



# **HALCYON HOUSE AND SUBSIDIARIES**

## **Consolidated Financial Statements**

*For the Year Ended December 31, 2022*

*(With Summarized Financial Information for the Year Ended December 31, 2021)*



**and  
Report Thereon**



**HALCYON HOUSE AND SUBSIDIARIES**

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**For the Year Ended December 31, 2022**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
**Halcyon House and Subsidiaries**

### ***Opinion***

We have audited the consolidated financial statements of Halcyon House and Subsidiaries (collectively referred to as the Organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and the changes 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 Auditors' 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 Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements are available to be issued.

## ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

### **Other Matter**

#### ***Report on the Summarized Comparative Financial Statements***

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated September 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Marcum LLP*

Washington, DC  
November 28, 2023

**HALCYON HOUSE AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**December 31, 2022**  
**(With Summarized Financial Information as of December 31, 2021)**

	2022	2021
<b>ASSETS</b>		
Cash	\$ 746,747	\$ 961,078
Accounts receivable	38,189	-
Grants and contributions receivable	612,371	450,759
Notes receivable	79,614	9,202
Other assets	71,078	6,178
Investments	89,590	18,218
Property and equipment, net	12,392	12,214
<b>TOTAL ASSETS</b>	<b>\$ 1,649,981</b>	<b>\$ 1,457,649</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 163,295	\$ 122,333
Notes payable	-	520,912
<b>TOTAL LIABILITIES</b>	<b>163,295</b>	<b>643,245</b>
<b>Net Assets</b>		
Without donor restrictions	839,807	124,665
With donor restrictions	646,879	689,739
<b>TOTAL NET ASSETS</b>	<b>1,486,686</b>	<b>814,404</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,649,981</b>	<b>\$ 1,457,649</b>

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

**HALCYON HOUSE AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2022**  
**(With Summarized Financial Information for the Year Ended December 31, 2021)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
<b>REVENUE AND SUPPORT</b>				
Grants and contributions	\$ 815,262	\$ 2,264,628	\$ 3,079,890	\$ 2,974,182
Donated services and office space	2,406,060	-	2,406,060	2,659,762
Program income				
Facilities fees	14,086	-	14,086	63,865
Forgiveness of PPP loans	510,914	-	510,914	-
Other	404,202	-	404,202	113,158
Investment loss, net	(25,507)	-	(25,507)	(1,087)
Net assets released from restrictions	<u>2,307,488</u>	<u>(2,307,488)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<u>6,432,505</u>	<u>(42,860)</u>	<u>6,389,645</u>	<u>5,809,880</u>
<b>EXPENSES</b>				
Program Services:				
Social enterprise	3,585,683	-	3,585,683	3,189,864
Halcyon Awards	482,709	-	482,709	372,862
Other programs	190,275	-	190,275	125,370
Halcyon Arts Lab	-	-	-	145,451
Festival	-	-	-	35,290
<b>Total Program Services</b>	<u>4,258,667</u>	<u>-</u>	<u>4,258,667</u>	<u>3,868,837</u>
Supporting Services:				
General and administrative	1,267,299	-	1,267,299	1,695,314
Development	191,397	-	191,397	214,910
<b>Total Supporting Services</b>	<u>1,458,696</u>	<u>-</u>	<u>1,458,696</u>	<u>1,910,224</u>
<b>TOTAL EXPENSES</b>	<u>5,717,363</u>	<u>-</u>	<u>5,717,363</u>	<u>5,779,061</u>
<b>CHANGE IN NET ASSETS</b>	715,142	(42,860)	672,282	30,819
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>124,665</u>	<u>689,739</u>	<u>814,404</u>	<u>783,585</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 839,807</u>	<u>\$ 646,879</u>	<u>\$ 1,486,686</u>	<u>\$ 814,404</u>

