

**HORIZONS NATIONAL STUDENT
ENRICHMENT PROGRAM, INC.**

Independent Auditors' Report
Financial Statements

December 31, 2018 and 2017

HORIZONS NATIONAL STUDENT ENRICHMENT PROGRAM, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Horizons National Student Enrichment Program, Inc.

We have audited the accompanying financial statements of Horizons National Student Enrichment Program, Inc., which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities, cash flows and functional expenses 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of 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 auditors' 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 Horizons National Student Enrichment Program, Inc. as of December 31, 2018 and 2017, 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.

Whittlesey PC

Hamden, Connecticut
May 3, 2019

HORIZONS NATIONAL STUDENT ENRICHMENT PROGRAM, INC.

Statements of Financial Position

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,913,800	\$ 1,405,222
Short-term investments	356,563	1,204,691
Grants and pledges receivable	378,760	97,000
Prepaid expenses	<u>19,766</u>	<u>25,399</u>
Total Current Assets	3,668,889	2,732,312
Investments	291,233	309,358
Property and equipment, net of accumulated depreciation	6,320	8,568
Security deposit	<u>24,973</u>	<u>24,973</u>
Total Assets	<u><u>\$ 3,991,415</u></u>	<u><u>\$ 3,075,211</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 97,840	\$ 35,981
Designated funds payable	<u>10,943</u>	<u>11,960</u>
Total Liabilities	<u>108,783</u>	<u>47,941</u>
Net Assets		
Net assets without donor restrictions		
Undesignated	3,164,472	1,259,297
Board designated - reserve	<u>99,844</u>	<u>94,969</u>
Total net assets without donor restrictions	3,264,316	1,354,266
Net assets with donor restrictions	<u>618,316</u>	<u>1,673,004</u>
Total Net Assets	<u><u>3,882,632</u></u>	<u><u>3,027,270</u></u>
Total Liabilities and Net Assets	<u><u>\$ 3,991,415</u></u>	<u><u>\$ 3,075,211</u></u>

The accompanying notes are an integral part of these financial statements.

HORIZONS NATIONAL STUDENT ENRICHMENT PROGRAM, INC.

Statement of Activities

For the Year Ended December 31, 2018

(with comparative totals for the year ended December 31, 2017)

	Without Donor Restrictions		Total Without Donor Restrictions	With Donor Restrictions	Total	
	Operating	Board Designated			2018	2017
Revenues and Other Support						
Contributions	\$ 5,036,987	\$ -	\$ 5,036,987	\$ 536,000	\$ 5,572,987	\$ 3,995,420
In-kind contributions	10,250	-	10,250	-	10,250	11,075
Investment income (loss)	6,964	4,875	11,839	(15,366)	(3,527)	54,146
Total	5,054,201	4,875	5,059,076	520,634	5,579,710	4,060,641
Net assets released from restriction	1,575,322	-	1,575,322	(1,575,322)	-	-
Total Revenues and Other Support	6,629,523	4,875	6,634,398	(1,054,688)	5,579,710	4,060,641
Expenses						
Program services	3,599,886	-	3,599,886	-	3,599,886	3,422,878
Supporting services						
Management and general	542,585	-	542,585	-	542,585	524,366
Fundraising	581,877	-	581,877	-	581,877	339,383
Total Expenses	4,724,348	-	4,724,348	-	4,724,348	4,286,627
Change in Net Assets	1,905,175	4,875	1,910,050	(1,054,688)	855,362	(225,986)
Net Assets at Beginning of Year	1,259,297	94,969	1,354,266	1,673,004	3,027,270	3,253,256
Net Assets at End of Year	\$ 3,164,472	\$ 99,844	\$ 3,264,316	\$ 618,316	\$ 3,882,632	\$ 3,027,270

The accompanying notes are an integral part of these financial statements.

HORIZONS NATIONAL STUDENT ENRICHMENT PROGRAM, INC.

