



# **HALCYON HOUSE**

## **Financial Statements**

*For the Year Ended December 31, 2020*

*(With Summarized Financial Information for the Year Ended December 31, 2019)*



**and**  
**Report Thereon**



**HALCYON HOUSE**

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**For the Year Ended December 31, 2020**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Halcyon House

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Halcyon House (Halcyon), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 consolidated 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 consolidated 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 Halcyon House as of December 31, 2020, 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.

**Other Matters**

*Report on Summarized Comparative Information*

We have previously audited Halcyon's 2019 financial statements, and in our report dated May 28, 2020, we expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Marcum LLP*

Washington, DC  
April 21, 2021

**HALCYON HOUSE**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2020**  
**(With Summarized Financial Information as of December 31, 2019)**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash	\$ 738,592	\$ 185,140
Accounts receivable	51,443	182,038
Grants and contributions receivable	289,996	263,500
Other assets	25,704	28,846
Property and equipment, net	<u>6,943</u>	<u>11,409</u>
 TOTAL ASSETS	 <u>\$ 1,112,678</u>	 <u>\$ 670,933</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 81,948	\$ 306,017
Loan Payable	<u>247,145</u>	<u>-</u>
 TOTAL LIABILITIES	 <u>329,093</u>	 <u>306,017</u>
 <b>Net Assets</b>		
Without donor restrictions	186,527	(210,960)
With donor restrictions	<u>597,058</u>	<u>575,876</u>
 TOTAL NET ASSETS	 <u>783,585</u>	 <u>364,916</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,112,678</u>	 <u>\$ 670,933</u>

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

**HALCYON HOUSE**

**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2020**  
**(With Summarized Financial Information for the Year Ended December 31, 2019)**

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
<b>REVENUE AND SUPPORT</b>				
Grants and contributions	\$ 1,636,162	\$ 1,127,641	\$ 2,763,803	\$ 3,244,108
Donated services and office space	3,411,051	-	3,411,051	2,223,396
Program income				
Contract	90,000	-	90,000	75,000
Facilities fees	52,826	-	52,826	69,340
Other	220,523	-	220,523	104,365
Net assets released from restrictions	<u>1,106,459</u>	<u>(1,106,459)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<b><u>6,517,021</u></b>	<b><u>21,182</u></b>	<b><u>6,538,203</u></b>	<b><u>5,716,209</u></b>
<b>EXPENSES</b>				
Program Services:				
Social enterprise	3,267,099	-	3,267,099	2,497,669
Halcyon Arts Lab	601,094	-	601,094	471,480
Halcyon Awards	262,346	-	262,346	515,751
Festival	223,944	-	223,944	1,545,937
Other programs	80,317	-	80,317	136,947
Halcyon Dialogue	<u>12,640</u>	<u>-</u>	<u>12,640</u>	<u>65,388</u>
Total Program Services	<b><u>4,447,440</u></b>	<b><u>-</u></b>	<b><u>4,447,440</u></b>	<b><u>5,233,172</u></b>
Supporting Services:				
General and administrative	1,637,947	-	1,637,947	1,735,020
Development	<u>34,147</u>	<u>-</u>	<u>34,147</u>	<u>25,678</u>
Total Supporting Services	<b><u>1,672,094</u></b>	<b><u>-</u></b>	<b><u>1,672,094</u></b>	<b><u>1,760,698</u></b>
<b>TOTAL EXPENSES</b>	<b><u>6,119,534</u></b>	<b><u>-</u></b>	<b><u>6,119,534</u></b>	<b><u>6,993,870</u></b>
Change in Net Assets From Operations	397,487	21,182	418,669	(1,277,661)
<b>NONOPERATING LOSS</b>				
Loss recognized from lease amendment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,167,911)</u>
<b>CHANGE IN NET ASSETS</b>	<b><u>397,487</u></b>	<b><u>21,182</u></b>	<b><u>418,669</u></b>	<b><u>(12,445,572)</u></b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b><u>(210,960)</u></b>	<b><u>575,876</u></b>	<b><u>364,916</u></b>	<b><u>12,810,488</u></b>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 186,527</u></b>	<b><u>\$ 597,058</u></b>	<b><u>\$ 783,585</u></b>	<b><u>\$ 364,916</u></b>

