

**Horizon House, Inc.**

**Financial Statements**

**Years Ended December 31, 2020 and 2019**

# Horizon House, Inc.

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## 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, 2020 and 2019, 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 from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Horizon House, Inc.** as of December 31, 2020 and 2019, 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*

August 6, 2021

# Horizon House, Inc.

## Statements of Financial Position

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,413,629	\$ 782,366
Investments	5,391,739	4,970,610
Grants and other receivables	60,373	91,775
Unconditional promises to give	121,340	125,000
Prepaid expenses and other current assets	24,401	21,694
<b>Total current assets</b>	<b>7,011,482</b>	<b>5,991,445</b>
<b>Property and equipment:</b>		
Land	360,513	360,513
Buildings and improvements	3,172,868	3,202,961
Office equipment	153,063	153,063
Furniture and fixtures	42,716	34,001
Vehicles	20,000	20,000
Improvements in progress	9,633	-
	<b>3,758,793</b>	<b>3,770,538</b>
Less accumulated depreciation	<b>(2,197,748)</b>	<b>(2,095,400)</b>
<b>Net property and equipment</b>	<b>1,561,045</b>	<b>1,675,138</b>
<b>Total assets</b>	<b>\$ 8,572,527</b>	<b>\$ 7,666,583</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 81,898	\$ 86,850
Accrued payroll and related expenses	102,683	82,801
Other current liabilities	10,640	6,054
Deferred revenue	9,977	6,042
<b>Total liabilities</b>	<b>205,198</b>	<b>181,747</b>
<b>Commitments and contingencies</b>	-	-
<b>Net assets:</b>		
Without donor restrictions:		
Undesignated	2,488,819	1,959,477
Designated	350,000	350,000
With donor restrictions	5,528,510	5,175,359
<b>Total net assets</b>	<b>8,367,329</b>	<b>7,484,836</b>
<b>Total liabilities and net assets</b>	<b>\$ 8,572,527</b>	<b>\$ 7,666,583</b>

See accompanying notes to financial statements.

## Horizon House, Inc.

### Statement of Activities and Changes in Net Assets

Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public support:</b>			
Contributions	\$ 1,308,367	\$ 96,484	\$ <b>1,404,851</b>
United Way of Central Indiana	378,659	-	<b>378,659</b>
Government grants	705,211	-	<b>705,211</b>
In-kind contributions	389,144	-	<b>389,144</b>
Special events	3,349	-	<b>3,349</b>
<b>Total public support</b>	<b>2,784,730</b>	<b>96,484</b>	<b>2,881,214</b>
<b>Other income:</b>			
Rental income	96,639	-	<b>96,639</b>
Investment return, net	2,236	566,856	<b>569,092</b>
<b>Total other income</b>	<b>98,875</b>	<b>566,856</b>	<b>665,731</b>
<b>Total public support and other income before transfers</b>	<b>2,883,605</b>	<b>663,340</b>	<b>3,546,945</b>
Net assets released from restrictions	310,189	(310,189)	-
<b>Total public support and other income</b>	<b>3,193,794</b>	<b>353,151</b>	<b>3,546,945</b>
<b>Expenses:</b>			
Program services	2,064,080	-	<b>2,064,080</b>
Supporting services:			
Fundraising	214,000	-	<b>214,000</b>
Management and general	386,372	-	<b>386,372</b>
<b>Total expenses</b>	<b>2,664,452</b>	<b>-</b>	<b>2,664,452</b>
<b>Change in net assets</b>	<b>529,342</b>	<b>353,151</b>	<b>882,493</b>
<b>Net assets, beginning of year</b>	<b>2,309,477</b>	<b>5,175,359</b>	<b>7,484,836</b>
<b>Net assets, end of year</b>	<b>\$ 2,838,819</b>	<b>\$ 5,528,510</b>	<b>\$ 8,367,329</b>

See accompanying notes to financial statements.

