# Horizon House, Inc.

## Financial Statements

### Years Ended December 31, 2018 and 2017

**Horizon House, Inc.**

**Contents**

# Independent Auditor's Report

Board of Directors
**Horizon House, Inc.**
Indianapolis, Indiana

We have audited the accompanying financial statements of **Horizon House, Inc.** (the Organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 **Horizon House, Inc.** as of December 31, 2018 and 2017, 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.

BGBC Partners, LLP

June 27, 2019



Strength in Numbers ▸
BGBC Partners, LLP | 300 N. Meridian Street, Suite 1100 | Indianapolis, IN 46204 | 317.633.4700 | 317.860.1065 F | www.BGBC.com

# Horizon House, Inc.

## Statements of Financial Position

## December 31, 2018 and 2017

| | 2018 | 2017 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 986,010 | $ 1,179,274 |
| Investments | 4,208,714 | 4,566,160 |
| Grants and other receivables | 266,024 | 119,397 |
| Unconditional promises to give, net | 144,265 | 121,718 |
| Prepaid expenses | - | 50 |
| **Total current assets** | 5,605,013 | 5,986,599 |
| **Property and equipment:** | | |
| Land | 360,513 | 360,513 |
| Buildings and improvements | 3,103,130 | 3,073,461 |
| Office equipment | 150,443 | 132,239 |
| Furniture and fixtures | 34,001 | 34,195 |
| Vehicles | 20,000 | 20,000 |
| | 3,668,087 | 3,620,408 |
| Less accumulated depreciation | (1,950,180) | (1,808,048) |
| **Net property and equipment** | 1,717,907 | 1,812,360 |
| **Other assets:** | | |
| Unconditional promises to give, net of current portion | - | 103,129 |
| **Total assets** | $ 7,322,920 | $ 7,902,088 |
| **Liabilities and Net Assets** | | |
| **Current liabilities:** | | |
| Accounts payable | $ 23,498 | $ 9,962 |
| Accrued payroll and related expenses | 60,374 | 43,233 |
| Other current liabilities | 8,473 | - |
| Deferred revenue | 6,042 | - |
| **Total liabilities** | 98,387 | 53,195 |
| **Commitments and contingencies** | - | - |
| **Net assets:** | | |
| Without donor restrictions: | | |
| Undesignated | 2,143,490 | 2,141,815 |
| Designated | 350,000 | 350,000 |
| With donor restrictions | 4,731,043 | 5,357,078 |
| **Total net assets** | 7,224,533 | 7,848,893 |
| **Total liabilities and net assets** | $ 7,322,920 | $ 7,902,088 |

*See accompanying notes to financial statements.*

# Horizon House, Inc.

## Statement of Activities and Changes in Net Assets

## Year Ended December 31, 2018

| | Without Donor Restrictions | With Donor Restrictions | **Total** |
|---|---|---|---|
| **Public support:** | | | |
| Contributions | $ 410,099 | $ 240,388 | **$ 650,487** |
| United Way of Central Indiana | 207,009 | - | **207,009** |
| Government grants | 446,523 | - | **446,523** |
| In-kind contributions | 54,751 | - | **54,751** |
| Special events | 165,027 | - | **165,027** |
| **Total public support** | 1,283,409 | 240,388 | **1,523,797** |
| **Other income (loss):** | | | |
| Rental income | 72,904 | - | **72,904** |
| Investment return, net | 9,153 | (374,312) | **(365,159)** |
| **Total other income (loss)** | 82,057 | (374,312) | **(292,255)** |
| **Total public support and other income (loss) before transfers** | 1,365,466 | (133,924) | **1,231,542** |
| Net assets released from restrictions | 492,111 | (492,111) | **-** |
| **Total public support and other income (loss)** | 1,857,577 | (626,035) | **1,231,542** |
| **Expenses:** | | | |
| Program services | 1,318,215 | - | **1,318,215** |
| Supporting services: | | | |
| Fundraising | 205,237 | - | **205,237** |
| Management and general | 332,450 | - | **332,450** |
| **Total expenses** | 1,855,902 | - | **1,855,902** |
| **Change in net assets** | 1,675 | (626,035) | **(624,360)** |
| **Net assets**, beginning of year | 2,491,815 | 5,357,078 | **7,848,893** |
| **Net assets**, end of year | $ 2,493,490 | $ 4,731,043 | **$ 7,224,533** |

