



FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
AUGUST 31, 2015 AND 2014**

HORTON'S KIDS, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

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Independent Auditor's Report

To the Board of Directors of
Horton's Kids, Inc.

We have audited the accompanying financial statements of Horton's Kids, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2015 and 2014, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Horton's Kids, Inc. as of August 31, 2015 and 2014, 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.

Toal, Griffith + Ragula, LLC

December 23, 2015

HORTON'S KIDS, INC.
 STATEMENTS OF FINANCIAL POSITION
 AUGUST 31, 2015 AND 2014

	2015	2014
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 112,247	\$ 1,341,394
Investments in Mutual Funds	1,103,878	-
Contributions and Other Receivables	65,556	42,798
Prepaid Expenses	13,925	24,414
	1,295,606	1,408,606
Property and Equipment:		
Furniture and Equipment	71,322	57,515
Vehicles	41,820	41,820
Leasehold Improvements	123,942	102,113
Less: Accumulated Depreciation	(133,474)	(92,250)
	103,610	109,198
Net Property and Equipment	103,610	109,198
Total Assets	\$ 1,399,216	\$ 1,517,804
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 43,731	\$ 49,516
Total Current Liabilities	43,731	49,516
Net Assets:		
Unrestricted	1,188,888	1,246,202
Temporarily Restricted	166,597	222,086
	1,355,485	1,468,288
Total Net Assets	1,355,485	1,468,288
Total Liabilities and Net Assets	\$ 1,399,216	\$ 1,517,804

See auditor's report and accompanying notes to financial statements.

HORTON'S KIDS, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Contributions	\$ 1,152,094	\$ 465,766	\$ 1,617,860
Investment Income:			
Net Depreciation in Fair Value of Investments	(36,821)	-	(36,821)
Interest and Dividends	5,714	-	5,714
Less: Investment Expenses	(6,668)	-	(6,668)
Net Investment Income (Loss)	<u>(37,775)</u>	<u>-</u>	<u>(37,775)</u>
Net Assets Released from Restrictions	<u>521,255</u>	<u>(521,255)</u>	<u>-</u>
Total Revenue	1,635,574	(55,489)	1,580,085
EXPENSES			
Program Services:			
Field Trips	8,119	-	8,119
Enrichment	174,409	-	174,409
Mentoring and Case Management	90,623	-	90,623
Health and Happiness	351,495	-	351,495
Tutoring	525,472	-	525,472
Education Support and Advocacy	62,015	-	62,015
Summer Camp	<u>13,734</u>	<u>-</u>	<u>13,734</u>
Total Program Services	1,225,867	-	1,225,867
Supporting Services:			
Management and General	110,341	-	110,341
Fundraising			
Special Events	174,519	-	174,519
Other Fundraising	<u>182,161</u>	<u>-</u>	<u>182,161</u>
Total Fundraising	<u>356,680</u>	<u>-</u>	<u>356,680</u>
Total Supporting Services	<u>467,021</u>	<u>-</u>	<u>467,021</u>
Total Expenses	<u>1,692,888</u>	<u>-</u>	<u>1,692,888</u>
Change in Net Assets	(57,314)	(55,489)	(112,803)
Net Assets at Beginning of Year	<u>1,246,202</u>	<u>222,086</u>	<u>1,468,288</u>
Net Assets at End of Year	<u>\$ 1,188,888</u>	<u>\$ 166,597</u>	<u>\$ 1,355,485</u>

See auditor's report and accompanying notes to financial statements.

