

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED AUGUST 31, 2024
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2023**

HORTON'S KIDS, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Horton's Kids, Inc. (the Organization), which comprise the statement of financial position as of August 31, 2024, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of August 31, 2024, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.



December 10, 2024

HORTON'S KIDS, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023**

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,865,795	\$ 546,784
Investments	2,251,116	495,751
Grants and contributions receivable	1,093,265	1,804,756
Prepaid expenses	<u>53,575</u>	<u>40,320</u>
Total current assets	<u>5,263,751</u>	<u>2,887,611</u>
FIXED ASSETS		
Land	1,228,376	1,228,376
Building	4,964,910	4,809,581
Furniture and equipment	209,527	165,711
Vehicles	22,797	22,797
Leasehold improvements	<u>32,288</u>	<u>9,373</u>
	6,457,898	6,235,838
Less: Accumulated depreciation and amortization	<u>(481,971)</u>	<u>(256,491)</u>
Net fixed assets	<u>5,975,927</u>	<u>5,979,347</u>
NONCURRENT ASSETS		
Grants and contributions receivable, net	<u>31,832</u>	<u>46,600</u>
TOTAL ASSETS	<u>\$ 11,271,510</u>	<u>\$ 8,913,558</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 265,843	\$ 71,427
Construction project payable	129,018	48,776
Loan payable	<u>50,178</u>	<u>-</u>
Total current liabilities	445,039	120,203
NONCURRENT LIABILITIES		
Loan payable, net	<u>3,967,882</u>	<u>4,018,060</u>
Total liabilities	<u>4,412,921</u>	<u>4,138,263</u>
NET ASSETS		
Without donor restrictions	4,529,017	3,097,918
With donor restrictions	<u>2,329,572</u>	<u>1,677,377</u>
Total net assets	<u>6,858,589</u>	<u>4,775,295</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,271,510</u>	<u>\$ 8,913,558</u>

See accompanying notes to financial statements.

HORTON'S KIDS, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023**

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 4,345,542	\$ 2,646,916	\$ 6,992,458	\$ 4,524,207
Contributed nonfinancial assets	500,167	-	500,167	420,489
Net investment return	191,876	9,664	201,540	27,824
Net assets released from donor restrictions	<u>2,004,385</u>	<u>(2,004,385)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>7,041,970</u>	<u>652,195</u>	<u>7,694,165</u>	<u>4,972,520</u>
EXPENSES				
Program Services:				
Academics	1,187,735	-	1,187,735	1,068,555
Communications and Marketing	409,250	-	409,250	502,524
Health and Wellness	838,648	-	838,648	771,342
Community and Family Engagement	856,119	-	856,119	638,757
Youth Development	<u>1,058,626</u>	<u>-</u>	<u>1,058,626</u>	<u>899,166</u>
Total program services	<u>4,350,378</u>	<u>-</u>	<u>4,350,378</u>	<u>3,880,344</u>
Supporting Services:				
Management and General	461,684	-	461,684	324,818
Fundraising	<u>798,809</u>	<u>-</u>	<u>798,809</u>	<u>812,170</u>
Total supporting services	<u>1,260,493</u>	<u>-</u>	<u>1,260,493</u>	<u>1,136,988</u>
Total expenses	<u>5,610,871</u>	<u>-</u>	<u>5,610,871</u>	<u>5,017,332</u>
Change in net assets before other item	1,431,099	652,195	2,083,294	(44,812)
OTHER ITEM				
Employee retention tax credit	<u>-</u>	<u>-</u>	<u>-</u>	<u>491,654</u>
Change in net assets	1,431,099	652,195	2,083,294	446,842
Net assets at beginning of year	<u>3,097,918</u>	<u>1,677,377</u>	<u>4,775,295</u>	<u>4,328,453</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,529,017</u>	<u>\$ 2,329,572</u>	<u>\$ 6,858,589</u>	<u>\$ 4,775,295</u>

