

Financial Statements



**For the Year Ended August 31, 2025
With Summarized Financial
Information for 2024**

Horton's Kids, Inc.

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For the Year Ended August 31, 2025
With Summarized Financial Information for 2024

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statement of Horton's Kids, Inc. (the Organization), which comprise the statement of financial position as of August 31, 2025, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of August 31, 2025, 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 (GAAS). 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.

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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.

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 GAAS 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 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 GAAS, 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 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 10, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

February 26, 2026

Horton's Kids, Inc.

Statement of Financial Position
As of August 31, 2025
With Summarized Financial Information for 2024

ASSETS

	<u>2025</u>	<u>2024</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,416,972	\$ 1,865,795
Investments	1,642,395	2,251,116
Grants and contributions receivable	643,817	1,093,265
Prepaid expenses	90,917	53,575
Total current assets	<u>3,794,101</u>	<u>5,263,751</u>
FIXED ASSETS		
Land	1,228,376	1,228,376
Buildings	5,016,707	4,964,910
Furniture and equipment	225,457	209,527
Vehicles	22,797	22,797
Leasehold improvements	32,288	32,288
	<u>6,525,625</u>	<u>6,457,898</u>
Less: Accumulated depreciation and amortization	(700,030)	(481,971)
Net fixed assets	<u>5,825,595</u>	<u>5,975,927</u>
NONCURRENT ASSETS		
Grants and contributions receivable, net	259,636	31,832
TOTAL ASSETS	<u>\$ 9,879,332</u>	<u>\$ 11,271,510</u>

See accompanying notes to financial statements.

Horton's Kids, Inc.

Statement of Financial Position
As of August 31, 2025
With Summarized Financial Information for 2024

LIABILITIES AND NET ASSETS

	<u>2025</u>	<u>2024</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 175,485	\$ 265,843
Loan payable	78,267	50,178
Construction project payable	47,152	129,018
Total current liabilities	<u>300,904</u>	<u>445,039</u>
NONCURRENT LIABILITIES		
Loan payable, net	3,890,213	3,967,882
Total liabilities	<u>4,191,117</u>	<u>4,412,921</u>
NET ASSETS		
Without donor restrictions	3,982,821	4,529,017
With donor restrictions	1,705,394	2,329,572
Total net assets	<u>5,688,215</u>	<u>6,858,589</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,879,332</u>	<u>\$ 11,271,510</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, 2025
With Summarized Financial Information for 2024**

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 2,921,027	\$ 344,395	\$ 3,265,422	\$ 6,896,548
Contributed nonfinancial assets	376,690	342,986	719,676	500,167
Net investment return	168,418	7,495	175,913	201,540
Events	90,820	-	90,820	95,910
Net assets released from donor restrictions	1,319,054	(1,319,054)	-	-
Total support and revenue	4,876,009	(624,178)	4,251,831	7,694,165
EXPENSES				
Program Services:				
Academics	1,110,614	-	1,110,614	1,187,735
Communications and Marketing	321,107	-	321,107	409,250
Health and Wellness	750,914	-	750,914	838,648
Community and Family Engagement	859,492	-	859,492	856,119
Youth Development	1,043,224	-	1,043,224	1,058,626
Total program services	4,085,351	-	4,085,351	4,350,378
Supporting Services:				
Management and General	506,547	-	506,547	461,684
Fundraising	830,307	-	830,307	798,809
Total supporting services	1,336,854	-	1,336,854	1,260,493
Total expenses	5,422,205	-	5,422,205	5,610,871
Change in net assets	(546,196)	(624,178)	(1,170,374)	2,083,294
Net assets at beginning of year	4,529,017	2,329,572	6,858,589	4,775,295
NET ASSETS AT END OF YEAR	\$ 3,982,821	\$ 1,705,394	\$ 5,688,215	\$ 6,858,589

See accompanying notes to financial statements.

Horton's Kids, Inc.