HORTON'S KIDS, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Contributions	\$ 1,562,441	\$ 192,086	\$ 1,754,527
Interest and Dividends	2,518	-	2,518
Other Income	1,000	-	1,000
Net Assets Released from Restrictions	<u>162,458</u>	<u>(162,458)</u>	<u>-</u>
 Total Revenue	 1,728,417	 29,628	 1,758,045
EXPENSES			
Program Services:			
Field Trips	5,820	-	5,820
Enrichment	82,296	-	82,296
Mentoring	365	-	365
Health and Happiness	441,520	-	441,520
Tutoring	500,212	-	500,212
Education Support and Advocacy	64,340	-	64,340
Summer Camp	<u>35,222</u>	<u>-</u>	<u>35,222</u>
 Total Program Services	 1,129,775	 -	 1,129,775
Supporting Services:			
Management and General	63,957	-	63,957
Fundraising			
Special Events	206,341	-	206,341
Other Fundraising	245,784	-	245,784
Total Fundraising	<u>452,125</u>	<u>-</u>	<u>452,125</u>
 Total Supporting Services	 <u>516,082</u>	 <u>-</u>	 <u>516,082</u>
 Total Expenses	 <u>1,645,857</u>	 <u>-</u>	 <u>1,645,857</u>
 Change in Net Assets	 82,560	 29,628	 112,188
 Net Assets at Beginning of Year	 <u>1,163,642</u>	 <u>192,458</u>	 <u>1,356,100</u>
 Net Assets at End of Year	 <u>\$ 1,246,202</u>	 <u>\$ 222,086</u>	 <u>\$ 1,468,288</u>

See auditor's report and accompanying notes to financial statements.

HORTON'S KIDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2015

	Field Trips	Enrichment	Mentoring and Case Management	Health and Happiness	Tutoring	Education Support and Advocacy	Summer Camp	Total Program Services
Advertising and Promotion	\$ 1	\$ 53	\$ 20	\$ 313	\$ 1,627	\$ 5	\$ 82	\$ 2,101
Bank Charges	-	38	16	41	79	9	-	183
Bad Debt	-	-	-	-	-	-	-	-
Books, Subscriptions, Materials	1	422	5	18	2,990	1,007	477	4,920
Computer Services	122	5,953	3,578	12,367	13,741	919	269	36,949
Depreciation	3	78	53	38,443	112	13	10	38,712
Employee Benefits	190	9,217	5,264	13,322	22,551	1,509	569	52,622
Event Supplies and Entertainment	71	1,710	1,054	2,597	44,761	401	125	50,719
Fees	1,215	2,570	-	9,042	1,035	210	485	14,557
Food and Meals	153	4,163	643	7,682	4,947	97	177	17,862
Insurance	62	3,020	1,701	4,394	7,585	530	164	17,456
Internet	7	281	184	1,498	759	55	5	2,789
Occupancy Expense	242	11,958	6,788	23,169	29,997	8,137	636	80,927
Office Supplies	17	926	508	1,468	3,376	144	49	6,488
Other Specific Assistance	337	2,089	531	47,329	2,171	5,635	81	58,173
Payroll Taxes	188	8,658	5,006	11,886	20,802	1,364	392	48,296
Postage, Shipping, Delivery	-	-	-	14	43	-	-	57
Presents	-	40	-	3,081	8,886	-	-	12,007
Printing and Copying	2	145	86	264	1,630	16	18	2,161
Professional Fees	170	7,234	3,670	14,683	17,739	1,195	607	45,298
Program Activity Supplies	285	1,572	-	4,700	10,962	21,362	15	38,896
Salaries and Wages	2,342	106,575	61,059	145,606	254,498	16,628	5,266	591,974
Staff Development	1	617	24	976	4,833	281	2	6,734
Telephone and Telecommunications	16	856	390	2,444	3,817	387	47	7,957
Transportation, Travel and Parking	2,693	6,197	28	5,996	56,335	2,108	4,256	77,613
Volunteer Expense/Development	1	37	15	162	10,196	3	2	10,416
Total	\$ 8,119	\$ 174,409	\$ 90,623	\$ 351,495	\$ 525,472	\$ 62,015	\$ 13,734	\$ 1,225,867

See auditor's report and accompanying notes to financial statements.

