



# **HALCYON HOUSE AND SUBSIDIARIES**

## **Consolidated Financial Statements**

*For the Year Ended December 31, 2023*

*(With Summarized Financial Information for the Year Ended December 31, 2022)*



**and  
Report Thereon**



**HALCYON HOUSE AND SUBSIDIARIES**

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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, 2023, 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, 2023, 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 2022 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated November 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Marcum LLP*

Washington, DC  
July 19, 2024

**HALCYON HOUSE AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**December 31, 2023**

**(With Summarized Financial Information as of December 31, 2022)**

	2023	2022
<b>ASSETS</b>		
Cash	\$ 764,335	\$ 746,747
Accounts receivable	45,189	38,189
Grants and contributions receivable	276,351	612,371
Notes receivable	50,762	79,614
Other assets	90,576	71,078
Investments	312,902	89,590
Property and equipment, net	20,038	12,392
<b>TOTAL ASSETS</b>	<b>\$ 1,560,153</b>	<b>\$ 1,649,981</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 186,613	\$ 163,295
<b>TOTAL LIABILITIES</b>	<b>186,613</b>	<b>163,295</b>
<b>Net Assets</b>		
Without donor restrictions	1,373,540	839,807
With donor restrictions	-	646,879
<b>TOTAL NET ASSETS</b>	<b>1,373,540</b>	<b>1,486,686</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,560,153</b>	<b>\$ 1,649,981</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, 2023**  
**(With Summarized Financial Information for the Year Ended December 31, 2022)**

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
<b>REVENUE AND SUPPORT</b>				
Grants and contributions	\$ 1,349,394	\$ 1,794,761	\$ 3,144,155	\$ 3,079,890
Donated services and office space	1,239,760	-	1,239,760	2,406,060
Fees and other income	163,342	-	163,342	418,288
Investment gain (loss), net	133,279	-	133,279	(25,507)
Forgiveness of PPP loans	-	-	-	510,914
Net assets released from purpose restrictions	2,441,640	(2,441,640)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>5,327,415</b>	<b>(646,879)</b>	<b>4,680,536</b>	<b>6,389,645</b>
<b>EXPENSES</b>				
Program Services:				
Social enterprise	2,838,481	-	2,838,481	3,585,683
Other programs	402,873	-	402,873	672,984
<b>Total Program Services</b>	<b>3,241,354</b>	<b>-</b>	<b>3,241,354</b>	<b>4,258,667</b>
Supporting Services:				
General and administrative	1,248,795	-	1,248,795	1,267,299
Development	303,533	-	303,533	191,397
<b>Total Supporting Services</b>	<b>1,552,328</b>	<b>-</b>	<b>1,552,328</b>	<b>1,458,696</b>
<b>TOTAL EXPENSES</b>	<b>4,793,682</b>	<b>-</b>	<b>4,793,682</b>	<b>5,717,363</b>
<b>CHANGE IN NET ASSETS</b>	<b>533,733</b>	<b>(646,879)</b>	<b>(113,146)</b>	<b>672,282</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>839,807</b>	<b>646,879</b>	<b>1,486,686</b>	<b>814,404</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,373,540</b>	<b>\$ -</b>	<b>\$ 1,373,540</b>	<b>\$ 1,486,686</b>