HORTON'S KIDS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023**

	2024					
	Program Services					Total Program Services
	Academics	Communications and Marketing	Health and Wellness	Community and Family Engagement	Youth Development	
Salaries, wages, benefits and taxes	\$ 778,662	\$ 181,230	\$ 415,133	\$ 440,516	\$ 524,729	\$ 2,340,270
Program supplies, activity fees and transportation	99,447	-	212,040	196,160	282,472	790,119
Professional fees	95,428	35,629	53,403	57,422	67,395	309,277
Occupancy expense	89,848	16,142	73,883	74,050	84,151	338,074
Depreciation and amortization	43,204	10,533	43,204	43,204	43,202	183,347
Event supplies and entertainment	-	72,939	-	-	-	72,939
Advertising and promotion	-	76,583	-	-	-	76,583
Licenses and fees	16,681	5,421	5,682	6,421	7,609	41,814
Staff development	20,975	2,405	8,399	9,446	13,429	54,654
Computer services and telecommunications	16,060	2,581	8,332	9,467	11,279	47,719
Bad debt expense	-	-	-	-	-	-
Insurance	10,045	2,679	10,045	10,045	10,045	42,859
Office supplies, postage, printing and office expenses	8,959	2,659	4,897	5,596	6,573	28,684
Development and volunteer expenses	3,698	-	-	-	3,698	7,396
Equipment	4,728	449	3,630	3,792	4,044	16,643
Loss on disposal of assets	-	-	-	-	-	-
TOTAL	\$ 1,187,735	\$ 409,250	\$ 838,648	\$ 856,119	\$ 1,058,626	\$ 4,350,378

See accompanying notes to financial statements.

HORTON'S KIDS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023

	2024 (Continued)			2023	
	Supporting Services				
	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries, wages, benefits and taxes	\$ 295,101	\$ 412,087	\$ 707,188	\$ 3,047,458	\$ 2,556,429
Program supplies, activity fees and transportation	-	-	-	790,119	570,886
Professional fees	33,385	154,811	188,196	497,473	499,444
Occupancy expense	23,935	32,375	56,310	394,384	281,062
Depreciation and amortization	21,067	21,066	42,133	225,480	227,586
Event supplies and entertainment	-	104,762	104,762	177,701	162,724
Advertising and promotion	-	-	-	76,583	179,062
Licenses and fees	4,263	22,910	27,173	68,987	61,631
Staff development	3,883	4,834	8,717	63,371	81,248
Computer services and telecommunications	6,647	5,219	11,866	59,585	51,905
Bad debt expense	54,479	-	54,479	54,479	-
Insurance	5,358	5,358	10,716	53,575	53,024
Office supplies, postage, printing and office expenses	12,032	9,443	21,475	50,159	71,009
Development and volunteer expenses	-	25,037	25,037	32,433	34,231
Equipment	1,534	907	2,441	19,084	141,617
Loss on disposal of assets	-	-	-	-	45,474
TOTAL	\$ 461,684	\$ 798,809	\$ 1,260,493	\$ 5,610,871	\$ 5,017,332

See accompanying notes to financial statements.

HORTON'S KIDS, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023**

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,083,294	\$ 446,842
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	225,480	227,586
Unrealized gain	(96,001)	(2,319)
Realized gain	(72,394)	(10,295)
Contributions invested in perpetuity	(11,250)	-
Change in discount on long-term receivables	(29,774)	-
Receipt of donated securities	(91,473)	(19,536)
Proceeds from sale of donated securities	92,548	7,153
Loss on disposal of fixed assets	-	45,474
Decrease (increase) in:		
Grants and contributions receivable	756,033	(460,537)
Prepaid expenses	(13,255)	125,989
Increase (decrease) in:		
Accounts payable and accrued liabilities	194,416	(49,639)
Deferred rent	-	(11,712)
Net cash provided by operating activities	<u>3,037,624</u>	<u>299,006</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(141,818)	(2,289,355)
Purchase of investments	(3,034,927)	(51,178)
Proceeds from sale of investments	<u>1,446,882</u>	<u>180,177</u>
Net cash used by investing activities	<u>(1,729,863)</u>	<u>(2,160,356)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	-	1,601,980
Contributions invested in perpetuity	<u>11,250</u>	<u>-</u>
Net cash provided by financing activities	<u>11,250</u>	<u>1,601,980</u>
Net increase (decrease) in cash and cash equivalents	1,319,011	(259,370)
Cash and cash equivalents at beginning of year	<u>546,784</u>	<u>806,154</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,865,795</u>	<u>\$ 546,784</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 147,006</u>	<u>\$ 85,287</u>
Fixed Assets Included in Construction Project Payable at Year-End	<u>\$ 80,242</u>	<u>\$ 48,776</u>

See accompanying notes to financial statements.