HORTON'S KIDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2015

	Total Program Services	Management and General	Fundraising		Total Expenses
			Special Events	Other Fundraising	
Advertising and Promotion	\$ 2,101	\$ 35	\$ 5	\$ 370	\$ 2,511
Bank Charges	183	296	28	3,252	3,759
Bad Debt	-	-	6,500	-	6,500
Books, Subscriptions, Materials	4,920	4	13	7	4,944
Computer Services	36,949	1,986	1,912	10,005	50,852
Depreciation	38,712	1,096	20	1,396	41,224
Employee Benefits	52,622	3,024	3,733	7,901	67,280
Event Supplies and Entertainment	50,719	564	76,374	19,632	147,289
Fees	14,557	-	-	-	14,557
Food and Meals	17,862	6	1	21	17,890
Insurance	17,456	995	1,338	2,522	22,311
Internet	2,789	98	101	227	3,215
Occupancy Expense	80,927	4,078	5,021	9,995	100,021
Office Supplies	6,488	386	998	2,142	10,014
Other Specific Assistance	58,173	200	1,233	872	60,478
Payroll Taxes	48,296	2,856	3,596	7,053	61,801
Postage, Shipping, Delivery	57	209	853	314	1,433
Presents	12,007	-	-	-	12,007
Printing and Copying	2,161	72	3,241	1,338	6,812
Professional Fees	45,298	57,580	22,858	5,206	130,942
Program Activity Supplies	38,896	15	-	-	38,911
Salaries and Wages	591,974	35,006	44,566	86,961	758,507
Staff Development	6,734	1,366	1,334	22,073	31,507
Telephone and Telecommunications	7,957	200	531	444	9,132
Transportation, Travel and Parking	77,613	260	222	403	78,498
Volunteer Expense/Development	10,416	9	41	27	10,493
Total	\$ 1,225,867	\$ 110,341	\$ 174,519	\$ 182,161	\$ 1,692,888

See auditor's report and accompanying notes to financial statements.

HORTON'S KIDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2014

	Field Trips	Enrichment	Mentoring	Health and Happiness	Tutoring	Education Support and Advocacy	Summer Camp	Total Program Services
Advertising and Promotion	\$ -	\$ 113	\$ -	\$ 358	\$ 1,059	\$ 42	\$ 184	\$ 1,756
Bank Charges	-	23	-	67	84	7	-	181
Bad Debt	-	-	-	-	-	-	-	-
Books, Subscriptions, Materials	-	1	-	6	184	1,606	104	1,901
Computer Services	23	2,045	-	9,854	15,226	1,971	921	30,040
Depreciation	-	-	-	38,147	-	-	-	38,147
Employee Benefits	39	2,999	-	14,640	22,725	2,882	1,282	44,567
Event Supplies and Entertainment	1	577	-	2,724	19,052	576	200	23,130
Fees	764	2,060	-	8,188	1,806	50	100	12,968
Food and Meals	275	3,381	86	21,372	22,353	340	1,582	49,389
Insurance	9	678	-	11,761	4,690	576	318	18,032
Internet	2	144	-	1,990	1,055	133	62	3,386
Occupancy Expense	25	4,450	-	26,667	31,803	9,956	1,644	74,545
Office Supplies	3	454	-	3,213	3,457	426	165	7,718
Other Specific Assistance	-	5,554	-	66,885	433	9,393	753	83,018
Payroll Taxes	28	2,774	-	12,873	19,421	2,484	1,051	38,631
Postage, Shipping, Delivery	-	11	-	44	69	22	8	154
Presents	-	116	-	447	15,408	212	-	16,183
Printing and Copying	1	87	-	654	3,323	70	12	4,147
Professional Fees	12	3,931	-	29,228	41,159	2,130	655	77,115
Program Activity Supplies	-	2,335	14	8,666	5,660	699	795	18,169
Salaries and Wages	3,883	43,324	265	167,166	220,804	29,673	14,229	479,344
Staff Development	1	205	-	2,852	4,411	605	21	8,095
Telephone and Telecommunications	4	273	-	3,171	5,677	254	104	9,483
Transportation, Travel and Parking	750	6,144	-	9,995	51,383	230	11,031	79,533
Volunteer Expense/Development	-	617	-	552	8,970	3	1	10,143
Total	\$ 5,820	\$ 82,296	\$ 365	\$ 441,520	\$ 500,212	\$ 64,340	\$ 35,222	\$ 1,129,775

See auditor's report and accompanying notes to financial statements.