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

**HALCYON HOUSE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2020**  
**(With Summarized Financial Information for the Year Ended December 31, 2019)**

	Program Services						Supporting Services					2020 Total	2019 Total
	Social Enterprise	Halcyon Arts Lab	Halcyon Awards	Festival	Other Programs	Halcyon Dialogue	Total Program Services	General and Administrative	Development	Total Supporting Services			
In-kind	\$ 2,109,901	\$ -	\$ 27,651	\$ -	\$ 7,500	\$ -	\$ 2,145,052	\$ 1,266,000	\$ -	\$ 1,266,000	\$ 3,411,052	\$ 3,839,396	
Salaries and benefits	703,941	340,149	159,997	127,752	60,319	8,476	1,400,634	142,231	3,519	145,750	1,546,384	1,333,838	
Stipends	223,340	117,916	5,646	5,388	1,752	304	354,346	33,202	822	34,024	388,370	270,589	
Office supplies	76,099	39,159	15,688	14,322	4,636	805	150,709	85,392	4,296	89,688	240,397	36,765	
Communications	55,610	23,141	13,289	24,927	2,406	1,609	120,982	45,609	5,066	50,675	171,657	334,018	
Professional fees	46,977	18,299	7,608	25,087	2,081	361	100,413	39,446	976	40,422	140,835	175,548	
Event fees	27,896	48,667	26,406	1,448	194	34	104,645	3,681	18,644	22,325	126,970	585,106	
IT and website services	14,909	8,416	3,642	2,389	925	139	30,420	12,853	579	13,432	43,852	33,780	
Insurance	6,606	3,432	1,340	1,278	416	72	13,144	7,879	195	8,074	21,218	45,914	
Artists	-	-	-	20,910	-	-	20,910	-	-	-	20,910	283,344	
Travel	661	1,342	912	284	36	831	4,066	674	26	700	4,766	51,317	
Printing	1,159	573	167	159	52	9	2,119	980	24	1,004	3,123	4,255	
<b>TOTAL EXPENSES</b>	<b>\$ 3,267,099</b>	<b>\$ 601,094</b>	<b>\$ 262,346</b>	<b>\$ 223,944</b>	<b>\$ 80,317</b>	<b>\$ 12,640</b>	<b>\$ 4,447,440</b>	<b>\$ 1,637,947</b>	<b>\$ 34,147</b>	<b>\$ 1,672,094</b>	<b>\$ 6,119,534</b>	<b>\$ 6,993,870</b>	

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

HALCYON HOUSE

**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2020**  
**(With Summarized Financial Information for the Year Ended December 31, 2019)**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 418,669	\$ (12,445,572)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated office and residential space	- 12,783,911	
Depreciation expense	4,466 4,465	
Changes in assets and liabilities:		
Accounts receivable	130,595 (140,936)	
Pledges receivable	(26,496) (176,000)	
Prepaid expenses	3,142 1,515	
Accounts payable and accrued expenses	<u>(224,069)</u> <u>136,007</u>	
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>306,307</u>	<u>163,390</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan payable	<u>247,145</u>	- -
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>247,145</u>	- -
NET INCREASE IN CASH	553,452	163,390
CASH, BEGINNING OF YEAR	<u>185,140</u>	<u>21,750</u>
CASH, END OF YEAR	<u>\$ 738,592</u>	<u>\$ 185,140</u>

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

## HALCYON HOUSE

### NOTES ON FINANCIAL STATEMENTS For the Year Ended December 31, 2020

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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. Arising from the Foundation's success and recognizing unique opportunities to advance the missions of different types of fellows, Halcyon began operating independently as a public 501(c)(3) organization in 2017.