HORTON'S KIDS, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Horton's Kids, Inc (the Organization) is a non-profit organization incorporated in Washington, D.C. The Organization envisions a thriving community where every child and their family have the essential resources, tools and support required to excel in education, forge successful careers, and lead fulfilling lives. The Organization aims to create a ripple effect, inspiring positive change not only in the lives of the families served, but also in the broader fabric of the community ultimately contributing to a more equitable and promising future for all.

For 35 years, the Organization has worked to remove systemic barriers to opportunity for children and families in Southeast D.C.'s most underserved neighborhoods. Its comprehensive programs and services support the physical, educational, and social-emotional development of over 600 children and their families. From the its earliest years as a volunteer-led effort operating on basketball courts and picnic tables to establishing Community Resource Centers within the housing developments it serves, the Organization is committed to creating safe spaces for children to learn and grow.

In February 2023, the Organization opened Horton's Hub, a 9,000-square-foot community center located in the heart of Anacostia. The Hub has ushered in a new chapter for the Organization, allowing it to root its presence, anchor its placed-based services, and expand its reach in the community.

The Organization takes a three-pronged approach to driving economic mobility and equity, through educational attainment, family stability, and safety and belonging:

- **Educational Attainment:** Helping youth to stay in school and graduate with clear post-secondary plans is at the center of our economic mobility efforts. The Organization makes a 13+ year commitment to each child and their family, beginning in PreK and continuing through high school graduation. The Organization leverages data to help young people cultivate social-emotional skills that are protective against truancy, like growth mindset, perseverance, and problem-solving. It also works with students through the college and career readiness program to envision a productive future and to create post-secondary plans, whether that be going to college or directly into a career. It leverages partnerships with local government agencies like the Office of the State Superintendent of Education and Learn24 to offer programming during crucial afternoon hours and works with local corporations to offer career-focused internships to the youth it serves.
- **Family Stability:** The Organization recognizes that to support young people it needs to take a whole-family, whole-community approach to its work. By offering on-site support in areas such as education, health and wellness, and family enrichment, the Organization addresses the multifaceted needs of residents while fostering a sense of belonging and strengthening community cohesion. It partners with a range of providers to bring needed physical and mental wellness resources directly to families.
- **Safety and Belonging:** Crime in the neighborhood has a significant impact on the youth and families the Organization serves. It addresses crime-related barriers through the Safety and Belonging Taskforce, working in conjunction with government agencies, community leaders, City council members, law enforcement, and property management to find solutions to safety issues in the community.

HORTON'S KIDS, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than the Organization mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2023, from which the summarized information was derived.

Cash and cash equivalents -

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents, excluding money market funds held by investment managers in the amount of \$1,170,695 as of August 31, 2024. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Organization maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment return, which is presented net of investment expenses paid to external investment advisors, in the accompanying Statement of Activities and Change in Net Assets.

Investments acquired by gift, such as donated securities, are recorded at their fair value at the date of the gift. The Organization's policy is to liquidate all gifts of investments as soon as possible after the gift.

HORTON'S KIDS, INC.

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2024**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Grants and contributions receivable -

Grants and contributions receivable include unconditional promises to give that are expected to be collected in future years. Grants and contributions receivable are recorded at their fair value, which is measured as the present value of the future cash flows. The discount on long-term grants and contributions receivable is computed using the risk-adjusted interest rates applicable to the years in which the promises to give were received. Amortization of the discount is included in contributions.

Fixed assets -

Fixed assets in excess of \$1,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally 5 to 7 years. The useful life of the building is 40 years, building renovations have useful lives ranging from 21 to 25 years. Leasehold improvements are amortized over the useful life of the asset. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended August 31, 2024 totaled \$225,480.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to the Statement of Activities and Change in Net Assets, to its current fair value.

Income taxes -

The Organization is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization is not a private foundation.

Debt issuance costs -

In accordance with U.S. GAAP, the Organization presents debt issuance costs as a direct deduction from the related debt obligation in the Statement of Financial Position. Amortization of debt issuance costs is calculated on a straight-line basis over the remaining term of the debt obligation. Amortization of the costs is reported as interest expense.

Support from grants and contributions -

The Organization receives grants and contributions, including Federal awards from the U.S. Government. Contributions are recognized in the appropriate category of net assets in the period received. The Organization performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with Accounting Standards Codification (ASC) Topic 958.

For grants qualifying under the contribution rules, support is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

HORTON'S KIDS, INC.

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2024**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Support from grants and contributions (continued) -

Contributions, including grants qualifying as contributions, that are unconditional but have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements.

