		
Contracts and grants receivable	(78,792)	(6,764)
Pledges receivable, net	(126,427)	514,808
Prepaid expenses and other	(112,795)	(43,631)
Accounts payable	(9,288)	50,137
Accrued expenses	(47,600)	(50,586)
Deferred revenue	<u>6,500</u>	<u>(37,000)</u>
Net cash used in operating activities	<u>(2,167,989)</u>	<u>(1,914,428)</u>
<i>Cash Flows from Investing Activities</i>		
Proceeds on sales and maturities of investments	4,291,942	5,027,045
Acquisition of property and equipment	(52,170)	(51,304)
Purchase of investments	<u>(319,436)</u>	<u>(2,867,791)</u>
Net cash provided by investing activities	<u>3,920,336</u>	<u>2,107,950</u>
Net increase in cash	1,752,347	193,522
Cash, beginning of year	<u>1,175,407</u>	<u>981,885</u>
Cash, end of year	<u>\$ 2,927,754</u>	<u>\$ 1,175,407</u>

See accompanying notes to the financial statements.

Horizons for Homeless Children
Notes to the Financial Statements
June 30, 2017 and 2016

1. *Nature of Operations*

Horizons for Homeless Children (the Agency) works to improve the lives of young homeless children and to help their families succeed by providing high quality early education, opportunities for play, and comprehensive family support services. The Agency provides customized play and education that children who have experienced the traumas of homelessness need in order to overcome the effects of trauma and to be ready for school.

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 (IRC). The Agency is also exempt from state income taxes. Donors may deduct contributions made to the Agency within the IRC regulations.

Program services rendered by the Agency can be summarized as follows:

Community Children's Centers

Our community children's centers began in Boston in 1994 and provide comprehensive early education services specifically focused on the needs of young homeless children, ages two months through five years, while providing parents with support services and resources to break the cycle of homelessness and become self-sufficient. The Agency operates three such centers serving a total of 175 children each weekday. Since the program began in 1994, the Agency has serviced more than 3,000 homeless children and their families and helped them move into self-sufficiency.

Playspace Program

The playspace program has been providing greater Boston family homeless shelters with playspaces and volunteers known as playspace activity leaders since 1990, and has expanded to provide these services to children in family shelters throughout Massachusetts. Trained volunteers engage children in educational activities, giving each child an opportunity to learn and grow from these interactions, as well as have fun. Since the inception of the program, more than 20,000 volunteers have served for at least two hours per week for six months.

Training and Technical Assistance

Through the training and technical assistance program, Agency staff members present workshops and conferences for professionals who work with homeless families, including educators, social workers, shelter staff and government agencies. The goal of the program is to improve the delivery of services for young homeless children and their families in the broader community. Since its creation, the Agency has co-sponsored seven conferences in Massachusetts and delivered numerous workshops and trainings both locally and nationally.

Evaluation

The evaluation program is a key program in the Agency's goal of undertaking a more formal process to design programs, evaluate those programs, and utilize information gained to improve outcomes for children and families who participate in the Agency's programs. This program will be instrumental to the Agency's focus on influencing public policy regarding early childhood education and child and family homelessness.

Horizons for Homeless Children
Notes to the Financial Statements - *Continued*
June 30, 2017 and 2016

1. *Nature of Operations – continued*

Policy and Advocacy

The Agency's policy and advocacy work represents a key strategy in the Agency's mission to improve the lives of homeless children and families in Massachusetts. Through the lens of early childhood development, the Agency engages with legislators at the state and federal levels, as well as with other community organizations to advocate for holistic approaches that increase access to high-quality child care, as well as stable, affordable housing opportunities for families across Massachusetts.

2. *Significant Accounting Policies*

Basis of Accounting

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 (ASC).

Cash and Cash Equivalents

For the purposes of the statement of financial position and the statement of cash flows, the Agency considers all short-term investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents as of June 30, 2017 and 2016.

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 or contributions with donor-imposed restrictions that are met during the same year as the contribution is made. Unrestricted net assets designated by the Board represent funds set aside by internal Board action. These funds include funds set aside to fund long-term planning and related projects and future operating deficits. Board designated net assets of \$8,846,452 as of June 30, 2017 are included in cash and investments (see Note 3). Board designated net assets of \$9,776,452 as of June 30, 2016 are included in investments (see Note 3). The Board voted to release \$930,000 and \$2,496,000 from designation during fiscal year 2017 and 2016, respectively. Unrestricted net assets denoted as property and equipment represent equity in such property and equipment.