*See accompanying notes to financial statements.*

# Horizon House, Inc.

## Statement of Activities and Changes in Net Assets

## Year Ended December 31, 2017

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Public support:** | | | |
| Contributions | $ 220,060 | $ 518,446 | $ 738,506 |
| United Way of Central Indiana | 333,022 | - | 333,022 |
| Government grants | 152,790 | - | 152,790 |
| In-kind contributions | 59,768 | - | 59,768 |
| Special events | 218,858 | - | 218,858 |
| **Total public support** | 984,498 | 518,446 | 1,502,944 |
| **Other income:** | | | |
| Rental income | 142,455 | - | 142,455 |
| Other income | 25,597 | - | 25,597 |
| Investment return, net | 2,208 | 332,882 | 335,090 |
| **Total other income** | 170,260 | 332,882 | 503,142 |
| **Total public support and other income before transfers** | 1,154,758 | 851,328 | 2,006,086 |
| Net assets released from restrictions | 181,379 | (181,379) | - |
| **Total public support and other income** | 1,336,137 | 669,949 | 2,006,086 |
| **Expenses:** | | | |
| Program services | 1,058,354 | - | 1,058,354 |
| Supporting services: | | | |
| Fundraising | 199,343 | - | 199,343 |
| Management and general | 168,477 | - | 168,477 |
| **Total expenses** | 1,426,174 | - | 1,426,174 |
| **Change in net assets** | (90,037) | 669,949 | 579,912 |
| **Net assets**, beginning of year | 2,581,852 | 4,687,129 | 7,268,981 |
| **Net assets**, end of year | $ 2,491,815 | $ 5,357,078 | $ 7,848,893 |

*See accompanying notes to financial statements.*

# Horizon House, Inc.

## Statement of Functional Expenses

## Year Ended December 31, 2018

| | Program Services | Fundraising | Management and General | **Total** |
|---|---|---|---|---|
| **Employee compensation:** | | | | |
| Salaries and wages | $ 764,108 | $ 144,201 | $ 162,515 | **$ 1,070,824** |
| Employee benefits | 78,943 | 7,645 | 17,062 | **103,650** |
| Payroll taxes | 59,688 | 10,296 | 12,820 | **82,804** |
| | 902,739 | 162,142 | 192,397 | **1,257,278** |
| **Other expenses:** | | | | |
| Professional fees | 15,031 | 382 | 91,038 | **106,451** |
| Occupancy | 84,932 | 4,968 | 14,072 | **103,972** |
| Specific assistance to individuals | 64,702 | - | - | **64,702** |
| In-kind expenses | 54,751 | - | - | **54,751** |
| Supplies | 26,291 | 185 | 1,433 | **27,909** |
| Direct cost of special events | - | 15,295 | - | **15,295** |
| Conference and conventions | 8,919 | 767 | 5,181 | **14,867** |
| Other fundraising expenses | - | 13,358 | - | **13,358** |
| Telephone | 8,689 | 569 | 3,713 | **12,971** |
| Insurance | 1,617 | - | 10,546 | **12,163** |
| Local transportation | 10,114 | 63 | 48 | **10,225** |
| Rental and maintenance equipment | 4,579 | 2,125 | 2,678 | **9,382** |
| Program fees | 4,465 | 180 | - | **4,645** |
| Other operating expenses | 3,156 | 237 | 1,201 | **4,594** |
| Printing and publications | 604 | 718 | 109 | **1,431** |
| Postage and shipping | 183 | - | 122 | **305** |
| **Total other expenses** | 288,033 | 38,847 | 130,141 | **457,021** |
| **Total functional expenses before depreciation** | 1,190,772 | 200,989 | 322,538 | **1,714,299** |
| Depreciation | 127,443 | 4,248 | 9,912 | **141,603** |
| **Total functional expenses** | $ 1,318,215 | $ 205,237 | $ 332,450 | **$ 1,855,902** |