Statements of Cash Flows

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 855,362	\$ (225,986)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,248	2,393
Net realized and unrealized (gain) loss on investments	32,851	(29,390)
Change in operating assets and liabilities:		
Grants and pledges receivable	(281,760)	1,453,000
Prepaid expenses	5,633	20,375
Accounts payable and accrued expenses	61,859	3,157
Designated funds payable	<u>(1,017)</u>	<u>9,107</u>
Net Cash Provided by Operating Activities	<u>675,176</u>	<u>1,232,656</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	-	(7,502)
Purchase of short-term investments	(305,000)	(1,654,000)
Proceeds from sales of short-term investments	1,139,067	1,278,607
Purchase of investments	(33,370)	(42,480)
Proceeds from sales of investments	<u>32,705</u>	<u>40,634</u>
Net Cash Provided by (Used in) Investing Activities	<u>833,402</u>	<u>(384,741)</u>
Net Increase in Cash and Cash Equivalents	1,508,578	847,915
Cash and Cash Equivalents at Beginning of Year	<u>1,405,222</u>	<u>557,307</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 2,913,800</u></u>	<u><u>\$ 1,405,222</u></u>

The accompanying notes are an integral part of these financial statements.

HORIZONS NATIONAL STUDENT ENRICHMENT PROGRAM, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2018

(with comparative totals for the year ended December 31, 2017)

				Total	
	Program	Management and General	Fundraising	2018	2017
Salaries	\$ 1,813,772	\$ 143,752	\$ 205,646	\$2,163,170	\$1,806,978
Payroll taxes	84,438	40,972	13,760	139,170	128,103
Employee benefits	77,360	67,996	63,336	208,692	186,156
Marketing and consultants	76,750	141,341	179,743	397,834	210,448
Supplies and miscellaneous	39,685	13,882	7,996	61,563	62,109
Printing and postage	4,410	463	3,051	7,924	30,409
Insurance	3,059	2,773	2,620	8,452	6,462
Legal and professional fees	30,286	64,895	2,626	97,807	80,581
Affiliate support	1,340,354	-	-	1,340,354	1,526,747
Conferences and meetings	29,382	9,000	41,510	79,892	71,407
Fundraising events	-	-	43,906	43,906	-
Depreciation	1,484	737	27	2,248	2,393
Occupancy expense	97,065	55,274	16,146	168,485	165,260
Repairs and maintenance	165	150	141	456	448
Telephone	1,676	1,350	1,369	4,395	9,126
Total	<u>\$3,599,886</u>	<u>\$ 542,585</u>	<u>\$ 581,877</u>	<u>\$4,724,348</u>	<u>\$4,286,627</u>

The accompanying notes are an integral part of these financial statements.

HORIZONS NATIONAL STUDENT ENRICHMENT PROGRAM, INC.

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 1 - ORGANIZATION

Horizons National Student Enrichment Program, Inc. (the Organization) is headquartered in Westport, Connecticut and oversees and supports an affiliate network (Affiliates) of programs on 59 campuses throughout the country. The Organization provides training, program development and implementation, and consulting and support for adherence to the program model. The program budget for all affiliates is in excess of \$14.8 million not including the value of services provided by the host schools. Horizons programs offer a six-week full scholarship summer program (including extended school year and high school supports) that provides academic, athletic, and cultural opportunities to low-income children from surrounding communities, and is designed to encourage a diverse population of low-income students to realize their full potential. The primary function of the Organization is to expand Horizon's programs and to support the Affiliates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents - The Organization considers investments with an original maturity date of three months or less to be cash equivalents.

Basis of Presentation - The financial statements of the Organization comply with the *Financial Statements of Not-for-Profit Organizations* topic of the FASB Codification. Under this topic, the Organization reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

New Accounting Pronouncement - On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

HORIZONS NATIONAL STUDENT ENRICHMENT PROGRAM, INC.

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions - In accordance with financial accounting standards, the Organization records contributions received as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions.

Cash - The Organization maintains its cash accounts in a brokerage firm. Cash and securities accounts at the brokerage firm are insured by the Securities Investors Protection Corporation (SIPC) up to \$500,000, which includes a \$250,000 limit for cash. At various times throughout the year, the Organization's cash on deposit may exceed the insured balances.

Grants and Pledges Receivable - At December 31, 2018, one receivable comprised 88% of total grants and pledges receivable. At December 31, 2017, three receivables comprised 98% of total grants and pledges receivable.

Allowance for Doubtful Accounts - An allowance for doubtful accounts is established and evaluated periodically for adequacy based upon management's evaluation of past loss experience, known and inherent risks in its accounts, plus other factors which could affect collectability. At December 31, 2018 and 2017, the Organization determined that no allowance for doubtful accounts was necessary.

Investments - Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Realized gains or losses and unrealized appreciation or depreciation are reflected in the accompanying statement of activities.