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 purpose restricted contributions of \$72,980 and time restricted contributions of \$219,000 as of June 30, 2017. Temporarily restricted net assets consist of purpose restricted contributions of \$138,094, and time restricted contributions of \$175,557 as of June 30, 2016.

Horizons for Homeless Children
Notes to the Financial Statements - *Continued*
June 30, 2017 and 2016

2. *Significant Accounting Policies – continued*

Classification of Net Assets – continued

Permanently restricted net assets - subject to donor-imposed stipulations that they be maintained permanently by the Agency. Generally, the donor of these assets permits the Agency to use all or part of the income earned on related investments for general or specific purposes. There are no permanently restricted net assets as of June 30, 2017 and 2016.

Revenue Recognition

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

All contributions are considered available for the Agency's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

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, as determined by the donor or the Agency. Special events revenue is recognized in the year the event occurs, however revenue received in advance is deferred and is included under liabilities within deferred revenue.

Contracts and Grants Receivable

Contracts and grants receivable are stated as unpaid balances, less an allowance for doubtful accounts. The allowance is based on collection experience and other circumstances that may affect the ability of agencies and donors to meet their obligations. It is the Agency's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of June 30, 2017 and 2016, management deemed that no allowance for doubtful accounts was necessary on contracts and grants receivable.

Horizons for Homeless Children
Notes to the Financial Statements - *Continued*
June 30, 2017 and 2016

2. Significant Accounting Policies – continued

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.

Investments in a multi-asset fund are valued at net asset value (NAV) per share or ownership interest of the investment.

The Agency has an investment in a joint venture limited liability company in which the Agency's ownership percentage is 50%. This investment is recorded based on the equity method.

Fair Value Measurement

ASC Topic, *Fair Value Measurements*, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The standards establish a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value.

The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. Instruments which are generally included in this category include equity and debt securities publicly traded on an exchange.
- Level 2 – Inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 – Inputs that are unobservable and which require significant judgment or estimation.

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.

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Additions with a cost or fair value of less than \$1,000 are expensed. Donated property and equipment are recorded at fair value at the time of donation. Depreciation is computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	Lesser of lease term or useful life
Website, computer and office equipment	3 – 5 years

Horizons for Homeless Children
Notes to the Financial Statements - *Continued*
June 30, 2017 and 2016

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. Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program or cost category.

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.

Tax Positions

The Agency accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. Unrelated business income, of which there was none for the fiscal years ended June 30, 2017 and 2016, would be subject to Federal and state income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes. The Agency has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2017 and 2016. The Agency's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years (fiscal years 2014 - 2016).

Adoption of New Accounting Standard

In May 2015, FASB issued Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement: Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient; rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. This guidance is effective for the fiscal year ending after December 15, 2016. Early adoption is permitted. The Agency has adopted the standard as of June 30, 2017.

Horizons for Homeless Children
Notes to the Financial Statements - *Continued*
June 30, 2017 and 2016

3. Investments

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

Government Bond Funds, Common Stock and Cash and Cash Equivalents

Value is based upon estimated fair value, as reported by the third party fund manager. The fund manager utilizes the quoted prices for the underlying holdings as its basis for fair value measurement.

The investment portfolio at fair value as of June 30, 2017 and 2016, is as follows:

Description	2017			Total
	Level 1	Level 2	Level 3	
Investments measured at fair				
Government bond funds	\$ 2,885,468	\$ -	\$ -	\$ 2,885,468
Common stock	<u>50,280</u>	<u>-</u>	<u>-</u>	<u>50,280</u>
Total measured at fair value	<u>\$ 2,935,748</u>	<u>\$ -</u>	<u>\$ -</u>	2,935,748
Investment measured at net asset value*				
TIFF-Multi-asset funds				<u>4,916,537</u>
Total investments				<u>\$ 7,852,285</u>
Description	2016			Total
Investments measured at fair				
Government bond funds	\$ 3,686,099	\$ -	\$ -	\$ 3,686,099
Common stock	189,983	-	-	189,983
Cash and cash equivalents	<u>51,028</u>	<u>-</u>	<u>-</u>	<u>51,028</u>
Total measured at fair value	<u>\$ 3,927,110</u>	<u>\$ -</u>	<u>\$ -</u>	3,927,110
Investment measured at net asset value*				
TIFF-Multi-asset funds				<u>7,109,634</u>
Total investments				<u>\$ 11,036,744</u>