**Statement of Functional Expenses
For the Year Ended August 31, 2025
With Summarized Financial Information for 2024**

	2025					
	Program Services					
	Academics	Communications and Marketing	Health and Wellness	Community and Family Engagement	Youth Development	Total Program Services
Salaries, wages, benefits and taxes	\$ 706,036	\$ 90,550	\$ 380,656	\$ 462,721	\$ 472,589	\$ 2,112,552
Program supplies, activity fees and transportation	135,102	-	196,340	192,354	358,969	882,765
Professional fees	52,044	65,834	29,947	36,938	36,384	221,147
Occupancy expense	94,862	6,467	56,214	68,588	78,155	304,286
Depreciation and amortization	41,968	10,037	41,969	41,969	41,969	177,912
Event supplies and entertainment	-	79,620	-	-	-	79,620
Licenses and fees	17,427	5,341	5,907	7,074	8,248	43,997
Staff development	16,597	1,315	8,382	11,012	10,920	48,226
Insurance	12,906	3,442	12,906	12,906	12,906	55,066
Computer services and telecommunications	16,915	1,293	9,187	12,206	11,575	51,176
Advertising and promotion	-	52,417	-	-	-	52,417
Office supplies, postage, printing and office expenses	9,804	1,741	4,951	6,505	6,451	29,452
Development and volunteer expenses	918	2,591	918	918	918	6,263
Furniture and equipment	6,035	459	3,537	6,301	4,140	20,472
Bad debt expense	-	-	-	-	-	-
TOTAL	\$ 1,110,614	\$ 321,107	\$ 750,914	\$ 859,492	\$ 1,043,224	\$ 4,085,351

See accompanying notes to financial statements.

Horton's Kids, Inc.

**Statement of Functional Expenses
For the Year Ended August 31, 2025
With Summarized Financial Information for 2024**

	2025 (Continued)			2024	
	Supporting Services				
	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries, wages, benefits and taxes	\$ 311,462	\$ 380,159	\$ 691,621	\$ 2,804,173	\$ 3,047,458
Program supplies, activity fees and transportation	-	-	-	882,765	790,119
Professional fees	95,417	183,307	278,724	499,871	497,473
Occupancy expense	22,795	27,699	50,494	354,780	394,384
Depreciation and amortization	20,073	20,073	40,146	218,058	225,480
Event supplies and entertainment	-	126,419	126,419	206,039	177,701
Licenses and fees	7,132	41,412	48,544	92,541	68,987
Staff development	19,034	5,631	24,665	72,891	63,371
Insurance	6,883	6,883	13,766	68,832	53,575
Computer services and telecommunications	4,558	5,539	10,097	61,273	59,585
Advertising and promotion	-	-	-	52,417	76,583
Office supplies, postage, printing and office expenses	14,401	3,576	17,977	47,429	50,159
Development and volunteer expenses	-	27,644	27,644	33,907	32,433
Furniture and equipment	1,617	1,965	3,582	24,054	19,084
Bad debt expense	3,175	-	3,175	3,175	54,479
TOTAL	\$ 506,547	\$ 830,307	\$ 1,336,854	\$ 5,422,205	\$ 5,610,871

See accompanying notes to financial statements.

Horton's Kids, Inc.

Statement of Cash Flows
For the Year Ended August 31, 2025
With Summarized Financial Information for 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,170,374)	\$ 2,083,294
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	218,058	225,480
Unrealized gain	(1,588)	(96,001)
Realized gain	(44,426)	(72,394)
Contributions invested in perpetuity	(34,750)	(11,250)
Change in discount on long-term receivables	44,546	(29,774)
Receipt of donated securities	(29,309)	(91,473)
Proceeds from sale of donated securities	27,063	92,548
Decrease (increase) in:		
Grants and contributions receivable	177,098	756,033
Prepaid expenses	(37,342)	(13,255)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(90,358)	194,416
Net cash (used) provided by operating activities	(941,382)	3,037,624
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(149,592)	(141,818)
Purchases of investments	(388,013)	(3,034,927)
Proceeds from sale of investments	1,044,994	1,446,882
Net cash provided (used) by investing activities	507,389	(1,729,863)
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Payments on loan payable	(49,580)	-
Contributions invested in perpetuity	34,750	11,250
Net cash (used) provided by financing activities	(14,830)	11,250
Net (decrease) increase in cash and cash equivalents	(448,823)	1,319,011
Cash and cash equivalents at beginning of year	1,865,795	546,784
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,416,972	\$ 1,865,795
SUPPLEMENTAL INFORMATION		
Interest Paid	\$ 147,362	\$ 147,006
Fixed Assets Included in Construction Project Payable at Year-End	\$ 47,152	\$ 80,242

See accompanying notes to financial statements.

Horton's Kids, Inc.

Notes to Financial Statements

August 31, 2025

1. Summary of Significant Accounting Policies

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 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 place-based services, and expand its reach in the community.

Program Services

The Organization addresses community needs through a wraparound, place-based model grounded in three integrated program pillars: Educational Attainment, Family Stability, and Safety & Belonging.

- **Educational Attainment** programming includes year-round after-school and summer learning, high-impact literacy and math tutoring, STEAM enrichment, mentorship, social-emotional learning, school advocacy, and college and career readiness support. Students attend programming multiple days per week and receive individualized academic and behavioral supports aligned with school data.
- **Family Stability** programming reduces barriers to participation and stabilizes households through food distribution, emergency cash assistance, benefits navigation, housing advocacy, health and wellness referrals, caregiver education, and leadership opportunities. By meeting basic needs and strengthening caregiver capacity, families are better able to support their children's learning and well-being.
- **Safety & Belonging** initiatives focus on trauma-informed supports, restorative justice practices, mental health services, youth and caregiver leadership, and community safety efforts. These programs foster trust, resilience, and connection—conditions necessary for children to thrive academically and socially.