*See accompanying notes to financial statements.*

## Statement of Functional Expenses

### Year Ended December 31, 2017

| | Program Services | Fundraising | Management and General | Total |
|---|---|---|---|---|
| **Employee compensation:** | | | | |
| Salaries and wages | $ 558,240 | $ 129,109 | $ 77,313 | $ 764,662 |
| Employee benefits | 84,224 | 14,047 | 11,980 | 110,251 |
| Payroll taxes | 42,371 | 9,371 | 5,700 | 57,442 |
| | 684,835 | 152,527 | 94,993 | 932,355 |
| **Other expenses:** | | | | |
| Occupancy | 84,839 | 1,759 | 5,643 | 92,241 |
| In-kind expenses | 59,768 | - | - | 59,768 |
| Professional fees | 24,152 | 476 | 26,861 | 51,489 |
| Supplies | 30,548 | 1,364 | 1,053 | 32,965 |
| Specific assistance to individuals | 29,830 | - | - | 29,830 |
| Other operating expenses | 3,964 | 253 | 17,982 | 22,199 |
| Other fundraising expenses | - | 21,090 | - | 21,090 |
| Direct cost of special events | - | 15,676 | - | 15,676 |
| Insurance | 1,499 | - | 10,348 | 11,847 |
| Telephone | 9,344 | 744 | 450 | 10,538 |
| Rental and maintenance equipment | 5,073 | 842 | 1,295 | 7,210 |
| Program fees | 3,186 | 475 | - | 3,661 |
| Interest | 3,189 | - | 354 | 3,543 |
| Conference and conventions | 2,970 | 55 | 433 | 3,458 |
| Printing and publications | 406 | 149 | 56 | 611 |
| Postage and shipping | 236 | - | 71 | 307 |
| Local transportation | 66 | 118 | 36 | 220 |
| **Total other expenses** | 259,070 | 43,001 | 64,582 | 366,653 |
| **Total functional expenses before depreciation** | 943,905 | 195,528 | 159,575 | 1,299,008 |
| Depreciation | 114,449 | 3,815 | 8,902 | 127,166 |
| **Total functional expenses** | $ 1,058,354 | $ 199,343 | $ 168,477 | $ 1,426,174 |

*See accompanying notes to financial statements.*

## Statements of Cash Flows

### Years Ended December 31, 2018 and 2017

| | 2018 | 2017 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Change in net assets | $ (624,360) | $ 579,912 |
| Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities: | | |
| Depreciation | 141,603 | 127,166 |
| Net realized gain on investments | (71,464) | (90,868) |
| Net unrealized (gain) loss on investments | 543,365 | (176,720) |
| Change in present value discount on unconditional promises to give | (16,871) | 16,237 |
| Net change in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Grants and other receivables | (146,627) | (64,562) |
| Unconditional promises to give | 97,453 | (232,052) |
| Prepaid expenses | 50 | - |
| Increase (decrease) in: | | |
| Accounts payable | 13,536 | (8,631) |
| Accrued payroll and related expenses | 17,141 | 3,266 |
| Other current liabilities | 8,473 | - |
| Deferred revenue | 6,042 | (5,834) |
| **Net cash and cash equivalents provided by (used in) operating activities** | (31,659) | 147,914 |
| **Cash flows from investing activities:** | | |
| Proceeds from sale of investments | 2,474,614 | 1,650,274 |
| Purchase of investments | (2,589,069) | (5,948,846) |
| Capital expenditures | (47,150) | (131,073) |
| **Net cash and cash equivalents used in investing activities** | (161,605) | (4,429,645) |
| **Cash flows from financing activities:** | | |
| Repayments on long-term debt | - | (86,895) |
| **Net cash and cash equivalents used in financing activities** | - | (86,895) |
| **Net decrease in cash and cash equivalents** | (193,264) | (4,368,626) |
| **Cash and cash equivalents,** beginning of year | 1,179,274 | 5,547,900 |
| **Cash and cash equivalents,** end of year | $ 986,010 | $ 1,179,274 |
| **Supplemental cash flow information:** | | |
| Interest paid | $ - | $ 3,543 |

*See accompanying notes to financial statements.*

## 1. Description of Business and Summary of Significant Accounting Policies

Horizon House, Inc. (the Organization) is a private nonprofit organization exclusively serving individuals experiencing homelessness in Indianapolis, Indiana. Horizon House offers basic engagement (day shelter, food, clothing, etc.), case management, outreach, employment/job readiness training and housing support services. The Organization also provides onsite access to many additional services, including primary medical and mental health care. Horizon House is supported through government contracts, grants and donor contributions.