Property and Equipment and Depreciation - Property and equipment is recorded at cost when purchased and fair value when donated. Depreciation is computed using the straight-line method over the estimated useful lives of 3 - 5 years of the respective assets. Depreciation expense was \$2,248 for the year ended December 31, 2018 and \$2,393 for the year ended December 31, 2017.

Agency Transactions - The Organization follows financial accounting standards related to transfers of assets to a not-for-profit organization or charitable trust that raises or holds contributions for others. These accounting standards establish principles for transactions in which a donor makes an irrevocable contribution to a beneficiary by transferring assets through another entity, the recipient. The standards require that when a recipient organization is acting like an agent for the ultimate beneficiary organizations, the recipient organization is to recognize the fair value of the assets, as well as the liability to the specified beneficiary instead of recognizing a contribution. For the years ended December 31, 2018 and 2017, the Organization received donations and pledges totaling \$131,890 and \$219,720, respectively, intended for Horizons affiliate programs. During the years ended December 31, 2018 and 2017, \$132,908 and \$210,613, respectively, were remitted to the Horizons affiliate programs. The remaining amount to be remitted totaling \$10,943 and \$11,960 is reflected as a current liability on the statements of financial position at December 31, 2018 and 2017, respectively.

HORIZONS NATIONAL STUDENT ENRICHMENT PROGRAM, INC.

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect certain reporting amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes - The Organization is a Connecticut non-stock corporation that is exempt from taxes under Section 501(a) of the Internal Revenue Code as an organization described under Section 501(c)(3) of the code. A ruling from the Internal Revenue Service has determined that the Organization will be treated as a publicly supported organization, and not a private foundation. This qualifies the Organization for the 50% charitable contribution deduction for individual donors. Consequently, the accompanying financial statements do not include any provision for income taxes.

Accounting for Uncertain Tax Positions - The Organization follows the Income Taxes Topic of the FASB Accounting Standards Codification, which provides clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Management of the Organization is of the opinion that the Organization has not taken any material tax positions that would require the recording of any tax liability by the Organization. Therefore, at December 31, 2018 and 2017, no significant income tax uncertainties have been included in the statement of financial position. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in interest expense and operating expenses, respectively. No interest and penalties were recorded during the years ended December 31, 2018 and 2017. The tax returns for the years ended December 31, 2015 and forward are subject to examination by the taxing authorities.

Contributed Goods or Services - In-kind contributions consist of donated professional services. The total amount of in-kind contributions recognized for the years ended December 31, 2018 and 2017 was \$10,250 and \$11,075, respectively.

Functional Expenses - The Organization allocates expenses on a functional basis among its various programs (affiliate services, expansion, evaluation, development and general and administrative). Expenses that can be identified with a specific program are allocated directly according to their natural expense classification. Common expenses that benefit all functional areas of the Organization (professional fees, occupancy, depreciation) are allocated to the various programs based on a percentage of payroll costs charged to the specific program in relation to total payroll costs of the Organization as a whole.

Subsequent Events - Management has evaluated events and transactions subsequent to December 31, 2018 through May 3, 2019, the date the financial statements were available to be issued, and has determined that there are no material events that would require disclosure in the financial statements.

HORIZONS NATIONAL STUDENT ENRICHMENT PROGRAM, INC.

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 2,913,800	\$ 1,405,222
Short-term investments	356,563	1,204,691
Grants and pledges receivable	378,760	97,000
Other investments	<u>291,233</u>	<u>309,358</u>
Total financial assets	3,940,356	3,016,271
Less, amounts not available to be used within one year:		
Net assets with donor and board restrictions	<u>718,160</u>	<u>1,767,973</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,222,196</u>	<u>\$ 1,248,298</u>

The Organization's goal is generally to maintain financial assets by receiving support from various sources including individual, corporate, foundation and Board contributions, as well as income from investment sources.

NOTE 4 - INVESTMENTS

Short-Term Investments - Short-term investments consist of certificates of deposit maturing in one year or less and are presented on the statement of financial position as current assets. As of December 31, 2018 and 2017 short-term investments had a cost basis that approximated fair value.

Long-Term Investments - Long-term investments are presented in the financial statements at fair market value. Long-term investments are reflected in the accompanying financial statements as follows:

HORIZONS NATIONAL STUDENT ENRICHMENT PROGRAM, INC.

