



FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
AUGUST 31, 2017 AND 2016**

HORTON'S KIDS, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

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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, 2017 and 2016, 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Alta CPA Group, LLC

January 9, 2018

HORTON'S KIDS, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2017 AND 2016

	2017	2016
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 437,447	\$ 426,125
Investments	775,156	586,863
Contributions and Other Receivables	109,742	145,535
Prepaid Expenses	41,407	37,037
Total Current Assets	1,363,752	1,195,560
Property and Equipment:		
Land	5,000	-
Furniture and Equipment	78,963	71,730
Vehicles	70,941	41,820
Leasehold Improvements	236,762	233,589
Less: Accumulated Depreciation	(249,594)	(192,534)
Net Property and Equipment	142,072	154,605
Total Assets	\$ 1,505,824	\$ 1,350,165
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 64,820	\$ 60,309
Deferred Revenue	5,500	-
Total Current Liabilities	70,320	60,309
Net Assets:		
Unrestricted	1,385,913	1,262,735
Temporarily Restricted	49,591	27,121
Total Net Assets	1,435,504	1,289,856
Total Liabilities and Net Assets	\$ 1,505,824	\$ 1,350,165

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, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Contributions	\$ 1,676,826	\$ 725,230	\$ 2,402,056
Investment Income:			
Net Appreciation in Fair Value of Investments	31,343	-	31,343
Interest and Dividends	23,906	-	23,906
Less: Investment Expenses	(9,569)	-	(9,569)
Net Investment Income	45,680	-	45,680
Net Assets Released from Restrictions	702,760	(702,760)	-
Total Revenue	2,425,266	22,470	2,447,736
EXPENSES			
Program Services:			
Enrichment	176,968	-	176,968
Mentoring and Case Management	175,709	-	175,709
Health and Happiness	425,391	-	425,391
Tutoring	186,747	-	186,747
Education Support and Advocacy	410,170	-	410,170
Summer Camp	62,557	-	62,557
Communication and Marketing	297,620	-	297,620
Total Program Services	1,735,162	-	1,735,162
Supporting Services:			
Management and General	202,963	-	202,963
Fundraising:			
Special Events	163,104	-	163,104
Other Fundraising	200,859	-	200,859
Total Fundraising	363,963	-	363,963
Total Supporting Services	566,926	-	566,926
Total Expenses	2,302,088	-	2,302,088
Change in Net Assets	123,178	22,470	145,648
Net Assets at Beginning of Year	1,262,735	27,121	1,289,856
Net Assets at End of Year	\$ 1,385,913	\$ 49,591	\$ 1,435,504

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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Contributions	\$ 1,326,076	\$ 667,822	\$ 1,993,898
Investment Income:			
Net Depreciation in Fair Value of Investments	(24,590)	-	(24,590)
Interest and Dividends	53,842	-	53,842
Less: Investment Expenses	<u>(8,801)</u>	<u>-</u>	<u>(8,801)</u>
Net Investment Income	20,451	-	20,451
Net Assets Released from Restrictions	<u>807,298</u>	<u>(807,298)</u>	<u>-</u>
Total Revenue	2,153,825	(139,476)	2,014,349
EXPENSES			
Program Services:			
Enrichment	268,875	-	268,875
Mentoring and Case Management	139,921	-	139,921
Health and Happiness	436,585	-	436,585
Tutoring	591,622	-	591,622
Education Support and Advocacy	23,713	-	23,713
Summer Camp	<u>21,182</u>	<u>-</u>	<u>21,182</u>
Total Program Services	1,481,898	-	1,481,898
Supporting Services:			
Management and General	146,382	-	146,382
Fundraising:			
Special Events	243,107	-	243,107
Other Fundraising	<u>208,591</u>	<u>-</u>	<u>208,591</u>
Total Fundraising	<u>451,698</u>	<u>-</u>	<u>451,698</u>
Total Supporting Services	<u>598,080</u>	<u>-</u>	<u>598,080</u>
Total Expenses	<u>2,079,978</u>	<u>-</u>	<u>2,079,978</u>
Change in Net Assets	73,847	(139,476)	(65,629)
Net Assets at Beginning of Year	<u>1,188,888</u>	<u>166,597</u>	<u>1,355,485</u>
Net Assets at End of Year	<u>\$ 1,262,735</u>	<u>\$ 27,121</u>	<u>\$ 1,289,856</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, 2017