### Basis of Presentation

The financial statements of the Organization are presented on the accrual basis of accounting and report the changes in and total of each of the net asset classes based upon donor restrictions, as applicable. Net assets are to be classified as without donor restrictions and with donor restrictions. The following classes of net assets are maintained:

- Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing objectives of the Organization.

- Net assets with donor restrictions—Net assets subject to donor-imposed stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

### Recently Adopted Accounting Guidance

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. ASU 2016-14 provides improvements to the current net asset classification requirements and the information presented in financial statements and accompanying notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The purpose of the amendments is to provide more useful information to donors, grantors, creditors, and other users of financial statements. These changes became effective for the Organization on January 1, 2018, and the Organization has adjusted the presentation of these financial statements accordingly. ASU 2016-14 has been applied retrospectively to all periods presented.

### Recently Issued Accounting Guidance

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 provides a more robust framework for determining whether a transaction should be accounted for as a contribution or an exchange transaction, determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. These changes become effective for the Organization on January 1, 2020, although earlier application is permitted. The Organization is evaluating the new guidance and its impact, if any, on the accompanying financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires lessees to recognize assets and liabilities on the balance sheet related to the rights and obligations created by those leases, regardless of whether they are classified as finance or operating leases. Consistent with current guidance, the recognition, measurement, and presentation of the expenses and cash flows arising from a lease will depend on its classification as finance or operating lease. ASU 2016-02 also requires new disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. Lessor accounting is largely unchanged under the new guidance with certain targeted improvements to align lessor accounting with the lessee accounting model. These changes become effective for the Organization on January 1, 2020, although early adoption is permitted. The Organization is evaluating the new guidance and its impact, if any, on the accompanying financial statements.

Subsequent to the issuance of ASU 2016-02, the FASB has issued several ASUs such as ASU 2019-01, *Leases (Topic 842): Codification Improvements*, ASU 2018-20, *Leases (Topic 842): Narrow-Scope Improvements for Lessors*, ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, among others. These ASUs do not change the core principle of the guidance stated in ASU 2016-02, instead these amendments are intended to clarify and improve operability of certain topics included within the lease standard. These ASUs will have the same effective date and transition requirements as ASU 2016-02. The Organization is evaluating the new guidance and its impact, if any, on the accompanying financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 supersedes FASB Codification 605, *Revenue Recognition*, among others, and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of ASU 2014-09 is that an entity should recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying certain steps identified in the standard. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers Deferral of the Effective Date*, deferring the effective date of ASU 2014-09. These changes became effective for the Organization on January 1, 2019. The adoption of these changes will have no material impact on the 2019 financial statements, although additional disclosures will be required.

Subsequent to the issuance of ASU 2014-09, the FASB has issued several ASUs such as ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing,* ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, among others. These ASUs do not change the core principle of the guidance stated in ASU 2014-09, instead these amendments are intended to clarify and improve operability of certain topics included within the revenue standard. These ASUs had the same effective date (January 1, 2019) and transition requirements as ASU 2014-09. The adoption of these changes will have no material impact on the 2019 financial statements, although additional disclosures will be required.

### Cash and Cash Equivalents

Cash equivalents are money market funds and highly liquid financial instruments with original maturities of three months or less.

### Business and Credit Concentrations

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents, investments (which include equity securities and mutual funds), grants and other receivables, and unconditional promises to give. The Organization places its cash and cash equivalents with high-credit quality financial institutions and, from time to time, cash balances may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization reviews grants, other receivables, and unconditional promises to give for collectability. An allowance for doubtful accounts is established based on the specific identification method. There was no allowance for doubtful accounts at December 31, 2018 and 2017.

The Organization relies on grant organizations and public support for the majority of its revenue. Accordingly, the Organization is dependent on the continuation of this support for funding current programs. In 2018, two organizations represented 42% of the Organization's total public support and other income. In 2017, one organization represented 17%, of the Organization's total public support and other income.