## Horizon House, Inc.

### Statement of Activities and Changes in Net Assets

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public support:</b>			
Contributions	\$ 419,090	\$ 23,926	\$ 443,016
United Way of Central Indiana	428,759	-	428,759
Government grants	502,873	-	502,873
In-kind contributions	125,105	-	125,105
Special events	155,714	-	155,714
<b>Total public support</b>	<b>1,631,541</b>	<b>23,926</b>	<b>1,655,467</b>
<b>Other income:</b>			
Rental income	76,653	-	76,653
Investment return, net	10,463	863,780	874,243
<b>Total other income</b>	<b>87,116</b>	<b>863,780</b>	<b>950,896</b>
<b>Total public support and other income before transfers</b>	<b>1,718,657</b>	<b>887,706</b>	<b>2,606,363</b>
Net assets released from restrictions	443,390	(443,390)	-
<b>Total public support and other income</b>	<b>2,162,047</b>	<b>444,316</b>	<b>2,606,363</b>
<b>Expenses:</b>			
Program services	1,872,507	-	1,872,507
Supporting services:			
Fundraising	198,144	-	198,144
Management and general	275,409	-	275,409
<b>Total expenses</b>	<b>2,346,060</b>	<b>-</b>	<b>2,346,060</b>
<b>Change in net assets</b>	<b>(184,013)</b>	<b>444,316</b>	<b>260,303</b>
<b>Net assets</b> , beginning of year	<b>2,493,490</b>	<b>4,731,043</b>	<b>7,224,533</b>
<b>Net assets</b> , end of year	<b>\$ 2,309,477</b>	<b>\$ 5,175,359</b>	<b>\$ 7,484,836</b>

See accompanying notes to financial statements.

## Horizon House, Inc.

### Statement of Functional Expenses

Year Ended December 31, 2020

	Program Services	Fundraising	Management and General	Total
<b>Employee compensation:</b>				
Salaries and wages	\$ 1,043,365	\$ 152,155	\$ 172,136	\$ <b>1,367,656</b>
Employee benefits	156,236	13,423	24,648	<b>194,307</b>
Payroll taxes	76,648	12,258	14,048	<b>102,954</b>
	<u>1,276,249</u>	<u>177,836</u>	<u>210,832</u>	<u><b>1,664,917</b></u>
<b>Other expenses:</b>				
In-kind expenses	359,144	-	-	<b>359,144</b>
Professional fees	61,251	9,569	99,276	<b>170,096</b>
Occupancy	66,926	3,519	38,933	<b>109,378</b>
Specific assistance to individuals	86,522	-	-	<b>86,522</b>
Supplies	40,384	371	3,873	<b>44,628</b>
Telephone	13,108	995	4,274	<b>18,377</b>
Insurance	4,832	-	12,449	<b>17,281</b>
Other fundraising expenses	-	10,990	-	<b>10,990</b>
Local transportation	10,645	52	-	<b>10,697</b>
Printing and publications	124	4,132	3,377	<b>7,633</b>
Rental and maintenance equipment	4,665	889	712	<b>6,266</b>
Program fees	5,720	-	-	<b>5,720</b>
Other operating expenses	1,150	98	1,891	<b>3,139</b>
Conference and conventions	1,194	-	155	<b>1,349</b>
Postage and shipping	121	770	330	<b>1,221</b>
Direct cost of special events	-	377	-	<b>377</b>
	<u>655,786</u>	<u>31,762</u>	<u>165,270</u>	<u><b>852,818</b></u>
<b>Total other expenses</b>				
<b>Total functional expenses before depreciation</b>	1,932,035	209,598	376,102	<b>2,517,735</b>
Depreciation	132,045	4,402	10,270	<b>146,717</b>
<b>Total functional expenses</b>	<u>\$ 2,064,080</u>	<u>\$ 214,000</u>	<u>\$ 386,372</u>	<u><b>\$ 2,664,452</b></u>

See accompanying notes to financial statements.

## Horizon House, Inc.

### Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services	Fundraising	Management and General	Total
<b>Employee compensation:</b>				
Salaries and wages	\$ 1,048,493	\$ 132,307	\$ 134,598	\$ 1,315,398
Employee benefits	119,396	10,739	28,025	158,160
Payroll taxes	80,478	10,447	10,538	101,463
	1,248,367	153,493	173,161	1,575,021
<b>Other expenses:</b>				
In-kind expenses	125,105	-	-	125,105
Professional fees	49,552	2,056	71,250	122,858
Occupancy	98,292	5,917	4,968	109,177
Specific assistance to individuals	131,089	75	1,008	132,172
Supplies	34,802	851	1,421	37,074
Telephone	14,177	630	543	15,350
Insurance	1,343	258	9,995	11,596
Other fundraising expenses	-	15,400	-	15,400
Local transportation	16,499	-	42	16,541
Printing and publications	333	1,368	19	1,720
Rental and maintenance equipment	7,400	1,410	1,129	9,939
Program fees	5,220	-	-	5,220
Other operating expenses	3,700	34	827	4,561
Conference and conventions	5,597	10	881	6,488
Postage and shipping	333	1,273	-	1,606
Direct cost of special events	-	11,012	-	11,012
	493,442	40,294	92,083	625,819
<b>Total other expenses</b>				
<b>Total functional expenses before depreciation</b>	1,741,809	193,787	265,244	2,200,840
Depreciation	130,698	4,357	10,165	145,220
<b>Total functional expenses</b>	\$ 1,872,507	\$ 198,144	\$ 275,409	\$ 2,346,060

See accompanying notes to financial statements.