	Enrichment	Mentoring and Case Management	Health and Happiness	Tutoring	Education Support and Advocacy	Summer Camp	Communication and Marketing	Total Program Services
Advertising and Promotion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,000	\$ 120,000
Bank Charges	-	-	-	-	-	-	-	-
Books, Subscriptions, Materials	47	46	58	2,866	107	21	26	3,171
Computer Services	3,464	3,657	6,339	2,810	8,748	1,450	4,288	30,756
Depreciation	102	100	53,575	75	658	37	56	54,603
Employee Benefits	8,647	8,279	11,897	6,436	19,443	3,163	5,002	62,867
Event Supplies and Entertainment	7,689	-	12,070	5,895	-	-	53,172	78,826
Equipment Rental and Maintenance	42	199	4,406	43	611	82	98	5,481
Fees	1,606	84	-	899	2,751	4,104	-	9,444
Food and Meals	1,319	276	5,888	1,307	520	1,486	17	10,813
Insurance	3,021	2,675	3,499	2,301	5,878	986	1,453	19,813
Internet	485	415	2,666	341	1,024	135	148	5,214
Occupancy Expense	9,297	9,162	19,957	6,856	24,415	3,377	5,282	78,346
Office Supplies	915	1,747	4,056	950	3,008	318	3,376	14,370
Other Specific Assistance	10,502	5,851	70,350	2,125	30,396	770	1,578	121,572
Payroll Taxes	8,754	8,679	12,203	6,654	19,103	3,064	5,000	63,457
Postage, Shipping, Delivery	30	26	126	35	79	8	624	928
Presents	7,260	85	198	436	173	375	60	8,587
Printing and Copying	393	367	3,583	409	807	109	2,170	7,838
Professional Fees	5,935	12,093	37,951	5,349	21,396	1,119	32,456	116,299
Program Activity Supplies	552	1,188	9,879	3,905	1,879	419	52	17,874
Salaries and Wages	101,721	113,778	155,883	77,081	252,372	36,081	60,136	797,052
Staff Development	1,453	3,215	3,588	1,284	5,850	475	991	16,856
Telephone and Telecommunications	1,217	1,512	2,759	923	3,002	378	691	10,482
Transportation, Travel and Parking	2,299	1,521	3,939	57,442	6,776	4,521	769	77,267
Volunteer Expense/Development	218	754	521	325	1,174	79	175	3,246
Total	\$ 176,968	\$ 175,709	\$ 425,391	\$ 186,747	\$ 410,170	\$ 62,557	\$ 297,620	\$ 1,735,162