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Most Federal grants are for direct and indirect program costs and are considered to be conditional contributions which are recognized as contributions when the amounts become unconditional. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. However, the Organization had no refundable advances as of August 31, 2024.

In addition, the Organization has obtained funding source agreements related to conditional contributions, such as Federal awards from the U.S. Government, which will be received in future years. The Organization's unrecognized conditional contributions to be received in future years totaled approximately \$400,000 as of August 31, 2024.

Contributed nonfinancial assets -

Contributed nonfinancial assets are recorded at their fair value as of the date of the gift and consisted of contributed advertising and promotion services, professional fees, program supplies and equipment, software licenses and donated space. Donated goods are valued at their fair market value as of the date of the gift. Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. None of the contributed nonfinancial assets were restricted by donors and none of the donated goods were monetized through sale.

Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Advertising -

The Organization expenses advertising costs as incurred. Advertising expense was \$76,583 for the year ended August 31, 2024.

Functional allocation of expenses -

The costs of providing the Organization's programs and supporting services have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

HORTON'S KIDS, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Functional allocation of expenses (continued) -

Expenses directly attributed to a specific functional area are reported as direct expenses within that functional area and expenses that benefited more than one functional area, such as personnel costs, were allocated based on estimated time and effort. Occupancy, depreciation, and office costs were allocated based on square footage occupied.

Risks and uncertainties -

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications had no effect on the reported change in net assets.

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

In accordance with Financial Accounting Standards Board (FASB) ASC 820, Fair Value Measurement, the Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. 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). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organization has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the year ended August 31, 2024. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - The money market funds are open-end funds that are registered with the Securities and Exchange Commission (SEC) and are deemed to be actively traded.

HORTON'S KIDS, INC.

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2024**

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

- *Securities and Exchange Traded and Closed End Funds* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by the Organization are deemed to be actively traded.

The table below summarizes investments, which are measured at fair value on a recurring basis, by level within the fair value hierarchy as of August 31, 2024:

	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	\$ 1,170,695	\$ -	\$ -	\$ 1,170,695
Securities	367,369	-	-	367,369
Exchange traded and closed end funds	72,130	-	-	72,130
Mutual funds	640,922	-	-	640,922
TOTAL INVESTMENTS	\$ 2,251,116	\$ -	\$ -	\$ 2,251,116

Net investment return consisted of the following for the year ended August 31, 2024:

Interest and dividends	\$ 47,357
Unrealized gain	96,001
Realized gain	72,394
Investment fees	(14,212)
NET INVESTMENT RETURN	\$ 201,540

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

The Organization has received written promises to give from various donors totaling \$1,131,965 as of August 31, 2024. Grants and contributions receivable that are due in more than one year have been recorded at the net present value of their estimated future cash flows using discount rates ranging from 4.91% to 5.38%.

Grants and contributions receivable are expected to be collected as follows as of August 31, 2024:

Less than one year	\$ 1,093,265
One to five years	38,700
Total	1,131,965
Less: Allowance to discount balance to present value	(6,868)
NET GRANTS AND CONTRIBUTIONS RECEIVABLE	\$ 1,125,097

4. LOAN PAYABLE

In December 2021, the Organization entered into a loan payable (the Loan) with a financial institution for the purchase of a building and to finance the renovation and improvement of the property. The property serves as collateral for the Loan.

HORTON'S KIDS, INC.

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2024

4. LOAN PAYABLE (Continued)

The Loan has a balance of the amount advanced to the Organization pursuant to the terms and conditions of the Loan agreement, with a ceiling amount of \$4,320,000. The balance of the Loan bears interest at a fixed rate of 3.56% per annum. Interest payments commenced on January 1, 2022 and are payable monthly thereafter. Commencing on January 1, 2025 and continuing on the same day of each month thereafter, the Organization shall repay the principal, together with interest accrued and unpaid thereon, in equal combined installments in an amount sufficient to fully amortize principal and interest over an amortization period of thirty (30) years. As of August 31, 2024, the outstanding loan balance is \$4,060,043.

As of August 31, 2024, the total outstanding balance of the Loan payable is as follows:

Loan payable	\$ 4,060,043
Less deferred financing costs	<u>(41,983)</u>
LOAN PAYABLE, NET	<u>\$ 4,018,060</u>

Principal payments are due as follows:

Year Ending August 31,

2025	\$ 51,111
2026	78,974
2027	81,832
2028	84,793
2029	87,862
Thereafter	<u>3,675,471</u>
	<u>\$ 4,060,043</u>

The loan agreements contain various covenants, which among other things, place restrictions on the Organization's ability to incur additional indebtedness and requires the Organization to maintain certain financial ratios.