# Horizon House, Inc.

## Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 882,493	\$ 260,303
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation	146,717	145,220
Net realized (gain) loss on investments	80,452	(40,359)
Net unrealized gain on investments	(582,058)	(723,161)
Net change in assets and liabilities:		
(Increase) decrease in:		
Grants and other receivables	31,402	174,249
Unconditional promises to give	3,660	19,265
Prepaid expenses and other current assets	(2,707)	(21,694)
Increase (decrease) in:		
Accounts payable	(4,952)	68,258
Accrued payroll and related expenses	19,882	22,427
Other current liabilities	4,586	(7,325)
Deferred revenue	3,935	-
<b>Net cash and cash equivalents provided by (used in) operating activities</b>	<u>583,410</u>	<u>(102,817)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	3,824,162	9,403,865
Purchase of investments	(3,743,685)	(9,402,241)
Capital expenditures	(32,624)	(102,451)
<b>Net cash and cash equivalents provided by (used in) investing activities</b>	<u>47,853</u>	<u>(100,827)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>631,263</u>	<u>(203,644)</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>782,366</u>	<u>986,010</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,413,629</u>	<u>\$ 782,366</u>

See accompanying notes to financial statements.

# Horizon House, Inc.

## 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.

The outbreak of the 2019 coronavirus disease (COVID-19), which was declared a global pandemic by the World Health Organization on March 11, 2020, and the related responses by public health and governmental authorities to contain and combat its outbreak and spread, adversely affected workforces, economies, and financial markets globally. There has been no immediate material impact to the Organization's operations.

#### Basis of Presentation

The financial statements of the Organization are presented on the accrual basis of accounting and report the changes in and balance 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 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, whereby the donor has stipulated the funds be maintained in perpetuity.

#### Recently Adopted Accounting Guidance

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 became effective for the Organization on January 1, 2020. The adoption of the standard did not have a material effect on the financial statements.

#### Recently Issued Accounting Guidance

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU is intended to increase transparency of contributed nonfinancial assets (also referred to as

# Horizon House, Inc.

## Notes to Financial Statements

gifts-in-kind) through enhancements in presentation and disclosure requirements. The changes related to this ASU become effective for the Organization on January 1, 2022, although early adoption is permitted. The Organization is currently 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. Subsequent to the issuance of ASU 2016-02, the FASB has issued ASU 2020-05 *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, ASU 2019-10, *Leases (Topic 842): Effective Dates*, 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*, and ASU 2018-10, *Codification Improvements to Topic 842, Leases*. These ASUs do not change the core principle of the guidance stated in ASU 2016-02 but are intended to clarify and improve operability of certain topics included within the lease standard. The changes related to these ASUs become effective for the Organization on January 1, 2022, although early adoption is permitted. The Organization is currently evaluating the new guidance and its impact, if any, on the accompanying financial statements.

### 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, closed-end and exchange-traded funds, 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, 2020 and 2019.

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. Two organizations represented 24% and 34% of the Organization's total public support and other income in 2020 and 2019, respectively.

# Horizon House, Inc.

## Notes to Financial Statements

Also, one organization represented 60% and 99% of grants and other receivables at December 31, 2020 and 2019, respectively. Additionally, two organizations represented 87% and one organization represented 100% of unconditional promises to give at December 31, 2020 and 2019, 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, closed-end and exchange-traded funds, 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:

<u>Description</u>	<u>Life</u>
Buildings and improvements	5-25 years
Office equipment	3-7 years
Furniture and fixtures	3-10 years
Vehicles	9 years

# Horizon House, Inc.

## Notes to Financial Statements

Improvements in progress at December 31, 2020 represent costs related to facility improvements not yet completed. Costs to complete the facility improvements totaled \$23,169 and the improvements were completed in January 2021.

### 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

The Organization recognizes contributions when cash, cash equivalents, an unconditional promise to give, or other assets are received. All contributions are considered to be available for use at the discretion of the Organization 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 \$214,000 and \$198,144 of fundraising expenses in 2020 and 2019, 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 in 2020 and 2019 were \$389,144

# Horizon House, Inc.

## Notes to Financial Statements

and \$125,105, respectively, and primarily consisted of clothing, food, household items, and advertising.