* Certain investments that are measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

Horizons for Homeless Children
Notes to the Financial Statements - *Continued*
June 30, 2017 and 2016

3. Investments – continued

The changes in the investment for which the Agency has used Level 3 inputs to determine fair value were as follows for fiscal year 2016:

Investment balance at June 30, 2015	\$ 1,154,978
Sales	(1,087,869)
Realized loss on investment in non- marketable security	<u>(67,109)</u>
Investment balance at June 30, 2016	<u><u>\$ -</u></u>

All investments are managed by outside investment managers and all investment fair values have been provided by the managers. The valuation of the Agency's investment in a limited partnership which was held in fiscal year 2016, was subject to audit. The most recent audit available was for the year ended December 31, 2014, and was dated June 22, 2015. During fiscal year 2016, the Agency withdrew all of its funds from this investment.

Investments by purpose consisted of the following at June 30:

	2017	2016
Board designated	\$ 7,802,005	\$ 9,776,452
Undesignated	<u>50,280</u>	<u>1,260,292</u>
Total investments	<u><u>\$ 7,852,285</u></u>	<u><u>\$ 11,036,744</u></u>

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

	2017	2016
Interest and dividends	\$ 41,868	\$ 91,264
Net unrealized gain/(loss)	763,101	(209,753)
Realized gains/(losses)	<u>15,394</u>	<u>(113,602)</u>
Total investment income/(loss)	<u><u>\$ 820,363</u></u>	<u><u>\$ (232,091)</u></u>

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

Horizons for Homeless Children
Notes to the Financial Statements - *Continued*
June 30, 2017 and 2016

3. *Investments – continued*

Subsequent to year end, the Agency entered into a joint venture agreement. The joint venture limited liability company was created to acquire and develop land located in Roxbury, Massachusetts. The Agency's share of interest in the joint venture is 50% and as a result, the investment is recorded on the equity basis. Subsequent to year end, in accordance with the operating agreement, the Agency contributed its required equity contribution of \$3,000,000. During fiscal year 2017, the Agency advanced \$154,942 to the joint venture entity for its share of development costs, which is presented on the statement of financial position.

4. *Pledges Receivable*

Pledges receivable are expected to be collected as follows as of June 30:

	<i>2017</i>	<i>2016</i>
Due within one year	\$ 651,243	\$ 609,259
Due in one to two years	<u>75,000</u>	<u>-</u>
Total pledges receivable	726,243	609,259
Less - discount (rates ranging from 3.25% to 5.00%)	-	(9,443)
Less - allowance	<u>(6,000)</u>	<u>(6,000)</u>
Net pledges receivable	<u>\$ 720,243</u>	<u>\$ 593,816</u>

Approximately 42% of the Agency's pledges receivable at June 30, 2017 and June 30, 2016, were from three and two donors, respectively. As of June 30, 2017 and 2016, approximately 20% and 22%, respectively, of the Agency's pledges receivables were from members of the Board of Directors.

The allowance for doubtful accounts is based on collection experience and other circumstances that may affect the ability of donors to meet their obligations. It is the Agency's policy to charge off uncollectible pledges receivable when management determines the receivable will not be collected.

5. *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 provided for the years ended June 30, 2017 and 2016, was \$62,979 and \$109,781, respectively.

The value of donated goods received for the years ended June 30, 2017 and 2016, was \$0 and \$34,850, respectively.

Horizons for Homeless Children
Notes to the Financial Statements - *Continued*
June 30, 2017 and 2016

5. *Donated Goods and Services – continued*

The Agency receives services of volunteers to fulfill various aspects of its programs. These volunteers contributed over 198,000 and 150,000 hours of service for the years ended June 30, 2017 and 2016, respectively. The hourly value for these services, which is determined by management, was approximately \$29 per hour for June 30, 2017 and 2016. In addition, the Agency receives certain goods which are used in various aspects of its programs. The value of these goods and services is not reflected in the accompanying financial statements, since these donations do not meet the criteria for recognition under standards pertaining to ASC Topic, *Accounting for Contributions Received*.

