Audited Consolidated Financial Statements
with Consolidating Information

THE HORIZON FOUNDATION OF HOWARD COUNTY, INC. AND THE HOWARD COMMUNITY HEALTH FOUNDATION, INC.

December 31, 2018

Contents

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&
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Independent Auditor's Report on the Consolidated Financial Statements

To the Board of Trustees
Horizon Foundation

We have audited the accompanying consolidated financial statements of The Horizon Foundation of Howard County, Inc. and The Howard Community Health Foundation, Inc. (Horizon Foundation) which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Horizon Foundation's preparation and fair presentation of the consolidated 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 Horizon Foundation'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Horizon Foundation of Howard County, Inc. and The Howard Community Health Foundation, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of Accounting Standards Update 2016-14

As described in Note A to the consolidated financial statements, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). As required by the FASB, Horizon Foundation adopted the provisions of ASU 2016-14 during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the consolidated financial statements, new disclosures were added regarding liquidity and functional expense. There was no change in Horizon Foundation's previously reported change in net assets as a result of the adoption of the ASU. Our opinion has not been modified with respect to this matter.

Other Matter

As described in Note C, the consolidated financial statements include alternative investments, which have been reported at net asset value totaling $18,943,267 (23% of total assets) and $20,302,670 (22% of total assets) as of December 31, 2018 and 2017, respectively. The alternative investments have been reported at net asset value as a practical expedient and the net asset values were provided by the fund managers. Our opinion has not been modified with respect to this matter.

Tate & Tryon

Washington, DC
August 20, 2019

Consolidated Statements of Financial Position

December 31,	2018	2017
Assets		
Cash and cash equivalents	**$ 936,070**	$ 831,689
Investments	**82,547,440**	92,590,414
Interest and dividends receivable	**68,988**	137,114
Promises to give	**249,998**	75,100
Prepaid expenses and other assets	**44,768**	32,694
Property and equipment	**296,353**	313,617
Total assets	**$ 84,143,617**	$ 93,980,628
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	**$ 495,606**	$ 430,131
Grants payable	**2,690,587**	2,689,457
Deferred rent and lease incentive	**300,993**	318,286
Total liabilities	**3,487,186**	3,437,874
Net assets		
Without donor restrictions		
Undesignated	**80,127,798**	90,264,758
Designated	**440,287**	195,240
Total net assets without donor restrictions	**80,568,085**	90,459,998
With donor restrictions	**88,346**	82,756
Total net assets	**80,656,431**	90,542,754
Total liabilities and net assets	**$ 84,143,617**	$ 93,980,628

See notes to the consolidated financial statements.

Consolidated Statements of Activities

Year Ended December 31,	2018	2017
Activities without donor restrictions		
Revenue and support		
Contributions and other income	**$ 220,116**	$ 53,356
Net investment return	**(5,526,945)**	11,811,646
	(5,306,829)	11,865,002
Net assets released from donor restrictions	**254,408**	213,744
Total revenue and support	**(5,052,421)**	12,078,746
Expense		
Program services		
Community building	**2,467,380**	2,319,312
Grantmaking	**1,768,546**	1,142,442
Total program services	**4,235,926**	3,461,754
Supporting services		
General and administrative	**599,029**	653,322
Fundraising and development	**4,537**	4,377
Total supporting services	**603,566**	657,699
Total expense	**4,839,492**	4,119,453
Change in net assets without donor restrictions	**(9,891,913)**	7,959,293
Activities with donor restrictions		
Contributions	**259,998**	295,000
Net assets released from donor restrictions	**(254,408)**	(213,744)
Change in net assets with donor restrictions	**5,590**	81,256
Change in net assets	**(9,886,323)**	8,040,549
Net assets, beginning of year	**90,542,754**	82,502,205
Net assets, end of year	**$ 80,656,431**	$ 90,542,754