Interest expense related to the note payable totaled \$147,006 for the year ended August 31, 2024 and is included in occupancy expense in the accompanying Statement of Functional Expenses.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at August 31, 2024:

Subject to expenditure for specified purpose:	
Building purchase, renovation and capacity building	\$ 2,035,792
Academics	74,967
Youth Development	11,118
Accumulated endowment earnings not yet appropriated for expenditure	<u>9,870</u>
Subtotal	2,131,747
Subject to passage of time	130,700
Endowment to be invested in perpetuity	<u>67,125</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 2,329,572</u>

HORTON'S KIDS, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2024

5. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following net assets with donor restrictions were released from donor restrictions either by incurring expenses which satisfied the restricted purposes specified by the donors or through the passage of time during the year ended August 31, 2024:

Purpose restrictions accomplished:	
Building Renovations	\$ 117,715
Academics	776,527
Health and Wellness	253,514
Youth Development	638,752
Community Engagement	<u>217,877</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>2,004,385</u>

6. LIQUIDITY AND AVAILABILITY

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due. Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 1,865,795
Investments	2,251,116
Grants and contributions receivable	<u>1,125,097</u>
Subtotal financial assets available	5,242,008
Less: Donor restricted funds	<u>(2,329,572)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>2,912,436</u>

7. CONTRIBUTED NONFINANCIAL ASSETS

The Organization was the beneficiary of certain contributed nonfinancial assets which allowed the Organization to provide greater resources towards its various programs. No donor-imposed restrictions were associated with the contributed nonfinancial assets, which are recorded at their estimated fair market value as of the date of the gift. In addition, none of the donated goods were monetized through sale.

The contributed nonfinancial assets consisted of the following for the year ended August 31, 2024:

Marketing	\$ 83,133
Professional fees	71,427
Program supplies	169,492
Use of space	69,366
Technology and equipment	<u>106,749</u>
TOTAL CONTRIBUTED NONFINANCIAL ASSETS	\$ <u>500,167</u>

HORTON'S KIDS, INC.

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2024**

7. CONTRIBUTED NONFINANCIAL ASSETS (Continued)

The contributed nonfinancial assets have been recorded in support and in the following functional expense categories for the year ended August 31, 2024:

Academics	\$	115,817
Communications and Marketing		92,933
Health and Wellness		142,603
Community and Family Engagement		43,034
Youth Development		90,437
Fundraising		8,404
Management and General		<u>6,939</u>
TOTAL CONTRIBUTED NONFINANCIAL ASSETS	\$	<u>500,167</u>

8. RETIREMENT PLAN

The Organization provides retirement benefits to its employees through a defined contribution plan (the Plan). In accordance with the provisions of the Plan, the Organization contributes a percentage of a participant's salary to the Plan. The Organization's contributions to the Plan totaled \$25,631 for the year ended August 31, 2024, and have been included benefits in the accompanying Statement of Functional Expenses.

9. ENDOWMENT

The Organization's endowment funds consist of donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law -

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted by Washington, D.C., as requiring the preservation of the fair value of the original gift made to the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

As a result, of this interpretation, the Organization classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Additionally, in accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

HORTON'S KIDS, INC.

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2024**

9. ENDOWMENT (Continued)

Return Objectives and Risk Parameters -

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. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

The Organization has a policy of appropriating for distribution each year based off of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to gradually grow annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies -

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 maintain as a fund of perpetual duration. However, there were no funds with deficiencies as of August 31, 2024.

Endowment net asset composition by type of fund as of August 31, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 67,125	\$ 67,125
Accumulated investment earnings	<u>-</u>	<u>9,870</u>	<u>9,870</u>
TOTAL ENDOWMENT FUNDS	<u>\$ -</u>	<u>\$ 76,995</u>	<u>\$ 76,995</u>

HORTON'S KIDS, INC.

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2024

9. ENDOWMENT (Continued)

Changes in endowment net assets for the year ended August 31, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 57,581	\$ 57,581
Investment earnings	-	9,664	9,664
Contributions	-	11,250	11,250
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(1,500)</u>	<u>(1,500)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 76,995</u>	<u>\$ 76,995</u>

10. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 10, 2024, the date the financial statements were issued.