### 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, 2020 and 2019, there were no matters requiring a provision for uncertain tax positions. The tax years 2017 - 2020 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 2017.

### Reclassifications

Certain reclassifications have been made to 2019 amounts to conform to the 2020 presentation. The reclassifications have no impact on total assets, net assets or changes in net assets.

## Horizon House, Inc.

### Notes to Financial Statements

#### 2. Investments

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

	December 31, 2020		December 31, 2019	
	Cost	Market Value	Cost	Market Value
Equities:				
Closed-end and exchange-traded funds	\$ 2,543,402	\$ 3,018,785	\$ 2,760,399	\$ 2,926,617
Common stock	786,444	1,206,778	834,331	1,009,997
Fixed income:				
Closed-end and exchange-traded funds	916,447	960,935	844,732	860,801
Mutual funds	181,451	184,555	170,782	173,195
Commodities:				
Closed-end and exchange-traded funds	21,325	20,686	-	-
<b>Total</b>	<b>\$ 4,449,069</b>	<b>\$ 5,391,739</b>	<b>\$ 4,610,244</b>	<b>\$ 4,970,610</b>

The components of total investment return for 2020 and 2019 were as follows:

	2020	2019
Interest and dividend income	\$ 91,233	\$ 133,815
Net realized gain (loss) on investments	(80,452)	40,359
Net unrealized gain on investments	582,058	723,161
Investment expense	(23,747)	(23,092)
Total investment return, net	<b>\$ 569,092</b>	<b>\$ 874,243</b>

#### 3. Unconditional Promises to Give

Unconditional promises to give (pledges) were as follows:

	December 31,	
	2020	2019
Receivable in less than one year	<b>\$ 121,340</b>	\$ 125,000

# Horizon House, Inc.

## Notes to Financial Statements

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 (4.5% at December 31, 2020), when the donor makes an unconditional promise to give to the Organization.

### 4. Paycheck Protection Program

In March 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (the Program) which provided small businesses with economic relief in the form of potentially forgivable loans or grants. Under the terms of the Program, certain amounts of the loan or grant may be forgiven if that amount is used for qualifying expenses as described in the CARES Act. In April 2020, the Organization received funding from the Program in the amount of \$305,900. The Organization used the entire amount for qualifying expenses and met all other eligibility criteria for forgiveness in the Program. The loan was forgiven in March 2021. As such, these funds have been recognized as grant income in 2020.

### 5. Availability and Liquidity

The following represents the Organization's financial assets:

	December 31,	
	2020	2019
<b>Financial assets at year end:</b>		
Cash and cash equivalents	\$ 1,413,629	\$ 782,366
Investments	5,391,739	4,970,610
Grants and other receivables	60,373	91,775
Unconditional promises to give	121,340	125,000
<b>Total financial assets</b>	<b>6,987,081</b>	<b>5,969,751</b>
<b>Less amounts not available to be used within one year:</b>		
Net assets with donor restrictions	5,528,510	5,175,359
Board-designated	350,000	350,000
Less endowment assets available for appropriation in the next twelve months	(216,662)	(201,587)
	<b>5,661,848</b>	<b>5,323,772</b>
<b>Financial assets available to meet general expenditures over the next twelve months</b>	<b>\$ 1,325,233</b>	<b>\$ 645,979</b>



# Horizon House, Inc.

## Notes to Financial Statements

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 \$4,307,000 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.

### **6. Related Parties**

Contributions received from related parties in 2020 and 2019 were \$60,387 and \$57,144, respectively.

### **7. 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.

### **8. 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 plus 0.5% subject to a floor of 4.5% (4.5% at December 31, 2020). 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 March 2022. There were no outstanding borrowings on the line at December 31, 2020 and 2019.

### **9. Net Assets without Donor Restrictions – Board-designated**

From time to time, the Organization's board designates funds for certain specific purposes. At December 31, 2020 and 2019, Board-designated net assets were \$350,000 for general operating reserves.

## Horizon House, Inc.

### Notes to Financial Statements

#### 10. 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,	
	2020	2019
<b>Specific purpose or passage of time:</b>		
Endowment earnings for agency sustainability Programs	\$ 1,109,539	\$ 737,683
Fundraising, marketing, and communication	56,355	68,776
Strategic planning and leadership	48,675	44,232
Technology	-	11,603
	-	4,124
	<b>1,214,569</b>	866,418
<b>Held in perpetuity:</b>		
Endowment	4,307,000	4,302,000
Educational pursuits	6,941	6,941
	<b>4,313,941</b>	4,308,941
<b>Net assets with donor restrictions</b>	<b>\$ 5,528,510</b>	\$ 5,175,359

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.