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, 2017

	Total Program Services	Management and General	Fundraising			Total Expenses
			Special Events	Other Fundraising	Total Fundraising	
Advertising and Promotion	\$ 120,000	\$ -	\$ -	\$ -	\$ -	\$ 120,000
Bank Charges	-	277	-	7,457	7,457	7,734
Books, Subscriptions, Materials	3,171	41	15	3,078	3,093	6,305
Computer Services	30,756	4,514	2,820	4,514	7,334	42,604
Depreciation	54,603	689	58	1,710	1,768	57,060
Employee Benefits	62,867	8,041	4,828	10,380	15,208	86,116
Event Supplies and Entertainment	78,826	-	62,441	7,661	70,102	148,928
Equipment Rental and Maintenance	5,481	184	97	148	245	5,910
Fees	9,444	-	-	-	-	9,444
Food and Meals	10,813	28	111	83	194	11,035
Insurance	19,813	2,616	1,607	3,408	5,015	27,444
Internet	5,214	388	325	510	835	6,437
Occupancy Expense	78,346	8,595	5,323	11,869	17,192	104,133
Office Supplies	14,370	1,380	511	7,053	7,564	23,314
Other Specific Assistance	121,572	1,860	1,893	2,793	4,686	128,118
Payroll Taxes	63,457	8,153	4,865	10,353	15,218	86,828
Postage, Shipping, Delivery	928	196	13	62	75	1,199
Presents	8,587	74	16	88	104	8,765
Printing and Copying	7,838	335	273	435	708	8,881
Professional Fees	116,299	67,398	17,311	3,334	20,645	204,342
Program Activity Supplies	17,874	-	-	-	-	17,874
Salaries and Wages	797,052	94,269	58,472	120,691	179,163	1,070,484
Staff Development	16,856	1,630	624	2,114	2,738	21,224
Telephone and Telecommunications	10,482	1,175	655	1,524	2,179	13,836
Transportation, Travel and Parking	77,267	963	773	1,363	2,136	80,366
Volunteer Expense/Development	3,246	157	73	231	304	3,707
Total	\$ 1,735,162	\$ 202,963	\$ 163,104	\$ 200,859	\$ 363,963	\$ 2,302,088

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

HORTON'S KIDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2016

	Enrichment	Mentoring and Case Management	Health and Happiness	Tutoring	Education Support and Advocacy	Summer Camp	Total Program Services
Advertising and Promotion	\$ 194	\$ 62	\$ 113	\$ 634	\$ 7	\$ 1	\$ 1,011
Bank Charges	-	-	-	-	-	-	-
Books, Subscriptions, Materials	-	-	-	8,372	-	-	8,372
Computer Services	13,484	8,267	16,107	29,028	703	761	68,350
Depreciation	154	95	56,046	318	9	9	56,631
Employee Benefits	13,010	8,060	14,909	26,076	717	836	63,608
Event Supplies and Entertainment	10,039	438	13,258	23,099	24	27	46,885
Equipment Rental and Maintenance	357	305	1,609	668	23	18	2,980
Fees	5,366	-	9,906	6,597	-	200	22,069
Food and Meals	6,322	445	9,013	3,038	53	1,164	20,035
Insurance	3,837	2,395	4,411	7,773	209	232	18,857
Internet	486	303	1,484	1,055	25	46	3,399
Occupancy Expense	13,788	8,606	22,401	27,780	6,730	821	80,126
Office Supplies	1,223	758	1,941	2,530	54	24	6,530
Other Specific Assistance	268	-	29,192	2,784	5,029	(65)	37,208
Payroll Taxes	12,165	7,472	13,974	24,562	619	812	59,604
Postage, Shipping, Delivery	44	30	52	206	2	3	337
Presents	6,151	140	317	5,211	-	-	11,819
Printing and Copying	644	311	975	2,203	29	41	4,203
Professional Fees	19,067	7,932	48,380	38,555	806	679	115,419
Program Activity Supplies	1,765	119	9,492	7,305	31	2,523	21,235
Salaries and Wages	149,702	91,723	172,850	301,452	7,462	10,365	733,554
Staff Development	269	82	1,419	2,619	354	46	4,789
Telephone and Telecommunications	1,333	665	2,532	3,610	43	81	8,264
Transportation, Travel and Parking	7,754	1,208	4,708	58,155	777	2,526	75,128
Volunteer Expense/Development	1,453	505	1,496	7,992	7	32	11,485
Total	\$ 268,875	\$ 139,921	\$ 436,585	\$ 591,622	\$ 23,713	\$ 21,182	\$ 1,481,898