Co-founders Dr. Sachiko Kuno and Kate Goodall launched Halcyon to seek and celebrate creativity in all forms and galvanize creative individuals aspiring to promote social good. Halcyon brings together diverse groups of change makers in art, science and social enterprise and provides them with a safe haven for their bold ideas to take flight.

Halcyon offers an ecosystem of advocacy that encourages socially engaged creatives to learn, freely experiment, sometimes fail, and advance their talents and visions. In doing so, new pathways to knowledge and resources are fostered and innovators transform their inspiration into impact.

Halcyon headquarters is located in Halcyon House, a historic estate in the heart of Washington, D.C.'s Georgetown neighborhood.

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 fellows and their ventures. In January 2020, Halcyon Angels was created with Halcyon as the sole member to promote the common business interests of and to improve the conditions of investors in impact-driven businesses in the Washington, DC area. GP, IM, LP and Halcyon Angels have not been consolidated with Halcyon as the activity and year end balances of each is not significant to the financial statements of Halcyon as of and for the year ended December 31, 2020.

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

The 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.

##### **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.

## HALCYON HOUSE

### NOTES ON FINANCIAL STATEMENTS For the Year Ended December 31, 2020

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

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

Pledges that have not been collected as of year-end are recorded as grants and contributions receivable in the accompanying 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, 2020.

##### **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 statement of activities.

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

Halcyon's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of Halcyon'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*

Halcyon 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. Halcyon 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 statement of activities as net assets released from restrictions. Revenue recognized on grants and contributions that has been committed to Halcyon, but has not been received, is reflected as pledges receivable in the accompanying 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.

## HALCYON HOUSE

### NOTES ON FINANCIAL STATEMENTS For the Year Ended December 31, 2020

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

##### **Revenue Recognition (continued)**

###### *Grants and Contributions (continued)*

Halcyon 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 Halcyon 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 statements of financial position.

###### *Program Income*

Program income consists of a contract and facilities fees. Halcyon signed a contract agreement with a corporation to allow the use of Halcyon's "Know-How" to implement an incubator program in Japan and to assist in the implementation during the term of the agreement. The contract includes several performance obligations such as licensing rights, calls, case studies, workshops, training and consulting. The value of the licensing fee revenue is recognized equally over the term of the agreement. The revenue for the remaining performance obligations is recognized at a point in time or when the obligation is met. Facilities fees are fees charged by Halcyon 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.

##### **Gifts In-Kind**

Gifts in-kind are recorded as donated services and office space in the accompanying 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.

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

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses directly attributed to a specific functional area of Halcyon 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 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.

## HALCYON HOUSE

### NOTES ON FINANCIAL STATEMENTS For the Year Ended December 31, 2020

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#### 2. Grants and Contributions Receivable

Grants and contributions consisted of the following as of December 31, 2020.

Nonfederal	\$ 231,784
Federal	<u>58,212</u>
Total Grants and Contributions Receivable	<u>\$ 289,996</u>

As of December 31, 2020, revenue from cost-reimbursable grants of \$1,556,896 had not been recognized in the accompanying statements of activities because the conditions (qualifying expenditures) on which they depend have not yet been met.

#### 3. Net Assets With Donor Restrictions

As of December 31, 2020, net assets with donor restrictions were restricted for the Halcyon Awards Gala in the amount of \$597,058.

Net assets were released from donor restrictions by satisfying the time restriction or restricted purpose. Releases during the year ended December 31, 2020, were as follows:

Halcyon Arts	\$ 111,604
Festival	77,353
Halcyon Awards Gala	232,778
Social Enterprise	<u>684,724</u>
Total Net Assets Released From Donor Restrictions	<u>\$ 1,106,459</u>

#### 4. Donated Services and Office Space

For the year ended December 31, 2020, \$3,411,051 has been reflected in the financial statements for donated services and office space. The services provided were related to legal advice and communications, multi-media support, financial literacy education, goods for events held, and use of facilities. However, many individuals volunteer their time and perform a variety of tasks that assist Halcyon in making its grants and awards that do not meet the criteria for support recognition.