Also, two organizations represented 88% and three organizations represented 91% of grants and other receivables at December 31, 2018 and 2017, respectively. Additionally, two organizations represented 83% and 99% of unconditional promises to give at December 31, 2018 and 2017, respectively.

### Investments

The Organization has determined the fair value of investments by establishing a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions that market participants would utilize in pricing the assets.

Investments consist primarily of equity securities and mutual funds. Fair market values of investments are determined using Level 1 inputs, which are based on unadjusted quoted market prices within active markets. Any unrealized gains or losses are recorded in the statement of activities. Realized gains or losses are based on the specific identification method. See Note 2.

### Risks and Uncertainties

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is a least reasonably possible that changes in the value of investment securities could occur in the near term, and that such changes could materially affect the Organization's investment balances and the amounts reported in the statements of financial position.

### Property and Equipment

Expenditures for property, equipment, and items which substantially increase the useful lives of existing assets are capitalized at cost. Donated property and equipment is recorded at fair value at the date of the contribution. Repair and maintenance costs are expensed as incurred. Depreciation is computed using the straight-line method at rates designed to depreciate the costs of assets over their estimated useful lives as follows:

| Description | Life |
|---|---|
| Buildings and improvements | 10-25 years |
| Office equipment | 3-7 years |
| Furniture and fixtures | 5-7 years |
| Vehicles | 3-9 years |

### Long-lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the related asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets. To date, no adjustments to the carrying amount of long-lived assets have been recorded.

### Public Support

All contributions are considered to be available for unrestricted use unless the use is specifically restricted by the donor or by law.

Donations and other contributions of cash and other assets are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as net assets without donor restrictions. Contributions restricted to the purchase of property and equipment are considered to be met when the asset is placed in service.

### Rental Income

Rental income is recognized using the straight-line method over the life of the lease. Rent received in advance at year-end (which will be recognized as income when earned) is recorded as deferred revenue.

### Fundraising Expenses

The Organization actively pursues new sources of funding and engages in various fundraising activities. Accordingly, the Organization incurred $205,237 and $199,343 of fundraising expenses in 2018 and 2017, respectively.

### In-kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. In-kind contributions are recorded at estimated fair market value as contributions and expenses in the financial statements. In-kind contributions for the years ended December 31, 2018 and 2017 were $54,751 and $59,768, respectively, and primarily consisted of clothing, food, and household items.

### Promises to Give

Unconditional promises to give are recognized as contributions or gains in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

### Functional Expenses

Salaries and related expenses are charged to program services based on the estimated time spent by personnel on the related programs. Direct expenses are charged to the various programs based upon costs incurred when specifically identifiable with a program. All other costs are allocated to functions based on the usage of square footage within the Organization’s operating facility.

### Income Taxes

The Internal Revenue Service has ruled that the Organization qualifies under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to tax under present income tax laws. The Organization reviews its tax positions for uncertainty and records a provision for tax positions which may not be sustained based on their technical merits if examined by taxing authorities. At December 31, 2018 and 2017, there were no matters requiring a provision for uncertain tax positions. The tax years 2015 – 2018 remain open to examination by the taxing jurisdictions to which the Organization is subject. The Organization is no longer subject to examination by the taxing jurisdictions for years prior to 2015.

### Reclassifications

Certain reclassifications have been made to 2017 amounts to conform to the 2018 presentation. The reclassifications have no impact on total assets, net assets or changes in net assets.

## 2. Investments

The Organization's investments were recorded at fair value and comprised of the following:

| | **December 31, 2018** | | December 31, 2017 | |
|---|---|---|---|---|
| | **Cost** | **Market Value** | Cost | Market Value |
| Equity securities - closed-end and exchange traded funds | **$ 2,133,754** | **$ 1,871,171** | $ 3,592,037 | $ 3,718,873 |
| Equity securities - bonds | **1,618,716** | **1,557,609** | - | - |
| Equity securities - common stock | **524,793** | **504,431** | 613,104 | 657,479 |
| Mutual funds | **296,470** | **275,503** | 183,778 | 189,808 |
| **Total** | **$ 4,573,733** | **$ 4,208,714** | $ 4,388,919 | $ 4,566,160 |