Total unrecorded donated goods and services were as follows for the years ended June 30:

	<i>2017</i>	<i>2016</i>
Volunteer workers	\$ 5,767,752	\$ 4,350,000
Educational supplies	94,380	57,158
Other	<u>15,930</u>	<u>56,872</u>
Total	<u>\$ 5,878,062</u>	<u>\$ 4,464,030</u>

6. *Property and Equipment*

Property and equipment consisted of the following at June 30:

	<i>2017</i>	<i>2016</i>
Leasehold improvements	\$2,039,655	\$2,035,740
Computer and office equipment	575,936	568,139
Website	88,486	88,486
Development in process	<u>40,457</u>	<u>-</u>
Total property and equipment	2,744,534	2,692,365
Less - accumulated depreciation	<u>(2,504,052)</u>	<u>(2,429,981)</u>
Net property and equipment	<u>\$ 240,482</u>	<u>\$ 262,384</u>

Included in property and equipment are approximately \$2,366,061 and \$2,274,585 of fully depreciated assets which are still being utilized by the Agency as of June 30, 2017 and 2016, respectively.

Development in process the Agency's costs relating to the future buildout of the Agency's offices in conjunction with the joint venture agreement (see Note 3).

Depreciation expense was \$74,071 and \$65,763 for the years ended June 30, 2017 and 2016, respectively.

Horizons for Homeless Children
Notes to the Financial Statements - *Continued*
June 30, 2017 and 2016

7. Lease Agreements

The Agency leases equipment and space under various operating leases expiring through January, 2021. The initial terms of these lease agreements are from two to twenty 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 \$620,000 and \$584,000 for the years ended June 30, 2017 and 2016, respectively, and is included in occupancy in the accompanying supplemental schedules of functional expenses.

Future minimum lease payments under these agreements for the next five years are as follows:

<i>June 30,</i>	<i>Amount</i>
2018	\$ 340,847
2019	\$ 173,207
2020	\$ 79,494
2021	\$ 4,063

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 (IRC). The Agency made discretionary matching contributions of \$39,043 and \$26,075 to the plan for the years ended June 30, 2017 and 2016, respectively, which are included in employee benefits in the accompanying supplemental schedule of functional expenses.

9. Concentration of Credit Risk

The Agency receives a significant portion of its revenues (approximately 20% and 18% in fiscal years 2017 and 2016, respectively) from the Massachusetts Department of Early Education and Care (EEC) under unit-rate contracts. Approximately 32% and 43% of the contracts and grants receivable as of June 30, 2017 and 2016, respectively, are due from EEC.

Approximately 50% of contracts and grants receivable at June 30, 2017, are due from two not-for-profit organization. Approximately 45% of contracts and grants receivable at June 30, 2016, are due from one not-for-profit organizations.

The Agency maintains its cash balances in a Massachusetts bank. The Federal Deposit Insurance Corporation (FDIC) insures balances at the bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Agency has not experienced any losses in these accounts. The Agency believes it is not exposed to any significant credit risk on its operating cash balance.

Horizons for Homeless Children
Notes to the Financial Statements - *Continued*
June 30, 2017 and 2016

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, 2017 and 2016, pro bono legal services received from such related parties was valued at \$62,979 and \$69,871, respectively (see Note 5). In addition, a portion of the Agency's pledges receivables were from members of the Board of Directors (see Note 4).

11. *Contingencies*

In the ordinary course of the Agency's business, the Agency is, from time-to-time, involved in disputes concerning individuals' employment with the Agency and/or litigation with outside parties. The Agency denies any wrongdoing in these cases and is taking 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, 2017 financial statements.

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, 2017 and 2016, or on the changes in its net assets for the years then ended.

12. *Subsequent Events*

Subsequent events have been evaluated through September 28, 2017, which is the date the financial statements were available to be issued. Subsequent to year end, the Agency entered into a joint venture agreement (see Note 3). There were no other events that met the criteria for recognition or disclosure in the financial statements.

Supplementary Information

Horizons for Homeless Children
Supplemental Schedule of Functional Expenses
For the Year Ended June 30, 2017