All services are offered within walking distance of families' homes through Horton's Hub and Community Resource Centers located inside housing communities, ensuring access regardless of academic performance or behavioral history.

Horton's Kids, Inc.

Notes to Financial Statements

August 31, 2025

1. Summary of Significant Accounting Policies (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 non-profit 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". Net assets set aside 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 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, 2024, from which the summarized information was derived.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less to be cash equivalents, excluding money market funds held by investment managers in the amount of \$482,839 as of August 31, 2025. 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.

Horton's Kids, Inc.

Notes to Financial Statements

August 31, 2025

1. Summary of Significant Accounting Policies (Continued)

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.

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 totaled \$218,058 for the year ended August 31, 2025.

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 to its current fair value, and a loss is reported in the accompanying Statement of Activities and Change in Net Assets.

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.

Horton's Kids, Inc.

Notes to Financial Statements

August 31, 2025

1. Summary of Significant Accounting Policies (Continued)

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 is included in Interest expense in the accompanying Statement of Functional Expenses and totaled \$1,050 for the year ended August 31, 2025.

Revenue from Contracts with Customers

The Organization's events revenue is treated as exchange transaction revenue following ASC Topic 606. Revenue from contracts with customers is recorded when the performance obligations are met. The Organization has elected to opt out of all disclosures not required for nonpublic entities. Transaction price is based on cost. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue. The Organization's contracts with customers generally have initial terms of one year or less.

Events revenue has elements of both exchange transaction revenue and support from contributions. Events revenue includes ticket sales and sponsorships. The portion of events revenue that provides a benefit to the donor in return is based on the cost of those performance obligations. For the exchange transaction portion of special events revenue, the performance obligation is met when the event occurs.

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 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. 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. Contributions that are both received and released from restrictions in the same year are classified as without donor restrictions.

Horton's Kids, Inc.

Notes to Financial Statements

August 31, 2025

1. Summary of Significant Accounting Policies (Continued)

Support from Grants and Contributions (Continued)

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, 2025.

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 \$175,000 as of August 31, 2025.

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 that is leased at below market rates. 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 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 is included with Advertising and promotion expense in the accompanying Statement of Functional Expenses and totaled \$52,417 for the year ended August 31, 2025.

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, 2025

1. Summary of Significant Accounting Policies (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 included are primarily due to bifurcating contributions and exchange revenues. The reclassifications had no effect on the previously reported change in net assets.

2. Investments and Fair Value Measurements

In accordance with 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 accompanying 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.

Horton's Kids, Inc.

Notes to Financial Statements
August 31, 2025

2. Investments and Fair Value Measurements (Continued)

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, 2025. 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.
- *Securities, 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, 2025:

	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 482,839	\$ -	\$ -	\$ 482,839
Securities	81,203	-	-	81,203
Exchange-traded and closed end funds	359,615	-	-	359,615
Mutual funds	718,738	-	-	718,738
TOTAL INVESTMENTS	<u>\$ 1,642,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,642,395</u>

Net investment return consisted of the following for the year ended August 31, 2025:

Interest and dividends	\$ 144,153
Unrealized gain	1,588
Realized gain	44,426
Investment fees	(14,254)
NET INVESTMENT RETURN	<u>\$ 175,913</u>

Horton's Kids, Inc.

Notes to Financial Statements August 31, 2025

3. Grants and Contributions Receivable

The Organization has received written promises to give from various donors totaling \$954,867 as of August 31, 2025. 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 a discount rate of 3.56%.

Grants and contributions receivable consisted of the following as of August 31, 2025:

Pledges receivable	\$ 644,867
Donated rent	310,000
TOTAL GRANTS AND CONTRIBUTIONS RECEIVABLE	<u>\$ 954,867</u>

Grants and contributions receivable are expected to be collected as follows as of August 31, 2025:

Less than one year	\$ 643,817
One to five years	187,050
Beyond five years	124,000
Subtotal	<u>954,867</u>
Less: Allowance to discount balance to present value	(51,414)
NET GRANTS AND CONTRIBUTIONS RECEIVABLE	<u>\$ 903,453</u>

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.

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 is repaying 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, 2025, the outstanding loan balance is \$3,968,480.

As of August 31, 2025, the total outstanding balance of the Loan payable is as follows:

Loan payable	\$ 4,008,480
Less deferred financing costs	(40,000)
LOAN PAYABLE, NET	<u>\$ 3,968,480</u>

Horton's Kids, Inc.