The components of total investment return for 2018 and 2017 were as follows:

| | **2018** | 2017 |
|---|---|---|
| Interest and dividend income | **$ 130,466** | $ 76,598 |
| Net realized gain on investments | **71,464** | 90,868 |
| Net unrealized gain (loss) on investments | **(543,365)** | 176,720 |
| Investment expense | **(23,724)** | (9,096) |
| Total investment return, net | **$ (365,159)** | $ 335,090 |

### 3. Unconditional Promises to Give

Unconditional promises to give (pledges) were as follows:

| | December 31, 2018 | 2017 |
|---|---|---|
| Receivable in less than one year | **$ 144,265** | $ 121,718 |
| Receivable in one to five years | **-** | 120,000 |
| | **144,265** | 241,718 |
| Less present value effect | **-** | (16,871) |
| Net unconditional promises to give | **144,265** | 224,847 |
| Less current portion | **144,265** | 121,718 |
| | **$ -** | $ 103,129 |

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and a discount rate equal to the line of credit rate (6.0% at December 31, 2018), when the donor makes an unconditional promise to give to the Organization.

### 4. Availability and Liquidity

The following represents the Organization's financial assets:

| | December 31, 2018 | 2017 |
|---|---|---|
| **Financial assets at year end:** | | |
| Cash and cash equivalents | **$ 986,010** | $ 1,179,274 |
| Investments | **4,208,714** | 4,566,160 |
| Grants and other receivables | **266,024** | 119,397 |
| Unconditional promises to give, net | **144,265** | 224,847 |
| **Total financial assets** | **5,605,013** | 6,089,678 |
| **Less amounts not available to be used within one year:** | | |
| Net assets with donor restrictions | **4,731,043** | 5,357,078 |
| Board-designated | **350,000** | 350,000 |
| Less net assets with time restrictions to be met in less than a year | **(264,265)** | (241,115) |
| Less endowment assets available for appropriation in the next twelve months | **(85,180)** | (185,332) |
| | **4,731,598** | 5,280,631 |
| **Financial assets available to meet general expenditures over the next twelve months** | **$ 873,415** | $ 809,047 |

The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, certain financial assets may not be available for general expenditure within one year.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Cash in excess of daily requirements are invested in short-term investments and money market funds. To help manage unanticipated liquidity needs, the Organization maintains a line of credit in the amount of $100,000, which it could draw upon. Additionally, the Organization has an endowment of $4,300,000 and a board-designated operating reserve (reserve) of $350,000. Although the Organization does not intend to spend from its endowment or reserve as part of its annual budget approval and appropriation process, amounts from its endowment or reserve could be made available if necessary.

## 5. Related Parties

During 2015, five board members of the Organization promised to give $9,250 annually through 2017 and $5,000 in 2018. Unconditional promises to give from the related parties were $1,170 at December 31, 2017, and are included in unconditional promises to give in Note 3. There were no unconditional promises to give from related parties at December 31, 2018. Contributions received from related parties in 2018 and 2017 were $97,679 and $36,087, respectively.

## 6. Real Estate

In 2000, The Indianapolis Foundation (the Foundation) transferred property, which consisted of land and a building, to the Organization. The Organization occupied the building in August 2001. In the event of a sale of the property, the Organization will be required to remit a portion of the property's appreciation, if any, to the Foundation.

## 7. Line of Credit

The Organization maintains a bank line of credit with a maximum availability of $100,000. Interest is payable monthly on the unpaid principal balance at the bank's prime rate subject to a floor of 5.0% (6.0% at December 31, 2018). The line is secured by all of the Organization's assets, is subject to financial loan covenants including a minimum net asset balance, and matures in December 2019. There were no outstanding borrowings on the line at December 31, 2018 and 2017.

## 8. Net Assets without Donor Restrictions – Board-designated

At December 31, 2018 and 2017, the Organization had Board-designated funds of $350,000 of its net assets for general operating reserves.