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, 2023**

**(With Summarized Financial Information for the Year Ended December 31, 2022)**

	Program Services			Supporting Services			2023 Total	2022 Total
	Social Enterprise	Other Programs	Total Program Services	General and Administrative	Development	Total Supporting Services		
Salaries and Benefits	\$ 1,454,751	\$ 326,780	\$ 1,781,531	\$ 78,737	\$ 240,269	\$ 319,006	\$ 2,100,537	\$ 1,920,380
Donated services and office space	300,110	-	300,110	939,650	-	939,650	1,239,760	2,406,060
Office	269,881	39,055	308,936	141,648	29,520	171,168	480,104	349,046
Stipends	383,279	-	383,279	-	-	-	383,279	318,100
Event Fees	138,116	6,294	144,410	10,912	4,265	15,177	159,587	320,805
Professional Fees	108,442	8,411	116,853	27,312	5,455	32,767	149,620	185,545
Travel	78,272	6,798	85,070	1,683	9,765	11,448	96,518	49,543
Communications	47,243	5,914	53,157	22,268	8,919	31,187	84,344	85,487
IT and Website Services	45,557	7,584	53,141	18,903	3,806	22,709	75,850	63,810
Insurance	11,777	1,869	13,646	7,051	1,408	8,459	22,105	16,612
Printing	1,053	168	1,221	631	126	757	1,978	1,975
<b>TOTAL EXPENSES</b>	<b><u>\$ 2,838,481</u></b>	<b><u>\$ 402,873</u></b>	<b><u>\$ 3,241,354</u></b>	<b><u>\$ 1,248,795</u></b>	<b><u>\$ 303,533</u></b>	<b><u>\$ 1,552,328</u></b>	<b><u>\$ 4,793,682</u></b>	<b><u>\$ 5,717,363</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, 2023**  
**(With Summarized Financial Information for the Year Ended December 31, 2022)**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (113,146)	\$ 672,282
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 (gain) loss, net	(106,234)	29,066
Donated securities	(273,718)	(100,437)
Depreciation expense	6,553	8,116
Changes in assets and liabilities:		
Accounts receivable	(7,000)	(38,189)
Grants and contributions receivable	336,020	(161,612)
Other assets	(19,498)	(64,900)
Accounts payable and accrued expenses	23,318	40,962
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(153,705)</b>	<b>(125,626)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sale of investments	156,640	-
Collections on notes receivable	28,852	-
Issuance of notes receivable	-	(70,412)
Purchases of property and equipment	(14,199)	(8,294)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>171,293</b>	<b>(78,706)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of note payable	-	(9,999)
<b>NET USED IN FINANCING ACTIVITIES</b>	<b>-</b>	<b>(9,999)</b>
<b>NET INCREASE (DECREASE) INCREASE IN CASH</b>	<b>17,588</b>	<b>(214,331)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>746,747</b>	<b>961,078</b>
<b>CASH, END OF YEAR</b>	<b>\$ 764,335</b>	<b>\$ 746,747</b>
<b>Supplemental Schedule of Noncash Investing and Financing Activities:</b>		
Forgiveness of Paycheck Protection Program loans	<b>\$ -</b>	<b>\$ 510,914</b>
Securities received via donation	<b>\$ 273,718</b>	<b>\$ 100,437</b>

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, 2023

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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. Halcyon has a 0.3% ownership interest in the LP and does not exercise control. 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. Halcyon does not have an ownership interest in the Halcyon Microloan Fund.

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

The consolidated financial statements include the accounts of Halcyon, GP, IM and Angels (collectively referred to as the Organization). The consolidated financial statements do not include the accounts of the LP or Halcyon Microloan Fund as Halcyon does not have a financial controlling interest in either entity. 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.

## HALCYON HOUSE AND SUBSIDIARIES

### NOTES ON CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2023

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

##### **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.

##### **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 primarily derived from investment management fees and other contracts with customers and are stated at net realizable value. Management has evaluated the risk of credit losses at the time of revenue recognition and has determined that any potential credit losses related to accounts receivable would not be significant to the financial statements based on the Organization having no historical credit losses, and in consideration of current and future economic conditions. As of December 31, 2023, all accounts receivable is considered fully collectible and no allowance for credit losses has been recorded. All accounts receivable are due within one year.

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

Grants and contributions receivable represent unconditional promises to give due from individuals and amounts due from the federal government under non-reciprocal cost-reimbursable federal grants. All grants and contributions receivable are due within one year and assumed to be fully collectible; therefore, no allowance for doubtful accounts is recorded as of December 31, 2023.

##### **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, 2023, there were 6 loans outstanding and all were current in repayment status. No new loans were issued during the year ended December 31, 2023. Management has evaluated the risk of credit losses and has determined that any potential credit losses related to the notes receivable would not be significant to the financial statements based on the Organization having no historical credit losses, and in consideration of current and future economic conditions. As of December 31, 2023, all notes receivable are considered fully collectible and no allowance for credit losses has been recorded.

## HALCYON HOUSE AND SUBSIDIARIES

### NOTES ON CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2023

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

##### **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.

##### **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 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.

As of and for the year ended December 31, 2023, the Organization's investments, as described in Note 3 to these financial statements, were measured at fair value on a recurring basis.

##### **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.

##### **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 general operations.

## HALCYON HOUSE AND SUBSIDIARIES

### NOTES ON CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2023

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

##### **Classification of Net Assets (continued)**

- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various purposes or time periods. As of December 31, 2023, the Organization did not have any net assets with donor restrictions. During the year ended December 31, 2023, net assets released from donor restrictions were comprised of \$1,837,453 related to social enterprise and \$604,187 related to other programs.

##### **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 grants and contributions 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 non-reciprocal cost-reimbursable grants with the U.S. government 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 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.

###### *Fees and Other Income*

Fees and other income primarily consist of investment management fees and other contracts with customers. The revenue is recognized as the investment management services are provided or other performance obligations are satisfied.

##### **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, 2023

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#### 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.