#### 11. 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.

## **Horizon House, Inc.**

### **Notes to Financial Statements**

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. There were no such deficiencies at December 31, 2020 and 2019.

#### **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. The Board of Directors appropriated for expenditure \$195,000 and \$85,091 from the endowment fund in 2020 and 2019, respectively.

Endowment net assets were \$5,416,539 and \$5,039,683 at December 31, 2020 and 2019, respectively.

# Horizon House, Inc.

## Notes to Financial Statements

Changes in endowment net assets were as follows:

<b>Endowment net assets, January 1, 2019</b>	\$ 4,258,994
Contributions	2,000
Interest and dividend income	123,938
Net realized gain on investments	40,359
Net unrealized loss on investments	722,575
Investment expense	(23,092)
Appropriation of endowment assets for expenditures	<u>(85,091)</u>
<b>Endowment net assets, December 31, 2019</b>	5,039,683
Contributions	5,000
Interest and dividend income	89,032
Net realized loss on investments	(80,452)
Net unrealized gain on investments	582,023
Investment expense	(23,747)
Appropriation of endowment assets for expenditures	<u>(195,000)</u>
<b>Endowment net assets, December 31, 2020</b>	<u>\$ 5,416,539</u>

### 12. Net Assets Released from Restrictions

In 2020 and 2019, 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:

	<u>2020</u>	<u>2019</u>
Appropriated endowment assets	\$ <b>195,000</b>	\$ 85,091
Program qualifying expenses	<b>52,971</b>	57,964
Fundraising, marketing, and communication	<b>46,491</b>	7,779
Strategic planning and leadership	<b>11,603</b>	5,750
Technology	<b>4,124</b>	2,205
Time restrictions expired	-	284,601
<b>Net assets released from restrictions</b>	<u><b>\$ 310,189</b></u>	<u>\$ 443,390</u>

## Horizon House, Inc.

### Notes to Financial Statements

#### 13. Leases

The Organization leases office equipment under two non-cancelable leases expiring through March 2023. Total expense incurred under operating leases for 2020 and 2019 was \$6,266 and \$9,939, respectively.

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

<u>Years ending December 31,</u>	
2021	\$ 6,780
2022	6,780
2023	<u>1,695</u>
	<u>\$ 15,255</u>

#### 14. 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 2020 and 2019 were \$14,537 and \$8,963, respectively.

#### 15. Rental Income

The Organization leases a portion of its building under one arrangement which is accounted for as an operating lease, expiring in May 2029. Rental income for 2020 and 2019 was \$96,639 and \$76,653, respectively. Future minimum lease receipts are as follows:

<u>Years ending December 31,</u>	
2021	\$ 75,000
2022	75,000
2023	75,000
2024	76,458
2025, and thereafter	<u>342,291</u>
	<u>\$ 643,749</u>

**16. 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.

**17. Subsequent Events**

Subsequent events were evaluated through August 6, 2021, the date the financial statements were available to be issued.

In March 2021, the Organization entered into a bank loan pursuant to the CARES Act's Paycheck Protection Program (the Program) with principal amounts of \$325,097. Interest on the loan accrues at 1% per annum. Commencing in July 2022, the loan is payable in monthly installments of principal plus interest through March 2026. In conjunction with the Program, the loan is expected to be forgiven.

## **Supplementary Information**

## **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*

August 6, 2021



## Horizon House, Inc.

### Summarized Statements of Activities and Changes in Net Assets Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Public support:</b>		
Contributions	\$ 1,404,851	\$ 443,016
United Way of Central Indiana	378,659	428,759
Government grants	705,211	502,873
In-kind contributions	389,144	125,105
Special events	3,349	155,714
	<u>2,881,214</u>	<u>1,655,467</u>
<b>Total public support</b>	<b>2,881,214</b>	<b>1,655,467</b>
<b>Other income:</b>		
Rental income	96,639	76,653
Investment return, net	569,092	874,243
	<u>665,731</u>	<u>950,896</u>
<b>Total other income</b>	<b>665,731</b>	<b>950,896</b>
<b>Total public support and other income</b>	<b>3,546,945</b>	<b>2,606,363</b>
<b>Expenses:</b>		
Program services	2,064,080	1,872,507
Supporting services:		
Fundraising	214,000	198,144
Management and general	386,372	275,409
	<u>2,664,452</u>	<u>2,346,060</u>
<b>Total expenses</b>	<b>2,664,452</b>	<b>2,346,060</b>
<b>Change in net assets</b>	<b>\$ 882,493</b>	<b>\$ 260,303</b>