## 9. Net Assets with Donor Restrictions

Net assets with donor restrictions include funds that are explicitly restricted (purpose and time restriction) by the donors to be used for specific programs. Net assets with donor restrictions were available for the following purposes:

| | December 31, 2018 | 2017 |
|---|---|---|
| Specific purpose or passage of time: | | |
| Time restrictions | **$ 264,265** | $ 344,244 |
| Endowment earnings for agency sustainability | **(41,006)** | 333,306 |
| Programs | **125,149** | 204,177 |
| Fundraising, marketing, and communication | **52,011** | 117,251 |
| Strategic planning and leadership | **17,353** | 33,375 |
| Technology | **6,330** | 16,629 |
| Long-term debt elimination | **-** | 1,155 |
| | **424,102** | 1,050,137 |
| Held in perpetuity: | | |
| Endowment | **4,300,000** | 4,300,000 |
| Educational pursuits | **6,941** | 6,941 |
| | **4,306,941** | 4,306,941 |
| **Net assets with donor restrictions** | **$ 4,731,043** | $ 5,357,078 |

The Organization received a contribution in 1994 from another organization that served the homeless, but discontinued operations. The contributing organization stipulated that the principal remain in perpetuity with the income generated to be used for educational pursuits. The original principal amount of $6,941 is classified as net assets with donor restrictions; the income is included in net assets without donor restrictions. In addition, any additional contributions designated for this fund are to be added to principal.

## 10. Endowment

In December 2016, the Organization received an endowment of $4,300,000. The income from the funds is to be used to create sustainable operations for the Organization. Net assets associated with the endowment fund are classified and reported as with donor restrictions based on the existence of donor-imposed restrictions.

### Interpretation of Relevant Law

The Board of Directors (the Board) of the Organization perform its fiduciary responsibilities to be in compliance with the Uniform Prudent Management of Institution Funds Act (UPMIFA). The Board has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary.

The Organization retains in perpetuity and classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts donated to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment fund that is not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner designated by the donor and consistent with the standard of prudence prescribed by UPMIFA. Such amounts generally include investment earnings.

**Underwater Endowment**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. At December 31, 2018, a deficiency of this nature existed in the donor-restricted endowment fund which had an original gift value of $4,300,000, a fair value of $4,258,994, and a deficiency of $41,006 at December 31, 2018. This deficiency resulted from unfavorable market fluctuations.

The Organization has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The Organization did not appropriate any amounts for expenditure during 2018. There were no such deficiencies at December 31, 2017.

**Return Objectives, Risk Parameters, and Strategies**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. As noted above, endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that subjects the assets to a relatively low level of investment risk.

**Spending Policy**

The Organization has a policy of appropriating for the distribution each year no more than 4% of the endowment value at the end of the prior year with certain limitations pursuant to the grant agreement. Additionally, the policy allows appropriating for distribution from underwater endowment funds up to 2% of the endowment value at the end of the prior year. In establishing this policy, the Organization considers the long-term expected return on its investment assets, the nature and duration of the individual endowment fund, which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

Endowment net assets were $4,258,994 and $4,633,306 at December 31, 2018 and 2017, respectively.

Changes in endowment net assets were as follows:

| | |
|---|---|
| **Endowment net assets, January 1, 2017** | $ 4,300,424 |
| Interest and dividend income | 74,390 |
| Net realized gain on investments | 90,868 |
| Net unrealized gain on investments | 176,720 |
| Investment expense | (9,096) |
| **Endowment net assets, December 31, 2017** | 4,633,306 |
| Interest and dividend income | 121,348 |
| Net realized gain on investments | 71,464 |
| Net unrealized loss on investments | (543,400) |
| Investment expense | (23,724) |
| **Endowment net assets, December 31, 2018** | $ 4,258,994 |

## 11. Net Assets Released from Restrictions

During the years ended December 31, 2018 and 2017, net assets with donor restrictions were released from donor restrictions by incurring expenditures satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donors. Accordingly, they have been released from restriction as described below:

| | **2018** | 2017 |
|---|---|---|
| Program qualifying expenses | **$ 295,151** | $ 42,475 |
| Time restrictions expired | **104,244** | 7,314 |
| Fundraising, marketing, and communication | **66,395** | 2,749 |
| Strategic planning and leadership | **16,022** | 6,625 |
| Technology | **10,299** | 33,371 |
| Long-term debt elimination | **-** | 88,845 |
| **Net assets released from restrictions** | **$ 492,111** | $ 181,379 |

## 12. Leases

The Organization leases office equipment under two noncancelable leases expiring through March 2023. Total expense incurred under operating leases for 2018 and 2017 was $9,382 and $7,210, respectively.