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 4 - INVESTMENTS (continued)

	December 31, 2018		
	Cost	Market Value	Unrealized Gain
Mutual funds	\$ 289,304	\$ 291,233	\$ 1,929
Total investments	<u>\$ 289,304</u>	<u>\$ 291,233</u>	<u>\$ 1,929</u>

	December 31, 2017		
	Cost	Market Value	Unrealized Gain
Mutual funds	\$ 271,442	\$ 309,358	\$ 37,916
Total investments	<u>\$ 271,442</u>	<u>\$ 309,358</u>	<u>\$ 37,916</u>

The following is a summary of investment returns for the years ended December 31, 2018 and 2017:

	2018	2017
Short-term investments		
Dividends and interest	\$ 14,384	\$ 13,688
Net realized and unrealized gain (loss)	<u>(640)</u>	<u>(2,296)</u>
Total return on short-term investments	<u>13,744</u>	<u>11,392</u>
Long-term investments		
Dividends and interest	14,940	11,068
Net realized and unrealized gain (loss)	<u>(32,211)</u>	<u>31,686</u>
Total return on long-term investments	<u>(17,271)</u>	<u>42,754</u>
Total return (loss)	<u>\$ (3,527)</u>	<u>\$ 54,146</u>

HORIZONS NATIONAL STUDENT ENRICHMENT PROGRAM, INC.

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 5 - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 defines fair value, requires certain disclosures about fair value measurements, and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to the valuation techniques used to measure the fair value into three broad levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Observable prices that are based on inputs not quoted in active markets, but corroborated by market data.

Level 3 - Unobservable inputs that are used when little or no market data is available.

In general, and where applicable, the Organization uses quoted prices in active markets for identical assets or liabilities to determine fair value. This pricing methodology applies to Level 1 instruments such as mutual funds and marketable equity securities. If quoted prices in active markets for identical assets or liabilities are not available to determine fair value, then the Organization uses quoted prices for similar assets and liabilities or inputs other than quoted prices that are observable either directly or indirectly. These investments are included in Level 2 and consist primarily of certificates of deposit.

The following table sets forth by level, within the fair value hierarchy, the Organization's fair value measurements at December 31, 2018 and 2017:

	Fair Value Measurement at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 356,563	\$ -	\$ 356,563
Mutual funds	291,233	-	-	291,233
Total	<u>\$ 291,233</u>	<u>\$ 356,563</u>	<u>\$ -</u>	<u>\$ 647,796</u>

HORIZONS NATIONAL STUDENT ENRICHMENT PROGRAM, INC.

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 5 - FAIR VALUE MEASUREMENTS (continued)

	<u>Fair Value Measurement at December 31, 2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 1,204,691	\$ -	\$ 1,204,691
Mutual funds	<u>309,358</u>	<u>-</u>	<u>-</u>	<u>309,358</u>
Total	<u>\$ 309,358</u>	<u>\$ 1,204,691</u>	<u>\$ -</u>	<u>\$ 1,514,049</u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Furniture, fixtures and equipment	\$44,729	\$44,729
Computer software	<u>12,898</u>	<u>12,898</u>
Total	57,627	57,627
Less, accumulated depreciation	<u>51,307</u>	<u>49,059</u>
Property and equipment, net	<u>\$ 6,320</u>	<u>\$ 8,568</u>

HORIZONS NATIONAL STUDENT ENRICHMENT PROGRAM, INC.

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 7 - NET ASSETS

Net assets are as follows at December 31, 2018 and 2017:

	2018	2017
Without donor restrictions:		
Funds available for current operations	\$ 3,164,472	\$ 1,259,297
Board designated for reserve	99,844	94,969
Total net assets without donor restrictions	<u>3,264,316</u>	<u>1,354,266</u>
Time and purpose restrictions:		
Expansion	159,915	110,000
High school programming	138,655	357,602
Summer learning/Leveraged learning	50,000	-
Affiliates support	44,793	73,874
Endowment	39,493	54,859
HSBC operations	-	850,000
STEM programs	25,000	60,000
Reading specialists	4,791	15,000
Total net assets with time and purpose restrictions	<u>462,647</u>	<u>1,521,335</u>
Held in perpetuity:		
Endowment	155,669	151,669
Total net assets held in perpetuity	<u>155,669</u>	<u>151,669</u>
Total net assets	<u><u>\$ 3,882,632</u></u>	<u><u>\$ 3,027,270</u></u>

Net assets released from restriction were as follows for the years ended December 31, 2018 and 2017:

	2018	2017
HSBC operations	\$ 850,000	650,000
Affiliates support	159,081	326,126
High school programming	395,949	215,392
STEM programs	35,000	195,986
College and career readiness	-	185,998
Expansion	75,083	116,654
Reading specialists	<u>60,209</u>	<u>15,000</u>
Total	<u><u>\$ 1,575,322</u></u>	<u><u>\$ 1,705,156</u></u>

HORIZONS NATIONAL STUDENT ENRICHMENT PROGRAM, INC.