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

**HALCYON HOUSE AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended December 31, 2022**

**(With Summarized Financial Information for the Year Ended December 31, 2021)**

	Program Services			Supporting Services			2022 Total	2021 Total	
	Social Enterprise	Halcyon Awards	Other Programs	Total Program Services	General and Administrative	Development			Total Supporting Services
In-kind	\$ 1,340,456	\$ 50,972	\$ -	\$ 1,391,428	\$ 1,014,632	\$ -	\$ 1,014,632	\$ 2,406,060	\$ 2,659,762
Salaries and benefits	1,390,172	155,092	163,237	1,708,501	61,595	150,284	211,879	1,920,380	1,734,507
Office supplies	154,857	29,043	13,097	196,997	136,167	15,882	152,049	349,046	392,882
Event fees	152,478	150,745	1,588	304,811	5,214	10,780	15,994	320,805	185,034
Stipends	318,100	-	-	318,100	-	-	-	318,100	382,855
Professional fees	87,338	67,223	4,577	159,138	21,903	4,504	26,407	185,545	227,237
Communications	61,722	12,091	1,577	75,390	7,713	2,384	10,097	85,487	113,250
IT and website services	39,776	5,951	2,886	48,613	12,592	2,605	15,197	63,810	53,579
Travel	30,324	9,580	2,427	42,331	3,146	4,066	7,212	49,543	3,617
Insurance	9,349	1,798	792	11,939	3,876	797	4,673	16,612	23,857
Printing	1,111	214	94	1,419	461	95	556	1,975	1,981
Artists	-	-	-	-	-	-	-	-	500
<b>TOTAL EXPENSES</b>	<b><u>\$ 3,585,683</u></b>	<b><u>\$ 482,709</u></b>	<b><u>\$ 190,275</u></b>	<b><u>\$ 4,258,667</u></b>	<b><u>\$ 1,267,299</u></b>	<b><u>\$ 191,397</u></b>	<b><u>\$ 1,458,696</u></b>	<b><u>\$ 5,717,363</u></b>	<b><u>\$ 5,779,061</u></b>

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

**HALCYON HOUSE AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2022**  
**(With Summarized Financial Information for the Year Ended December 31, 2021)**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 672,282	\$ 30,819
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Gain on forgiveness of PPP loans	(510,914)	-
Realized and unrealized investment loss, net	29,066	1,174
Donated securities, net	(100,437)	(19,392)
Depreciation expense	8,116	3,096
Changes in assets and liabilities:		
Accounts receivable	(38,189)	51,443
Grants and contributions receivable	(161,612)	(160,763)
Notes receivable	(70,412)	(9,202)
Other assets	(64,900)	19,526
Accounts payable and accrued expenses	40,962	40,385
	<u>(196,038)</u>	<u>(42,914)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(8,294)	(8,367)
	<u>(8,294)</u>	<u>(8,367)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of note payable	(9,999)	273,767
	<u>(9,999)</u>	<u>273,767</u>
<b>NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>		
<b>NET (DECREASE) INCREASE IN CASH</b>	(214,331)	222,486
<b>CASH, BEGINNING OF YEAR</b>	<u>961,078</u>	<u>738,592</u>
<b>CASH, END OF YEAR</b>	<u>\$ 746,747</u>	<u>\$ 961,078</u>
<b>Supplemental Schedule of Noncash Investing and Financing Activities:</b>		
Forgiveness of Paycheck Protection Program loans	<u>\$ 510,914</u>	<u>\$ -</u>
Securities received via donation	<u>\$ 100,437</u>	<u>\$ 19,392</u>

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



## HALCYON HOUSE AND SUBSIDIARIES

### NOTES ON CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2022

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#### 1. Organization and Summary of Significant Accounting Policies

##### **Organization**

Halcyon House (Halcyon) evolved from S&R Foundation (the Foundation), a nonprofit organization that supports talented individuals with great potential and high aspirations in science, art, and social entrepreneurship. Halcyon began operating independently as a public 501(c)(3) organization in 2017, with a mission to accelerate the future of impact-driven business by supporting early-stage impact startup founders.

Co-founders Dr. Sachiko Kuno and Kate Goodall shared a vision for innovative businesses to be a tool for solving 21st century challenges. They launched Halcyon as a haven for the founders of those businesses, offering them space, community, and access. Halcyon's incubator provides fellowships that support the many needs of early-stage founders, including funding, skill building, consulting, leadership coaching, and mentorship – all without taking any equity in participating businesses.