	PROGRAM SERVICES						SUPPORTING SERVICES			TOTAL
	COMMUNITY CHILDREN'S CENTERS	PLAYSPACE PROGRAM	TRAINING AND TECHNICAL ASSISTANCE	EVALUATIONS	POLICY AND ADVOCACY	TOTAL PROGRAM SERVICE	FUND- RAISING	MARKETING/ COMMUNI- CATIONS	GENERAL AND ADMINIS- TRATIVE	
EXPENSES:										
Salaries and related expenses:										
Salaries	\$ 3,388,856	\$ 713,364	\$ 130,693	\$ 77,924	\$ 152,860	\$ 4,463,697	\$ 838,140	\$ 163,082	\$ 805,569	\$ 6,270,488
Employee benefits	385,335	81,521	13,401	10,132	17,361	507,750	99,234	18,258	92,404	717,646
Payroll taxes	271,466	56,998	10,812	5,987	12,349	357,612	66,877	12,600	62,276	499,365
Temporary help	8,678	2,090	12,200	-	51,538	74,506	9,101	1,000	13,807	98,414
Total salaries and related expenses	4,054,335	853,973	167,106	94,043	234,108	5,403,565	1,013,352	194,940	974,056	7,585,913
Occupancy	582,210	55,381	16,144	13,029	8,681	675,445	81,205	16,718	95,911	869,279
Services and professional fees	18,233	63,843	474	474	11,256	94,280	36,204	80,455	104,753	315,692
Supplies	275,999	56,421	5,524	710	1,650	340,304	8,530	1,906	12,106	362,846
Major fundraising events	-	-	-	-	-	-	285,726	-	-	285,726
Office	30,961	26,608	5,328	1,147	11,057	75,101	54,259	1,827	20,032	151,219
Donated professional services	-	-	-	-	-	-	-	-	62,979	62,979
Miscellaneous	57,520	25,900	139	-	-	83,559	20,890	11,852	174	116,475
Depreciation	48,435	8,526	1,251	904	677	59,793	6,411	1,304	6,564	74,072
Transportation	2,172	27,395	1,104	-	7,780	38,451	4,841	225	7,391	50,908
Training and meetings	12,229	1,904	19,047	23	12	33,215	3,942	2,893	53,199	93,249
Total expenses	<u>\$ 5,082,094</u>	<u>\$ 1,119,951</u>	<u>\$ 216,117</u>	<u>\$ 110,330</u>	<u>\$ 275,221</u>	<u>\$ 6,803,713</u>	<u>\$ 1,515,360</u>	<u>\$ 312,120</u>	<u>\$ 1,337,165</u>	<u>\$ 9,968,358</u>

Horizons for Homeless Children
Supplemental Schedule of Functional Expenses
For the Year Ended June 30, 2016

	PROGRAM SERVICES					SUPPORTING SERVICES				TOTAL
	COMMUNITY CHILDREN'S CENTERS	PLAYSPACE PROGRAM	TRAINING AND TECHNICAL ASSISTANCE	EVALUATIONS	POLICY AND ADVOCACY	TOTAL PROGRAM SERVICE	FUND-RAISING	MARKETING/ COMMUNICATIONS	GENERAL AND ADMINISTRATIVE	
EXPENSES:										
Salaries and related expenses:										
Salaries	\$ 3,157,529	\$ 699,099	\$ 132,626	\$ 98,911	\$ 95,343	\$ 4,183,508	\$ 574,798	\$ 120,249	\$ 776,684	\$ 5,655,239
Employee benefits	402,893	92,610	18,409	12,997	12,027	538,936	77,225	15,760	103,124	735,045
Payroll taxes	274,722	60,763	11,613	8,545	8,318	363,961	49,289	10,278	66,577	490,105
Temporary help	71,319	22,551	27,912	22,973	67,200	211,955	-	-	-	211,955
Total salaries and related expenses	3,906,463	875,023	190,560	143,426	182,888	5,298,360	701,312	146,287	946,385	7,092,344
Occupancy	671,019	57,598	12,182	13,839	9,634	764,272	69,847	19,525	76,061	929,705
Services and professional fees	3,577	46,473	-	2,978	-	53,028	215,949	84,028	165,722	518,727
Supplies	273,902	70,785	129	619	2,152	347,587	4,637	1,258	9,816	363,298
Major fundraising events	-	-	-	-	-	-	224,026	-	-	224,026
Office	30,037	32,113	1,430	1,171	3,208	67,959	46,839	1,566	17,992	134,356
Donated professional services	336	67	6	10	5	424	34,880	7	69,804	105,115
Miscellaneous	62,046	27,757	729	782	22,080	113,394	13,966	9,348	3,380	140,088
Depreciation	43,142	8,116	1,160	1,172	588	54,178	5,234	1,163	5,188	65,763
Transportation	1,362	36,065	1,445	78	7,729	46,679	2,778	167	2,428	52,052
Training and meetings	54,328	12,314	43,477	1,388	733	112,240	8,346	1,703	11,338	133,627
Total expenses	\$ 5,046,212	\$ 1,166,311	\$ 251,118	\$ 165,463	\$ 229,017	\$ 6,858,121	\$ 1,327,814	\$ 265,052	\$ 1,308,114	\$ 9,759,101