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 8 - ENDOWMENT FUNDS

The Organization maintains permanent endowment funds that are recorded as a part of the Organization's net assets. Permanent endowment funds include both donor-restricted endowment funds and funds designated by the Organization's Board of Directors to function as endowment (Board-designated endowment funds). Accounting principles generally accepted in the United States of America (GAAP) require net assets associated with endowment funds, including Board-designated endowment funds, to be classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's Board of Directors (Board) has concluded, absent explicit donor stipulations to the contrary, that the Organizations' donor-restricted endowment funds be governed under Connecticut law. These provisions of the Uniform Prudent Management of Institutional Fund Act (UPMIFA) are consistent with the Organization's policy, through which that Organization seeks to balance the dual goals of providing maximum funds while also preserving, over the long-term the inflation-adjusted value of a donor's gift.

The Organization has adopted an investment and spending policy that the primary objective is to provide for the long term sustainability of the Organization and, through annual withdrawals, to enhance the stability of its annual operating income. These investments are to be held as endowment in perpetuity with the objective of maintaining their real purchasing power and providing for a discretionary draw for annual operating purposes.

Because the Organization intends to make regular distributions even when these distributions may temporarily erode a portion of the gift's original value and because the Organization believes that both the value of the original gift and any appreciation on the gift is equally restricted for purposes named by the donor, the Organization records all permanent endowment gifts as permanently restricted. It is the Organization's practice and commitment that every dollar in its permanent endowment funds will be held and managed to meet the dual goals of fund growth and current financial support of the Organization's operations, in accordance with the donor's instructions.

HORIZONS NATIONAL STUDENT ENRICHMENT PROGRAM, INC.

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 8 - ENDOWMENT FUNDS (continued)

The changes in endowment net assets for the years ended December 31, 2018 and 2017 are as follows:

	2018		
	Donor Restricted		
	Time and Purpose	Held in Perpetuity	Total
Endowment net assets, January 1, 2018	\$ 54,859	\$151,669	\$206,528
Investment return			
Dividends and interest	6,466	-	6,466
Net realized and unrealized gain	(21,832)	-	(21,832)
Net investment income	(15,366)	-	(15,366)
Contributions	-	4,000	4,000
Endowment net assets, December 31, 2018	<u>\$ 39,493</u>	<u>\$155,669</u>	<u>\$195,162</u>
	2017		
	Donor Restricted		
	Time and Purpose	Held in Perpetuity	Total
Endowment net assets, January 1, 2017	\$ 30,240	\$146,669	\$176,909
Investment return			
Dividends and interest	3,856	-	3,856
Net realized and unrealized gain	20,763	-	20,763
Net investment income	24,619	-	24,619
Contributions	-	5,000	5,000
Endowment net assets, December 31, 2017	<u>\$ 54,859</u>	<u>\$151,669</u>	<u>\$206,528</u>

HORIZONS NATIONAL STUDENT ENRICHMENT PROGRAM, INC.

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 9 - OPERATING LEASES

The Organization entered into an operating lease for office space during the year ended December 31, 2013. The extended lease agreement states the term is from September 1, 2013 through November 30, 2023. Rent expense for this lease amounted to \$150,733 and \$148,980 for the years ended December 31, 2018 and 2017, respectively.

The future minimum lease payments under non-cancellable operating leases with an initial or remaining lease term in excess of one year consisted of the following at December 31, 2018:

<u>Years Ending December 31,</u>	<u>Amount</u>
2019	\$ 123,894
2020	129,924
2021	133,822
2022	137,839
2023	<u>129,811</u>
Total	<u>\$ 655,290</u>

NOTE 10 - RETIREMENT PLAN

The Organization maintains a 403(b) employer sponsored retirement plan that covers all salaried employees. Retirement expenses for the years ended December 31, 2018 and 2017 were \$100,597 and \$79,413, respectively.