Halcyon's headquarters is located in Halcyon House, a historic estate in the heart of Washington, D.C.'s Georgetown neighborhood. The house acts as a hub for social enterprise and impact business in the D.C. area, and acts as a home for fellows participating in residential fellowship programs.

Halcyon also supports impact founders through funding vehicles that invest in their businesses. In November 2018, Halcyon Fund GP, LLC (GP) and Halcyon Investment Management, LLC (IM) were created with Halcyon as the sole member of each. In January 2019, Halcyon Fund LP (LP) was formed with GP as the general partner and the IM was set up to manage its investments. The LP is a fund created to support Halcyon Incubator ventures. In January 2020, Halcyon Angels (Angels) was created with Halcyon as the sole member to foster new interest in impact investing and invest in impact-driven businesses. A third funding vehicle, the Halcyon Microloan Fund, provides microloans to Halcyon ventures in the Washington, D.C. area.

##### **Principles of Consolidation**

The consolidated financial statements include the accounts of Halcyon, GP, IM and Angels (collectively referred to as the Organization). Intercompany balances and transactions have been eliminated in the consolidation.

##### **Basis of Presentation**

The consolidated financial statements are presented using the accrual method of accounting. Revenue is recognized when earned and support is recognized when contributions are made. Expenses are reported when obligations are incurred.

##### **Cash and Cash Equivalents**

For consolidated financial statement purposes, the Organization considers all highly liquid instruments with a maturity of three months or less to be cash and cash equivalents.

## HALCYON HOUSE AND SUBSIDIARIES

### NOTES ON CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2022

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#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### **Financial Risk**

The Organization maintain its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

The Organization holds various investment securities. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

##### **Accounts Receivable**

Accounts Receivable are stated at net realizable value. Management believes that all outstanding accounts receivable are fully collectible and due within one year. Accordingly, no allowance for doubtful accounts has been recognized.

##### **Grants and Contributions Receivable**

Pledges that have not been collected as of year-end are recorded as grants and contributions receivable in the accompanying consolidated statement of financial position. All grants and contributions receivable are due within one year and assumed to be collectible; therefore, no allowance for doubtful accounts is necessary as of December 31, 2022.

##### **Notes Receivable**

Notes receivable consist of programmatic microloans made to eligible Halcyon Fellows. Each loan cannot exceed \$20,000 and is due in accordance with the loan agreement. As of December 31, 2022, there were 8 loans outstanding and all were current in repayment status.

##### **Investments**

Investments consist of marketable equity securities and are reflected at fair value. 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 change in fair value of these investments is recorded as a component of investment income in the statements of activities. The investments are valued based on observable inputs that reflect quoted prices for identical assets in active markets.

##### **Property and Equipment and Related Depreciation and Amortization**

Property and equipment are recorded at cost. All additions in excess of \$1,500 with a useful life of more than one year are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. Computer and office equipment is depreciated on a straight-line basis over the estimated useful life of the assets, which ranges from three to seven years. Leasehold improvements are amortized over the shorter of the lease term or useful life. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation, and any gain or loss is reflected in the accompanying consolidated statement of activities.

## HALCYON HOUSE AND SUBSIDIARIES

### NOTES ON CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2022

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#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### **Classification of Net Assets**

The Organization's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of the Organization's operations.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various purposes or time periods.

##### **Revenue Recognition**

###### *Grants and Contributions*

The Organization recognizes all unconditional contributed support in the period in which the commitment to give is made. Grants and contributions are considered revenue and support without donor restrictions and available for general operations unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as having donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statement of activities as net assets released from restrictions. Revenue recognized on grants and contributions that has been committed to the Organization, but has not been received, is reflected as pledges receivable in the accompanying consolidated statement of financial position. Donated office space is conditional due to the lessor having the right to terminate the lease by giving a 30-day notice. The revenue is recognized monthly as the termination clause expires.