##### **Recently Adopted Accounting Pronouncements**

In June 2016, the Financial Accounting Standards Board (FASB) issued guidance (FASB Accounting Standards Codification 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization are subject to guidance in FASB ASC 326 were accounts receivable and notes receivable.

The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in new and enhanced disclosures only.

#### 2. Grants and Contributions Receivable

Grants and contributions consisted of the following as of December 31, 2023.

Federal	\$ 171,351
Nonfederal	<u>105,000</u>
Total Grants and Contributions Receivable	<u>\$ 276,351</u>

All grants and contributions receivable are due within one year. All grants and contributions receivable are considered fully collectible.

## HALCYON HOUSE AND SUBSIDIARIES

### NOTES ON CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2023

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#### 2. Grants and Contributions Receivable (continued)

As of December 31, 2023, the Organization had contributions totaling \$307,811 which had not yet been recognized in the accompanying consolidated statement of activities due to conditions which had not yet been satisfied. The conditional contributions include \$207,811 from certain cost-reimbursable federal grants conditional upon the Organization incurring qualifying expenditures and \$100,000 from a corporate donor dependent upon satisfaction of measurable performance barriers that must be overcome prior to the Organization receiving a future grant installment.

#### 3. Investments and Fair Value Measurement

As of December 31, 2023, investments totaled \$312,902 and consisted entirely of publicly traded equity securities which are valued at quoted prices available in active markets for identical assets. As of December 31, 2023, all investments were classified as Level 1 within the fair value hierarchy.

#### 4. Donated Services and Office Space

For the year ended December 31, 2023, the Organization recognized \$1,239,760 of donated services and office space in the accompanying consolidated financial statements. Donated services were valued based on current market rates for similar services within the Washington, D.C. area. The services provided were related to legal advice and communications, multi-media support, and financial literacy education. Additionally, many individuals volunteer their time and perform a variety of tasks that assist the Organization in making its grants and awards. However, these services are not recognized in the accompanying consolidated financial statements as they do not meet the criteria for 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	\$ 519,760
Office space	<u>720,000</u>
Total Donated Services and Office Space Revenue	<u>\$ 1,239,760</u>

The Organization did not monetize any contributed nonfinancial assets and contributed nonfinancial assets did not have any donor-imposed restrictions.

## HALCYON HOUSE AND SUBSIDIARIES

### NOTES ON CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2023

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#### 4. Donated Services and Office Space (continued)

Donated services and office space is reflected as such in the accompanying consolidated statement of functional expenses. Of the \$1,239,760 of donated services and office space expense recognized during the year ended December 31, 2023, \$939,650 is recorded in general and administrative expenses and \$300,110 is recorded in program service expenses in the accompanying consolidated statements of activities and functional expenses.

#### 5. 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 as described in Note 3.

During the year ended December 31, 2023, the Organization received nine contributions totaling \$1,148,000 from corporations affiliated with certain members of the Organization's Board of Directors. This amount is included within grants and contributions in the accompanying consolidated statement of activities.

During the year ended December 31, 2023, the Organization recognized \$99,600 of management fee income from the LP, a related party as described in Note 3. This amount is included in fees and other income in the accompanying consolidated statement of activities. As of December 31, 2023, the Organization was due \$24,900 from the LP. This amount is included in accounts receivable in the accompanying consolidated statement of financial position.

#### 6. 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, 2023, the Organization's contributions to the Plan were \$29,572. The amount is included in salary and benefits in the accompanying consolidated statement of functional expenses.

#### 7. 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, 2023, as Halcyon had no significant net unrelated business income.

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, 2023, as Angels had no significant net unrelated business income.

## HALCYON HOUSE AND SUBSIDIARIES

### NOTES ON CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2023

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#### 7. Income Taxes (continued)

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, 2023, 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. There are currently no examinations pending or in progress regarding the Organization's tax returns. As of December 31, 2023, the Organization had no accruals for interest and/or penalties.

#### 8. 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, 2023, the Organization had financial assets available to meet cash needs for general expenditures within one year of \$1,398,777, which includes cash of \$764,335, accounts receivable of \$45,189, grants and contributions receivable of \$276,351, and investments of \$312,902.

#### 9. Reclassifications

Certain reclassifications were made to the 2022 summarized financial statements to conform to the 2023 presentation. These reclassifications have no effect on previously reported changes in net assets.

#### 10. Subsequent Events

In preparing these consolidated financial statements the Organization has evaluated events and transactions, for potential recognition or disclosure, through July 19, 2024, the date the consolidated financial statements were available to be issued. There were no subsequent events identified that require recognition or disclosure in these consolidated financial statements.