HORTON'S KIDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2014

	Total Program Services	Management and General	Fundraising			Total Expenses
			Special Events	Other Fundraising	Total Fundraising	
Advertising and Promotion	\$ 1,756	\$ 35	\$ 48	\$ 744	\$ 792	\$ 2,583
Bank Charges	181	115	339	2,591	2,930	3,226
Bad Debt	-	-	6,250	-	6,250	6,250
Books, Subscriptions, Materials	1,901	67	18	108	126	2,094
Computer Services	30,040	867	2,551	4,096	6,647	37,554
Depreciation	38,147	794	-	-	-	38,941
Employee Benefits	44,567	1,331	3,757	4,905	8,662	54,560
Event Supplies and Entertainment	23,130	264	98,662	661	99,323	122,717
Fees	12,968	-	-	-	-	12,968
Food and Meals	49,389	5	26	19	45	49,439
Insurance	18,032	715	672	1,021	1,693	20,440
Internet	3,386	59	168	234	402	3,847
Occupancy Expense	74,545	1,828	5,960	6,390	12,350	88,723
Office Supplies	7,718	527	759	1,102	1,861	10,106
Other Specific Assistance	83,018	-	10,365	154,400	164,765	247,783
Payroll Taxes	38,631	1,154	3,245	4,457	7,702	47,487
Postage, Shipping, Delivery	154	185	292	1,161	1,453	1,792
Presents	16,183	-	-	-	-	16,183
Printing and Copying	4,147	103	1,531	2,298	3,829	8,079
Professional Fees	77,115	40,945	29,071	6,151	35,222	153,282
Program Activity Supplies	18,169	87	160	60	220	18,476
Salaries and Wages	479,344	14,169	41,244	53,776	95,020	588,533
Staff Development	8,095	240	251	854	1,105	9,440
Telephone and Telecommunications	9,483	123	343	429	772	10,378
Transportation, Travel and Parking	79,533	342	622	283	905	80,780
Volunteer Expense/Development	10,143	2	7	44	51	10,196
Total	\$ 1,129,775	\$ 63,957	\$ 206,341	\$ 245,784	\$ 452,125	\$ 1,645,857

See auditor's report and accompanying notes to financial statements.

HORTON'S KIDS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (112,803)	\$ 112,188
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	41,224	38,941
Depreciation in Fair Value of Investments	38,082	-
(Increase) Decrease in Contributions and Other Receivables	(22,758)	58,246
(Increase) Decrease in Prepaid Expenses	10,489	(6,009)
Increase (Decrease) in Accounts Payable and Accrued Expenses	<u>(5,785)</u>	<u>8,943</u>
Net Cash Provided (Used) by Operating Activities	(51,551)	212,309
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(1,185,195)	-
Proceeds from Sale of Investments	43,235	-
Purchase of Fixed Assets	<u>(35,636)</u>	<u>(4,661)</u>
Net Cash Used by Investing Activities	(1,177,596)	(4,661)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Increase (Decrease) in Cash and Cash Equivalents	(1,229,147)	207,648
Cash and Cash Equivalents at Beginning of Year	<u>1,341,394</u>	<u>1,133,746</u>
Cash and Cash Equivalents at End of Year	<u>\$ 112,247</u>	<u>\$ 1,341,394</u>
SUPPLEMENTAL DISCLOSURE		
Interest Paid	\$ <u>-</u>	\$ <u>-</u>
Income Taxes Paid	\$ <u>-</u>	\$ <u>-</u>

See auditor's report and accompanying notes to financial statements.

HORTON'S KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Horton's Kids' (HKI) mission is to empower at-risk children and prepare them for successful and healthy lives through educational opportunities and comprehensive programs tailored to their needs. Horton's Kids believes circumstance should not dictate a child's future, and that each participant should graduate from high school ready to succeed in college, career, and life.

Horton's Kids' model includes three areas of focus:

1. Academic Supports ensure children graduate from high school with post-secondary options:

- **K – 7th graders receive daily homework help and assistance in strengthening their math and literacy skills through one-on-one tutoring with a caring adult.** Tutoring sessions take place on Monday and Tuesday evenings in the Rayburn House Office Building and Wednesday afternoons at the U.S. Department of Education.
- **8th – 12th graders receive help with homework from off-duty educators, supplemental academic assistance, and project-based learning opportunities to ensure that they are college/career ready at high school graduation.** Horton's Kids provides additional support for 7th – 10th graders through tutoring sessions at the Department of Transportation.
- **Children in grades K through 12th receive educational advocacy services** to help them enroll in high-performing charter and parochial schools. As a result, more than 75% of Horton's Kids' participants are now enrolled in high-performing schools. Horton's Kids also works with parents to advocate for children in school around Individualized Education Plans.