Notes to Financial Statements
August 31, 2025

4. Loan Payable (Continued)

Future maturities of the note payable are as follows as of August 31, 2025:

Year Ending August 31,	
2026	\$ 78,267
2027	81,832
2028	84,793
2029	87,862
2030	91,041
Thereafter	3,584,685
TOTAL	\$ 4,008,480

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 \$147,362 for the year ended August 31, 2025 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 as of August 31, 2025:

Subject to Expenditure for Specified Purpose:

Community Engagement	\$ 261,260
Health and Wellness	153,930
Capacity Building	340,368
Youth Development	197,910
Debt Service	80,000
Academics	234,900
Accumulated Endowment Earnings not yet Appropriated for Expenditure	14,365
Subtotal	1,282,733
Subject to passage of time	320,786
Endowment to be invested in perpetuity	101,875
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 1,705,394

Horton's Kids, Inc.

Notes to Financial Statements
August 31, 2025

5. Net Assets with Donor Restrictions (Continued)

The following net assets with donor restrictions were released for 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, 2025:

Building Renovations	\$ 221,228
Academics	351,172
Health and Wellness	146,554
Youth Development	322,748
Community Engagement	230,152
Timing Restrictions Accomplished	47,200
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u><u>\$ 1,319,054</u></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 as of August 31, 2025:

Cash and cash equivalents	\$ 1,416,972
Investments	1,642,395
Grants and contributions receivable	644,867
Subtotal financial assets available	<u>3,704,234</u>
Less: Donor-restricted funds	<u>(1,409,608)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u><u>\$ 2,294,626</u></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. To properly reflect total expenses, contributed nonfinancial assets have been included in revenue and expense for the year ended August 31, 2025. Donated rent of \$295,786 is considered time restricted and is included with net assets with donor restrictions as of August 31, 2025. In addition, none of the donated goods were monetized through sale.

Horton's Kids, Inc.

Notes to Financial Statements
August 31, 2025

7. Contributed Nonfinancial Assets (Continued)

The contributed nonfinancial assets consisted of the following for the year ended August 31, 2025:

Marketing	\$	52,417
Professional fees		71,363
Program supplies		213,237
Space		342,986
Technology and equipment		39,673
TOTAL CONTRIBUTED NONFINANCIAL ASSETS	\$	719,676

The contributed nonfinancial assets have been recorded in support and in the following functional expense categories for the year ended August 31, 2025:

Academics	\$	71,382
Communications and Marketing		54,252
Health and Wellness		183,655
Community and Family Engagement		54,113
Youth Development		46,162
Fundraising		7,859
Management and General		6,467
TOTAL CONTRIBUTED NONFINANCIAL ASSETS	\$	423,890

Donated space received by the Organization is recorded as contributed nonfinancial assets revenue with a corresponding entry to contributions receivable or lease expense depending on the period in which the donated space is used by the Organization. The Organization valued the donated space by comparing the estimated market value rate for comparable spaces versus the amount actually paid by the Organization.

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 \$21,536 for the year ended August 31, 2025, and have been included in Benefits in the accompanying Statement of Functional Expenses.

9. Endowment Funds

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

Horton's Kids, Inc.

Notes to Financial Statements

August 31, 2025

9. Endowment Funds (Continued)

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.

Return Objectives and Risk Parameters -

The Organization has adopted an investment policy for endowment assets that attempts 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.

Horton's Kids, Inc.

Notes to Financial Statements
August 31, 2025

9. Endowment Funds (Continued)

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, 2025.

Endowment net assets consisted of the following as of August 31, 2025:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions: Available for Appropriation</u>	<u>With Donor Restrictions: Held in Perpetuity</u>	<u>Total with Donor Restrictions</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ -	\$ 101,875	\$ 101,875
Accumulated investment earnings	-	14,365	-	14,365
TOTAL ENDOWMENT FUNDS	\$ -	\$ 14,365	\$ 101,875	\$ 116,240

Horton's Kids, Inc.

Notes to Financial Statements
August 31, 2025

9. Endowment Funds (Continued)

Changes in endowment net assets consisted of the following as of and for the year ended August 31, 2025:

	Without Donor Restrictions	With Donor Restrictions: Available for Appropriation	With Donor Restrictions: Held in Perpetuity	Total with Donor Restrictions
Endowment funds, beginning of year	\$ -	\$ 9,870	\$ 67,125	\$ 76,995
Contributions	-	-	34,750	34,750
Net investment return	-	7,495	-	7,495
Appropriation of endowment assets for expenditure	-	(3,000)	-	(3,000)
ENDOWMENT NET ASSETS, END OF YEAR	\$ -	\$ 14,365	\$ 101,875	\$ 116,240

10. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 26, 2026, the date the financial statements were issued.