Consolidated Statements of Cash Flows

Year Ended December 31,	2018	2017
Cash flows from operating activities		
Change in net assets	**$ (9,886,323)**	$ 8,040,549
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net loss (gain) on investments	**6,753,066**	(10,586,137)
Depreciation and amortization	**41,441**	43,296
Grants authorized, net	**1,620,971**	826,311
Amortization of deferred rent and lease incentive	**(17,293)**	(5,804)
Changes in assets and liabilities:		
Promises to give	**(174,898)**	(49,661)
Prepaid expenses and other assets	**(12,074)**	13,147
Accounts payable and accrued expenses	**65,475**	112,467
Grants disbursed	**(1,619,841)**	(923,980)
Total adjustments	**6,656,847**	(10,570,361)
Net cash used in operating activities	**(3,229,476)**	(2,529,812)
Cash flows from investing activities		
Proceeds from sales, maturities, or redemptions of investments	**31,025,082**	19,470,774
Purchases of investments	**(27,735,174)**	(16,702,311)
Change in interest and dividends receivable	**68,126**	(89,098)
Purchases of property and equipment	**(24,177)**	(3,085)
Net cash provided by investing activities	**3,333,857**	2,676,280
Increase in cash and cash equivalents	**104,381**	146,468
Cash and cash equivalents, beginning of year	**831,689**	685,221
Cash and cash equivalents, end of year	**$ 936,070**	$ 831,689
Supplemental disclosures:		
Cash paid during the year for income taxes	**$ -**	**$ 800**

See notes to the consolidated financial statements.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The Horizon Foundation of Howard County, Inc. (Horizon) is a non-profit organization formed in 1998 under the laws of the State of Maryland. Horizon is dedicated to improving the health and wellness of people living or working in Howard County, Maryland. Horizon invests in strategic grants and initiatives that achieve the greatest impact, builds partnerships, and advocates for public policy changes.

The Howard Community Health Foundation, Inc. (HCHF) is a not-for-profit organization, formed in 1998 under the laws of the State of Maryland. HCHF supports, promotes, and enhances community health, wellness, and other related activities in Howard County, Maryland.

Income taxes: Horizon and HCHF are exempt from the payment of income taxes on their exempt activities under Section 501(c)(3) of the Internal Revenue Code. Horizon has been classified by the Internal Revenue Service as other than a private foundation within the meaning of Internal Revenue Code Section 509(a)(3). HCHF has been classified by the Internal Revenue Service as other than a private foundation within the meaning of Internal Revenue Code Section 509(a)(1). For income tax purposes, Horizon is considered a supporting organization of HCHF.

Horizon and HCHF are subject to income tax on their unrelated business activities. However, only Horizon has unrelated business income which consists of investment earnings from alternative investments.

Principles of consolidation: The consolidated financial statements include accounts of Horizon and HCHF, which are collectively referred to as Horizon Foundation. Significant intra-entity accounts and transactions, if any, have been eliminated in consolidation.

Basis of accounting: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. Revenue, other than contributions, is recognized when earned. Expense, other than grants, is recognized when the obligation is incurred.

Use of estimates: The preparation of the 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 estimates.

Cash and cash equivalents: For consolidated financial statement purposes, Horizon Foundation considers the following to be cash and cash equivalents: 1) demand deposits related to checking accounts and 2) short-term highly liquid investments having original maturities of 90 days or less, which are designated for use in operations. Cash and money market funds held for investment purposes are not included in cash and cash equivalents.

Promises to give: Promises to give consist of unconditional contributions which are expected to be received in less than one year and which management believes are fully collectible. Therefore, promises to give are recorded at net realizable value, without either an allowance for doubtful promises or a discount to present value. Management periodically reviews the status of all promises to give for collectability. Each promise to give is assessed based on management's knowledge of the donor, the relationship with the donor, and the age of the promise to give. As a result of these reviews, amounts for which collection is deemed doubtful are directly written off. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for doubtful promises to give had been recorded.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions: Contributions are recognized in the statement of activities when donors make legally binding unconditional promises to give or when gifts of cash or other assets are received. Contributions are classified as support with donor restrictions or without donor restrictions depending upon the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor, or that have an implied time restriction, are reported as increases in net assets with donor restrictions. Within net assets with donor restrictions, amounts are reclassified to net assets without donor restrictions upon satisfaction of the donor's purpose restriction or when time restrictions expire. All contributions that are restricted by donor, for which conditions are met within the same fiscal year, are classified as activities without donor restrictions.