The Organization has cost-reimbursable grants and contracts with U.S. government and state agencies which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as support when the Organization has incurred expenditures in compliance with specific grant or contract provisions. Direct and indirect expenses incurred, but not yet reimbursed or billed, under these grants and contracts are reported as grants and contributions receivable in the accompanying consolidated statement of financial position.

###### *Program Income*

Program income consists of facilities fees, which are fees charged by the Organization to prior fellows for the use of space. The revenue is earned on a straight line basis over the period the space is available to the individual to use.

##### **Contributed Nonfinancial Assets**

Contributed nonfinancial assets are recorded as donated services and office space in the accompanying consolidated financial statements. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

## HALCYON HOUSE AND SUBSIDIARIES

### NOTES ON CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2022

#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. Expenses directly attributed to a specific functional area of the Organization are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on direct labor costs. These include salaries, employee benefits, rent, utilities, maintenance and repairs, insurance, printing, postage, supplies, telephone, software and depreciation.

##### **Estimates**

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

##### **Adoption of Recent Accounting Pronouncements**

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosure about contributed nonfinancial assets received, disaggregated by category. This ASU was adopted by the Organization during the year ended December 31, 2022. The adoption of the ASU did not have an impact on the Organization's change in net assets. However, it resulted in additional disclosures.

#### 2. Grants and Contributions Receivable

Grants and contributions consisted of the following as of December 31, 2022.

Nonfederal	\$ 260,251
Federal	<u>352,120</u>
Total Grants and Contributions Receivable	<u>\$ 612,371</u>

As of December 31, 2022, revenue from certain cost-reimbursable grants totaling \$560,647 had not been recognized in the accompanying consolidated statement of activities because the conditions (qualifying expenditures) on which they depend have not yet been met.

## HALCYON HOUSE AND SUBSIDIARIES

### NOTES ON CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2022

#### 3. Net Assets With Donor Restrictions

As of December 31, 2022, net assets with donor restrictions were as follows:

Social Enterprise	\$ 42,692
Halcyon Awards Gala	576,676
Fund	<u>27,511</u>
Total Net Assets With Donor Restrictions	<u>\$ 646,879</u>

Net assets were released from donor restrictions by satisfying the time restriction or restricted purpose. Releases during the year ended December 31, 2022, were as follows:

Social Enterprise	\$ 1,625,176
Halcyon Awards Gala	483,667
Fund	<u>198,645</u>
Total Net Assets Released From Donor Restrictions	<u>\$ 2,307,488</u>

#### 4. Donated Services and Office Space

For the year ended December 31, 2022, \$2,406,060 has been reflected in the consolidated financial statements for donated services and office space. The services were valued based on prices for similar items within the Washington, D.C. area. The services provided were related to legal advice and communications, multi-media support, financial literacy education, and goods for events held. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization in making its grants and awards that do not meet the criteria for support recognition.

In 2017, the Organization entered into two lease agreements with the Foundation to provide office space in Washington, D.C., for a 20-year period from October 2017 through September 2037. Through September 30, 2032, the monthly rent is abated and provided as a contribution to Halcyon. In August 2019, Halcyon and its Lessor signed an amendment for the donated office and residential space leases to include a 30-day cancellation period for the Lessor effective January 1, 2019. This language causes the revenue recognition of the donation to be conditional. Thus, revenue and expense related to this arrangement is recognized only as occupancy takes place.

Donated services and office space recorded as revenues of the Organization, consisted of:

Professional services	\$ 1,623,224
Office space	720,000
Goods	<u>62,836</u>
Total Donated Services and Office Space Revenue	<u>\$ 2,406,060</u>

There were no donor-imposed restrictions associated with the contributed services. Halcyon does not monetize donated goods that it receives. Halcyon allocated \$1,014,632 of the donated services and office space to general and administrative expenses. The remaining \$1,391,428 was allocated to program service expenses.

