



**Donald J. Hoffman**

*Chair, Board of Directors  
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February 25, 2009

Dear Horizon Family:

We live in interesting times. The Front page of the Oregonian proclaims “Oregon heading ‘into a pit’”. The Dow Jones Industrial Stock Average recently sunk to a six year low. New claims for unemployment reached a 26 year high last week. Not for profit organizations are reporting declines in giving, coupled with an increase in the need for service. Churches are seeing a decrease in contributions, pay cuts, and some are reducing staff. Oregon public schools are discussing a reduction in the number of days for this year, and significant program cuts for next year in light of the new tax revenue forecast that was recently released. It is safe to say that the current economic situation has impacted every person in the U.S to some degree.

Horizon is not immune to the economic climate of the Nation, and we too have seen some decline in contributions along with a greater need for financial aid on the part of some of our customers. *We are also serving an all time record number of students at Horizon, with net enrollment gains of 17 students since January 1 and a record number of inquiries for the fall of 2009.* So while we are experiencing some challenges which will be described below, we also have good news to report. As a recent book title indicates “Attitude is Everything” and we at Horizon believe that a proper perspective is key to how we respond to adversity. In 1897, four years after the Panic of 1893 (caused by a speculative bubble in the economy – does this sound familiar?), a song was published which still speaks to us today and the first verse reads

When upon life’s billows you are tempest tossed,  
When you are discouraged, thinking all is lost,  
Count your many blessings, name them one by one,  
And it will surprise you what the Lord hath done.

At a strategic level, Horizon is blessed to have our campus in place and mostly complete. Locating land within the urban growth boundary of Hood River, suitable for building and reasonably affordable is almost impossible today. We were able to construct the building before the large run up in material prices in 2006 and 2007 took effect. Many of our large donors made their gifts with appreciated assets that, if they were not contributed to Horizon, may have since declined in value had they continued to own those investments. Forty percent of the individuals who bought member notes, did so out of their IRA’s, many with stocks that otherwise might have since declined in value. In the current credit market, it is unlikely we could have secured a

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term loan at all. We estimate that the cost of replacing our campus today has increased 50% in the past three years. The Lord's timing was perfect.

At an operational level, our customers report back to us through our customer service process and indicate that:

1. The satisfaction with our academic programs continues to increase over past years with positive reports from 82% of our customers.
2. The satisfaction with our character development process continues to increase and is rated positive by over 90% of our customers.
3. More than 88% agree with the statement that we have an excellent teaching staff.

We have updated our science and language arts curriculum in the Elementary School this year and will finish the updating process next fall, and more than 25% of our parents indicate that Science is now their students favorite subject in the Elementary school, along with Math at 25% and Music at 21%.

We face challenges at Horizon in this economic climate, similar to any other organization. Horizon operates on a "lean budget" already. We do not receive any governmental funding and in today's era of cuts, that is good news. The steps that Horizon has taken to weather the current economic storm include:

1. Careful budgeting for the current school year. While we funded a number of important priorities such as our new curriculum in Language Arts and Science, we were very careful about what we added to our cost structure.
2. We have asked the entire staff to be careful on how they spend their respective departmental budgets, without crimping the quality of the educational experience for each student.
3. We have curtailed most new construction in the building after completing the gymnasium.
4. We deferred some scheduled pay increases for staff members

We took these steps this past year, not out of fear for the future, but out of recognition that in order to have a successful tomorrow, a successful today is necessary. In a recent survey, nearly 70% of our customers indicated that they were making a personal sacrifice to send their students to Horizon. We have a great group of volunteers who donate their time to work with our students. Our teaching and administrative staffs work at a significant pay and benefits discount to those offered in the public school sector and our board of directors is currently underwriting more than 12% of the total annual budget. We are all in this together to provide a "second to none" educational experience for 200 of the greatest students in our communities. But even more important, Christian Character formation is the heart of what we do, building on the best of what public schools offer in traditional academics, and incorporating that into how we

prepare people for life by teaching biblical values and demonstrating how those values shape developing lives.

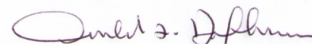
You might ask, "What can I do to help"? We have several suggestions as to ways to help Horizon :

1. Continue to Pray for the school, as we continue to help students achieve their academic goals and develop their Christian character.
2. Refer other students to Horizon. If you like what we are doing, tell someone! We have capacity for 80 more students without having more than 20 students in each classroom. Additional students will help keep the tuition rate affordable as well as improve our ability to offer "means neutral" admission.
3. Attend one of our bi-weekly "Discover Horizon Tours" to see how we are presenting the school to the community at large so you will be comfortable in inviting someone to attend a future tour. These are not fund raising activities, but do allow us to tell our story to potential friends of the school.

We see an exciting future for Horizon over the next few years. The Board has been working all year on updating our 5 year strategic plan as we assess what the key trends are in education and how they should form our view of future educational strategy. As many of you know, a number of our students are taking an online college calculus course from Eastern Oregon University for full college credit as a pilot program for Horizon. We are also looking at ways to focus on what can produce better student outcomes and higher levels of student engagement in academic, character development and in building community. This is a work in progress, but does reflect our commitment to excellence both now and in the future. Stay tuned!

The Lord Jesus taught us in the Sermon on the Mount "'Do not lay up for yourselves treasures upon earth, where moth and rust destroy, and where thieves break in and steal." But lay up for yourselves treasures in heaven, where neither moth nor rust destroys, and where thieves do not break in or steal; for where your treasure is, there will your heart be also. <sup>(Matt 6:19-21)</sup>  
Thank you for being part of the Horizon family and for investing with us in the lives of our students.

Sincerely,



Donald J. Hoffman  
Chair, Board of Directors