In 2017, Halcyon 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.

## HALCYON HOUSE

### NOTES ON FINANCIAL STATEMENTS For the Year Ended December 31, 2020

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

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

Professional services	\$ 2,117,400
Office space	1,266,000
Goods	<u>27,651</u>
Total Donated Services and Office Space Revenue	<u>\$ 3,411,051</u>

#### 5. Note Payable

On April 28, 2020, Halcyon entered into a Small Business Administration loan with its financial institution under the Paycheck Protection Program (PPP) for the amount of \$247,145. The loan will mature on April 28, 2022, with a fixed interest rate of 1% per annum. Consecutive monthly payments of principal and interest will commence 10 months after the end of the forgiveness covered period, through the maturity date. The loan amount may be 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. Halcyon intends to apply for forgiveness.

#### 6. Related-Party Transactions

In addition to the donated office space, during the year ended December 31, 2020, Halcyon recognized \$1,100,000 in cash contributions from the founder's controlled entities.

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

#### 7. Risk and Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. Halcyon has been able to continue operations virtually; however, at this point, the extent to which COVID-19 will impact Halcyon's financial condition or results of operations is uncertain. Management and the Board are continuously engaged in strategic and generative discussion to develop methods of providing Halcyon's programs under alternative operating scenarios.

## HALCYON HOUSE

### NOTES ON FINANCIAL STATEMENTS For the Year Ended December 31, 2020

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#### 8. Retirement Plan

Halcyon maintains a Simple Individual Retirement Account plan (the Plan) for the benefit of its employees. Pursuant to the Plan, Halcyon matches dollar-for-dollar every employee elective contribution up to 3% of an employee's compensation. For the year ended December 31, 2020, the Organization's contributions to the Plan were \$26,565.

#### 9. 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, 2020, as Halcyon had no significant net unrelated business income.

Halcyon performed an evaluation for uncertainty in income taxes for the year ended December 31, 2020, and determined that there are no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2020, the statute of limitations for tax years 2017 through 2019 remained open with the U.S. federal jurisdiction and/or the various states and local jurisdictions in which Halcyon files tax returns; however, there are currently no examinations in progress. Halcyon is not currently under audit by the U.S. Internal Revenue Service. It is Halcyon'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, 2020, Halcyon had no accruals for interest and/or penalties.

#### 10. Availability and Liquidity

Halcyon's cash flows have variations throughout the year due to the timing of grants and contributions. Halcyon 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, 2020, Halcyon had financial assets available to meet cash needs for general expenditures within one year of \$1,055,031, which includes cash of \$738,592, accounts receivable of \$51,443 and pledges receivable of \$264,996.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Halcyon 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, 2020, restricted contributions of \$597,058 were included in financial assets available to meet cash needs for general expenditures within one year.

## HALCYON HOUSE

### NOTES ON FINANCIAL STATEMENTS For the Year Ended December 31, 2020

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#### 11. Subsequent Events

In preparing these financial statements Halcyon has evaluated events and transactions, for potential recognition or disclosure, through April 21, 2021, the date the financial statements were available to be issued. Except as disclosed below, there were no subsequent events identified that require recognition or disclosure in the financial statements.

In February 2021, Halcyon made the decision to discontinue its arts programming, resulting in expected declines in expenses and revenue. The most significant of these changes include the discontinuation of the residential artist fellowships and By the People festival. The Arts Lab building will continue to be used by Halcyon for its current and alumni arts fellows through December 2021, and Halcyon is currently exploring future usage of the facility

On March 19, 2021, Halcyon entered into an agreement for a second draw on the PPP loan with the same financial institution in the amount of \$273,767. The loan will mature on March 19, 2026, with a fixed interest rate of 1% per annum. Similar to the first draw PPP loan, all or a portion of the loan be eligible of forgiveness pursuant to the PPP requirements.