2. Enrichment Activities give children opportunities to develop new strengths and skills:

- **“Rap Sessions”** provide opportunities for older youth to have open discussions about the issues that affect them most in a space where they are respected, trusted, and understood.
- **Life skills sessions** teach practical skills such as social/emotional coping, financial literacy, and sexual health.
- **Summer programming** connects children with learning and enrichment opportunities through organization partners, including three sleepaway camps located across the country.
- **Weekend programming** provides opportunities for children to broaden their horizons and discover their strengths. Activities include cooking classes, arts and crafts, community clean-up, holiday celebrations, and field trips to museums, theaters, sporting events, and more.
- **Team sports**, including basketball, soccer, and flag football, foster the development of key character traits and give participants the chance to enjoy childhood.

HORTON'S KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

3. Health and Basic Needs Supports ensure children are healthy and positioned to succeed:

- **Healthy meals and food services** provide children with a hot, healthy meal after school and supply weekend bags filled with food that children can prepare on their own.
- **Toiletry distribution** ensures that children have consistent access to toothbrushes, toothpaste, soap, and other basic needs items not covered by WIC or SNAP benefits.
- **Dental and vision care** connects participants with screenings, appointments, and follow-up.

Horton's Kids' services are made possible by hundreds of dedicated volunteers and generous monetary and in-kind donations from individuals, foundations, and corporations.

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 the reported amounts of assets and liabilities as of the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts on deposit (including interest bearing deposits) with domestic financial institutions as well as money market funds.

Investments

Investments are stated at aggregate fair value. Publicly traded securities and mutual funds are valued at the last reported sales price on the last business day of the year. The difference between the total fair value at the beginning and end of the year, including investments bought and sold during the year, is included in the statements of activities and changes in net assets as net appreciation (depreciation) in fair value of investments. All purchases and sales of investments are recorded on a trade-date basis. Any unsettled transactions are recorded either as a receivable or a liability on the statements of financial position.

HORTON'S KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

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. For certain long term debt, the fair value was based on present value techniques using inputs derived principally or corroborated from market data. Financial assets and liabilities using level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied

Pledges and Grants Receivable

Pledges and grants receivable consist of unconditional promises to give and contracts with government agencies as of August 31, 2015 and 2014. All pledges and grants are expected to be collected in the subsequent year.

Provision for Doubtful Accounts

The provision for doubtful accounts is based on management's estimate of the status of existing grants and pledges receivable. At August 31, 2015 and 2014, management has recorded a provision for doubtful accounts of \$5,500 and \$6,250, respectively.

Property and Equipment

HKI capitalizes all property and equipment acquisitions of \$1,000 and above. Property and equipment is recorded at cost, if purchased, or fair market value at date of donation, if contributed. Depreciation is provided on a straight line basis over the estimated useful life of the asset, usually 5-7 years.

Basis of Presentation

HKI classifies resources for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. Unconditional promises to give are recorded as receivables and revenues and HKI distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. A description of the three net asset categories follows.

- Permanently Restricted - the portion of the net assets resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and removed by actions of HKI pursuant to those stipulations.

HORTON'S KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

- Temporarily Restricted - the portion of the net assets resulting from contributions or other inflows of assets whose use by HKI is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of HKI pursuant to those stipulations.
- Unrestricted - the portion of the net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

When contributions are received and the restrictions met within the same fiscal year, the amounts are reported as unrestricted contributions.

Donated Services, Materials and Facilities

Donated services are recognized as contributions at their estimated fair value at the date of donation, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by HKI. In addition, individuals and other groups contribute substantial amounts of materials and services toward the fulfillment of programs initiated by HKI. A substantial number of volunteers have donated significant amounts of time to HKI's program services and to its fundraising campaigns. However, these amounts have not been recognized in the accompanying statements of activities and changes in net assets for these contributed services because the conditions for requiring recognition of such volunteer effort under generally accepted accounting principles do not exist.