Minimum future rental payments under the non-cancelable operating leases are as follows:

| Years ending December 31, | |
|---|---|
| 2019 | $ 6,780 |
| 2020 | 6,780 |
| 2021 | 6,780 |
| 2022 | 6,780 |
| 2023 | 1,695 |
| | $ 28,815 |

## 13. Employee Benefit Plan

The Organization maintains a Savings Incentive Match Plan for Small Employers (SIMPLE). Participation in the plan is available to all employees who are reasonably expected to receive at least $5,000 in compensation for the calendar year or have received at least $5,000 in compensation during any two preceding calendar years. Participants may make contributions up to the lesser of their compensation or $6,000 in any calendar year. The Organization matches a portion of employee contributions up to a maximum of 3% of the employee's compensation.

Participants are 100% vested in their contributions, as well as those amounts contributed by the Organization, at all times. The Organization's matching contributions to the plan for 2018 and 2017 were $11,248 and $15,240, respectively.

## 14. Rental Income

The Organization leases a portion of its building under one arrangement which is accounted for as an operating lease, expiring in May 2024. Rental income for 2018 and 2017 was $72,904 and $142,455, respectively. Future minimum lease receipts are as follows:

| Years ending December 31, | |
|---|---|
| 2019 | $ 72,504 |
| 2020 | 73,960 |
| 2021 | 75,000 |
| 2022 | 75,000 |
| 2023 | 75,000 |
| Thereafter | 31,250 |
| | $ 402,714 |

## 15. Commitments and Contingencies

From time to time, the Organization may be party to certain claims and litigation incidental to its operations. Management believes that the ultimate resolution of any claims (asserted or unasserted), either individually or in the aggregate, will not have a material adverse impact on the Organization's financial position.

### Grants

From time to time, the Organization receives grant funds from donors that include specific requirements regarding use, which may include specific types of expenditures, program restrictions, or time restrictions. The donors retain the right to audit the use of the grants and request reimbursement from the Organization if the funds were not utilized for the grant's intended purpose. Grant activities and outlays are subject to audit and acceptance by the donor and, as a result of such audit, adjustments could be required.

## 16. Subsequent Events

Subsequent events were evaluated through June 27, 2019, the date the financial statements were available to be issued.

# Supplementary Information

CPAs & ADVISORS

# Independent Auditor's Report on Supplementary Information

Board of Directors
**Horizon House, Inc.**
Indianapolis, Indiana

Our audits of the financial statements included in the preceding section of this report were conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is 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 audits 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 taken as a whole.

BGBC Partners, LLP

June 27, 2019



Strength in Numbers ▸

BGBC Partners, LLP | 300 N. Meridian Street, Suite 1100 | Indianapolis, IN 46204 | 317.633.4700 | 317.860.1065 F | www.BGBC.com

# Horizon House, Inc.

## Summarized Statements of Activities and Changes in Net Assets

### Years Ended December 31, 2018 and 2017

| | 2018 | 2017 |
|---|---|---|
| **Public support:** | | |
| Contributions | $ 650,487 | $ 738,506 |
| United Way of Central Indiana | 207,009 | 333,022 |
| Government grants | 446,523 | 152,790 |
| In-kind contributions | 54,751 | 59,768 |
| Special events | 165,027 | 218,858 |
| **Total public support** | 1,523,797 | 1,502,944 |
| **Other income (loss):** | | |
| Rental income | 72,904 | 142,455 |
| Other income | - | 25,597 |
| Investment return, net | (365,159) | 335,090 |
| **Total other income (loss)** | (292,255) | 503,142 |
| **Total public support and other income (loss)** | 1,231,542 | 2,006,086 |
| **Expenses:** | | |
| Program services | 1,318,215 | 1,058,354 |
| Supporting services: | | |
| Fundraising | 205,237 | 199,343 |
| Management and general | 332,450 | 168,477 |
| **Total expenses** | 1,855,902 | 1,426,174 |
| **Change in net assets** | $ (624,360) | $ 579,912 |