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, 2016

	Total Program Services	Management and General	Fundraising			Total Expenses
			Special Events	Other Fundraising	Total Fundraising	
Advertising and Promotion	\$ 1,011	\$ 29	\$ 50	\$ 529	\$ 579	\$ 1,619
Bank Charges	-	162	-	4,152	4,152	4,314
Books, Subscriptions, Materials	8,372	-	-	47	47	8,419
Computer Services	68,350	4,529	3,167	12,659	15,826	88,705
Depreciation	56,631	653	72	1,704	1,776	59,060
Employee Benefits	63,608	4,812	5,949	9,927	15,876	84,296
Event Supplies and Entertainment	46,885	213	82,480	12,669	95,149	142,247
Equipment Rental and Maintenance	2,980	313	434	208	642	3,935
Fees	22,069	-	6	-	6	22,075
Food and Meals	20,035	52	321	95	416	20,503
Insurance	18,857	1,427	1,821	2,898	4,719	25,003
Internet	3,399	189	278	361	639	4,227
Occupancy Expense	80,126	5,071	6,300	11,354	17,654	102,851
Office Supplies	6,530	976	708	1,383	2,091	9,597
Other Specific Assistance	37,208	326	10,942	-	10,942	48,476
Payroll Taxes	59,604	4,493	5,646	9,275	14,921	79,018
Postage, Shipping, Delivery	337	137	15	65	80	554
Presents	11,819	16	-	-	-	11,835
Printing and Copying	4,203	253	1,013	519	1,532	5,988
Professional Fees	115,419	63,039	52,430	23,805	76,235	254,693
Program Activity Supplies	21,235	82	213	107	320	21,637
Salaries and Wages	733,554	55,609	69,892	114,234	184,126	973,289
Staff Development	4,789	873	102	431	533	6,195
Telephone and Telecommunications	8,264	406	335	1,007	1,342	10,012
Transportation, Travel and Parking	75,128	2,643	806	1,045	1,851	79,622
Volunteer Expense/Development	11,485	79	127	117	244	11,808
Total	\$ 1,481,898	\$ 146,382	\$ 243,107	\$ 208,591	\$ 451,698	\$ 2,079,978

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

HORTON'S KIDS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 145,648	\$ (65,629)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	57,060	59,060
In-Kind Donation Stock	(2,090)	-
(Appreciation) Depreciation in Fair Value of Investments	(31,343)	24,590
(Decrease) Increase in Contributions and Other Receivables	35,793	(79,979)
Increase in Prepaid Expenses	(4,370)	(23,112)
Increase in Accounts Payable and Accrued Expenses	4,511	16,578
Increase in Deferred Revenue	5,500	-
Net Cash Provided (Used) by Operating Activities	210,709	(68,492)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(1,657,357)	(614,711)
Proceeds from Sale of Investments	1,502,497	1,107,136
Purchase of Fixed Assets	(44,527)	(110,055)
Net Cash Provided (Used) by Investing Activities	(199,387)	382,370
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Increase in Cash and Cash Equivalents	11,322	313,878
Cash and Cash Equivalents at Beginning of Year	426,125	112,247
Cash and Cash Equivalents at End of Year	\$ <u>437,447</u>	\$ <u>426,125</u>
SUPPLEMENTAL DISCLOSURE		
Interest Paid	\$ -	\$ -
Income Taxes Paid	\$ -	\$ -

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

HORTON'S KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

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:

Academics

Academic Supports serve children of all ages to ensure they graduate from high school prepared for post-secondary success. Aligned to the Common Core, academic programming includes one-on-one tutoring and homework help for K-12 graders to strengthen their literacy skills; older youth programming for 7-12 graders to prepare them for post-secondary options and improve academic performance; and educational advocacy services to connect Wellington Park families with high-performing schools and support children with special needs.

Youth Development

Youth Development activities help children develop social-emotional skills that are critical to lifelong success. Activities encourage the development of key character strengths—including perseverance, optimism, and self control—and include field trips, team sports, mentoring, life skills lessons, discussion groups, and enrichment activities.