Donations of materials are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, HKI reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. HKI reclassifies temporarily restricted net assets to unrestricted net assets at that time.

HORTON'S KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

HKI is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). In addition, HKI has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

HKI's informational return filings are subject to audit by the Internal Revenue Service, generally for three years after filing.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

HKI evaluated subsequent events through the date that the financial statements were available to be issued. HKI is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to December 23, 2015 that would have a material impact on the financial statements.

NOTE 2 - CONCENTRATIONS

HKI maintains cash balances in a number of financial institutions. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At August 31, 2015, HKI had cash balances on deposit which were fully insured.

NOTE 3 - INVESTMENTS

In March 2015, HKI opened an investment account. The following table presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of August 31, 2015:

	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Mutual Funds	\$ <u>1,103,878</u>	\$ _____	\$ _____	\$ <u>1,103,878</u>
Total Investments	\$ <u>1,103,878</u>	\$ _____	\$ _____	\$ <u>1,103,878</u>

HORTON'S KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

NOTE 4 - LEASE

In September 2011, HKI entered into a lease for office space for a period of five years, expiring August 31, 2016. The terms of this lease require monthly payments of \$4,561 and 5% annual increases effective January 1 of each year. HKI also signed a lease for additional storage space requiring initial monthly payments of \$50 with 5% annual increases effective January 1 of each year. This lease is cancellable by either party with 30 days written notice.

In March 2012, HKI entered into a lease for a residential apartment used for various program functions. This lease is for a period of five years and expires February 29, 2017.

In December 2014, HKI terminated this lease and entered in to a new lease for office space for a period of five years, expiring January 31, 2019. The terms of this lease require monthly payments of \$6,538 and 4% annual increases effective February 1 of each year.

Future minimum annual payments under these leases are as follows:

2016	\$ 95,494
2017	92,834
2018	90,307
2019	<u>38,241</u>
Total Minimum Lease Payments	\$ <u>316,876</u>

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

At August 31, 2015 and 2014, temporarily restricted net assets are available for the following purposes:

<u>Purpose</u>	<u>2015</u>	<u>2014</u>
Purpose Restricted - Older Youth	\$ 10,000	\$ 41,465
Purpose Restricted - Academic Programs	107,220	121,053
Purpose Restricted - Career Assistance	5,298	7,685
Purpose Restricted - Scholarships	10,026	11,883
Purpose Restricted - Family Engagement and Empowerment	---	10,000
Purpose Restricted - Organizational Development	24,053	---
Time-Restricted - General Operating	<u>10,000</u>	<u>30,000</u>
Total	\$ <u>166,597</u>	\$ <u>222,086</u>

HORTON'S KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

NOTE 6 - DONATED SERVICES AND FACILITIES

The value of donated services and facilities included as contributions in the financial statements and the corresponding expenses for the years ended August 31, 2015 and 2014 are as follows:

	<u>2015</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Legal	\$ ---	\$ 415	\$ ---	\$ 415
Professional Fees	<u>---</u>	<u>18,528</u>	<u>20,000</u>	<u>38,528</u>
Total	\$ <u>---</u>	\$ <u>18,943</u>	\$ <u>20,000</u>	\$ <u>38,943</u>

	<u>2014</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Professional Fees	\$ <u>32,905</u>	\$ <u>200</u>	\$ <u>162,565</u>	\$ <u>195,670</u>
Total	\$ <u>32,905</u>	\$ <u>200</u>	\$ <u>162,565</u>	\$ <u>195,670</u>

NOTE 7 - RETIREMENT PLAN

In 2003, HKI established a SIMPLE IRA plan covering all employees who are reasonably expected to receive \$5,000 in compensation for the calendar year. HKI matches employee contributions dollar-for-dollar up to the lesser of 3% of the employee's compensation or the Internal Revenue Service limit. Pension expense for the years ended August 31, 2015 and 2014 was approximately \$3,200 and \$4,800, respectively.