## HALCYON HOUSE AND SUBSIDIARIES

### NOTES ON CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2022

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#### 5. Notes Payable

On April 28, 2020, the Organization entered into a Small Business Administration (SBA) loan with its financial institution under the Paycheck Protection Program (PPP) for the amount of \$247,145. The loan had a maturity date of April 28, 2022, with a fixed interest rate of 1% per annum. The loan was eligible for forgiveness pursuant to the provisions of the PPP, which established minimum amounts of the loan to be used to cover payroll costs and the remainder can be used for mortgage interest, rent and utility costs over a specified period of time after the loan is made; and the number of employees and compensation levels are maintained. On January 12, 2022, the SBA approved forgave all but \$9,999 of the outstanding loan balance. As a result, the Organization recognized a \$237,146 gain on the forgiveness of debt during the year ended December 31, 2022. Halcyon repaid the remaining \$9,999 of principal during 2022.

On March 19, 2021, the Organization entered into a second Small Business Administration loan with its financial institution under the PPP for the amount of \$273,768. The loan was scheduled to mature on March 18, 2026, with a fixed interest rate of 1% per annum. The loan was eligible for forgiveness pursuant to the provisions of the PPP, which established minimum amounts of the loan to be used to cover payroll costs and the remainder could be used for mortgage interest, rent and utility costs over a specified period of time after the loan was made; and the number of employees and compensation levels were maintained. On March 16, 2022, the SBA approved the loan for full forgiveness. As a result, the Organization recognized a \$273,768 gain on the forgiveness of debt during the year ended December 31, 2022.

#### 6. Related-Party Transactions

The Organization received the use of office space free of charge from the Foundation. The Organization recorded the fair value of the donated office space in donated services and office space.

#### 7. Retirement Plan

The Organization maintains a Simple Individual Retirement Account plan (the Plan) for the benefit of its employees. Pursuant to the Plan, the Organization matches dollar-for-dollar every employee elective contribution up to 3% of an employee's compensation. For the year ended December 31, 2022, the Organization's contributions to the Plan were \$31,677.

#### 8. Income Taxes

Halcyon qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the IRC) and is classified as a publicly supported organization under Section 509(a)(1) of the IRC. No provision for income taxes is required for the year ended December 31, 2022, as Halcyon had no significant net unrelated business income.

## HALCYON HOUSE AND SUBSIDIARIES

### NOTES ON CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2022

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#### 8. Income Taxes (continued)

Angels qualifies as a tax-exempt organization under Section 501(c)(6) of the IRC. No provision for income taxes is required for the year ended December 31, 2022, as Angels had no significant net unrelated business income.

IM and GP are limited liability companies and are wholly-owned subsidiaries of Halcyon and are considered disregarded entities for tax purposes.

The Organization performed an evaluation for uncertainty in income taxes for the year ended December 31, 2022, and determined that there are no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. As of December 31, 2022, the statute of limitations for tax years 2019 through 2021 remained open with the U.S. federal jurisdiction and/or the various states and local jurisdictions in which the Organization files tax returns; however, there are currently no examinations in progress. The Organization is not currently under audit by the U.S. Internal Revenue Service. It is the Organization's policy to recognize interest and penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of December 31, 2022, the Organization had no accruals for interest and/or penalties.

#### 9. Availability and Liquidity

The Organization's cash flows have variations throughout the year due to the timing of grants and contributions. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. As of December 31, 2022, the Organization had financial assets available to meet cash needs for general expenditures within one year of \$1,486,897, which includes cash of \$746,747, accounts receivable of \$38,189, grants and contributions receivable of \$612,371, and investments of \$89,590.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers grants and contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the year ended December 31, 2022, restricted contributions of \$646,879 were included in financial assets available to meet cash needs for general expenditures within one year.

#### 10. Reclassifications

Certain reclassifications were made to the 2021 summarized financial statements to conform to the 2022 presentation. These reclassifications have no effect on previously reported changes in net assets.

**HALCYON HOUSE AND SUBSIDIARIES**

**NOTES ON CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2022**

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11. Subsequent Events

In preparing these consolidated financial statements the Organization has evaluated events and transactions, for potential recognition or disclosure, through November 28, 2023, the date the consolidated financial statements were available to be issued. There were no subsequent events identified that require recognition or disclosure in the consolidated financial statements.