Health & Basic Needs

Health and Basic Needs Supports ensure that children are healthy and prepared to learn. Horton's Kids provides a wide range of supports, including healthy meals, mental health services, diaper and toiletry distribution, coat and backpack distributions, and connections to partner organizations that empower families.

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.

HORTON'S KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2017 and 2016. 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, 2017 and 2016, management has recorded no provision for doubtful accounts.

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.

HORTON'S KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

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.
- 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, 2017 AND 2016

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 has identified one significant event that occurred subsequent to the statement of financial position date but prior to January 9, 2018 that would have a material impact on the financial statements.

In October 2017, HKI settled on the purchase of land in southeast Washington, DC. HKI paid approximately \$250,000 at the time of settlement.

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, 2017, HKI had uninsured cash balances of approximately \$169,000. HKI considers the risk of loss to be minimal.

HORTON'S KIDS, INC.
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NOTE 3 - INVESTMENTS

The following table presents HKI's fair value hierarchy for the above assets measured at fair value on a recurring basis as of August 31, 2017:

<u>2017</u>	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	<u>Total</u>
Common Stock	\$ 784	\$ ---	\$ ---	\$ 784
Exchange Traded and Closed End Funds	165,097	---	---	165,097
Mutual Funds	<u>609,275</u>	<u>---</u>	<u>---</u>	<u>609,275</u>
Total Investments	\$ <u>775,156</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>775,156</u>

The following table presents HKI's fair value hierarchy for the above assets measured at fair value on a recurring basis as of August 31, 2016:

<u>2016</u>	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	<u>Total</u>
Exchange Traded and Closed End Funds	\$ 146,392	\$ ---	\$ ---	\$ 146,392
Mutual Funds	<u>440,471</u>	<u>---</u>	<u>---</u>	<u>440,471</u>
Total Investments	\$ <u>586,863</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>586,863</u>

NOTE 4 - LEASE

In March 2012, HKI entered into a lease for a residential apartment used for various program functions. This lease was for a period of five years and expired February 28, 2017. This lease has defaulted to a month to month agreement.

In December 2014, HKI entered into a 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.

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NOTE 4 - LEASE (CONTINUED)

Future minimum annual payments under these leases are as follows:

2018	\$ 90,307
2019	<u>38,241</u>
Total Minimum Lease Payments	\$ <u>128,548</u>

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

At August 31, 2017 and 2016, temporarily restricted net assets are available for the following purposes:

<u>Purpose</u>	<u>2017</u>	<u>2016</u>
Purpose Restricted - Older Youth	\$ 10,654	\$ 4,500
Purpose Restricted - Academic Programs	9,945	5,247
Purpose Restricted - Career Assistance	9,213	4,848
Purpose Restricted - Scholarships	9,026	10,026
Purpose Restricted - Organizational Development	2,500	2,500
Purpose Restricted – Family Empowerment	<u>8,253</u>	<u>---</u>
Total	\$ <u>49,591</u>	\$ <u>27,121</u>

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, 2017 and 2016 are as follows:

<u>2017</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertisement	\$ 120,000	\$ ---	\$ ---	\$ 120,000
Professional Fees	<u>1,038</u>	<u>16,589</u>	<u>1,320</u>	<u>18,947</u>
Total	\$ <u>121,038</u>	\$ <u>16,589</u>	\$ <u>1,320</u>	\$ <u>138,947</u>

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 NOTES TO FINANCIAL STATEMENTS
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NOTE 6 - DONATED SERVICES AND FACILITIES (CONTINUED)

<u>2016</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Professional Fees	\$ <u>176</u>	\$ <u>15,753</u>	\$ <u>77,217</u>	\$ <u>93,146</u>
Total	\$ <u>176</u>	\$ <u>15,753</u>	\$ <u>77,217</u>	\$ <u>93,146</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, 2017 and 2016 was approximately \$6,100 and \$3,400, respectively.