Change in accounting policy: Horizon Foundation adopted FASB Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended December 31, 2018. ASU 2016-14 refreshes current accounting standards by simplifying the presentation of net assets on the face of the financial statements and enhancing disclosures related to liquidity and functional expense.

Subsequent events: Subsequent events have been evaluated through August 20, 2019, which is the date the consolidated financial statements were available to be issued.

B. CONCENTRATIONS

Credit risk: Horizon Foundation maintains cash and cash equivalents with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of these accounts are backed solely by the assets of the underlying institutions. Therefore, the failure of an underlying institution could result in financial loss to Horizon Foundation. However, Horizon Foundation has not experienced any losses in these accounts and believes it is not exposed to a significant level of credit risk.

Market risk: Horizon Foundation invests funds in a professionally managed portfolio consisting of various types of mutual funds and alternative investments. Investments are exposed to market and credit risks and may be subject to significant fluctuations in value. As a result, the investment balances reported in the accompanying consolidated financial statements may not be reflective of the portfolio's value in subsequent periods. In particular, the alternative investments are reported at net asset value as a practical expedient. Net asset values have been reported by the alternative investment fund managers. Management monitors the net asset values reported by the alternative investment fund managers and believes the net asset values to be reasonable. By policy, these investments are kept within limits intended to prevent risks caused by concentration.

C. Investments

In accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), Horizon Foundation uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes;

Level 2 – Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data;

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads, and liquidity discounts.

Investments valued using Level 1 inputs include mutual funds, which were valued based on quoted prices for identical assets in active markets.

Investments recorded at cost include a money market fund. Investments at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

Investments consisted of the following at December 31,:

	2018	2017
Investments, at fair value (Level 1)		
Mutual funds		
Bond funds	$ 27,705,602	$ 23,581,670
Blended funds	20,002,650	28,730,486
Foreign funds	10,856,124	11,889,380
Emerging markets funds	2,851,011	4,270,641
Growth funds	2,115,805	3,795,065
	63,531,192	72,267,242
Investments, at net asset value		
Alternative investments	18,943,267	20,302,670
Investments, at cost		
Money market fund	72,981	20,502
	$ 82,547,440	**$ 92,590,414**

Net investment return consisted of the following for the years ended December 31,:

	2018	2017
Realized gains	$ 4,910,065	$ 3,012,198
Unrealized (loss) gain	(11,663,131)	7,573,939
Net (loss) gain on investments	(6,753,066)	10,586,137
Interest and dividends	1,700,165	1,663,988
Investment fees	(474,044)	(438,479)
	$ (5,526,945)	**$ 11,811,646**

C. INVESTMENTS - CONTINUED

Alternative investments have been reported at net asset value as a practical expedient and the asset allocation of alternative investments consisted of the following at December 31,:

2018	Total	Percentage
Private equity funds	$ 6,576,558	35%
Hedge funds	12,366,709	65%
	$ 18,943,267	**100%**

2017	Total	Percentage
Private equity funds	$ 7,087,788	35%
Hedge funds	13,214,882	65%
	$ 20,302,670	**100%**

The following chart and the corresponding fund descriptions on the subsequent pages of Note C provide summarized information regarding the redemption frequency and notice period along with information regarding unfunded commitments for each alternative investment at December 31, 2018. For the full description relating to each fund, please refer to the fund prospectus which is available from the fund managers.

	Redemption Frequency and Notice	Net Asset Value	Unfunded Commitments
Private equity funds			
SEI Core Property Fund LP	a	$ 4,292,482	$ -
Glouston Private Equity Opportunities III	b	226,664	283,500
ValStone Opportunity Fund IV	c	47,119	-
Glouston Private Equity Holdings IV	d	318,287	100,000
Penn Square Global Real Estate Fund II	e	224,768	585,000
Landmark Real Assets Fund	f	514,315	228,710
Tuckerbrook SB Global Distressed Fund I	g	194,773	219,423
SEI GPA IV Private Equity	h	758,150	3,790,034
Subtotal private equity funds		6,576,558	5,206,667
Hedge funds			
SEI Special Situations Fund	i	3,534,378	
SEI Structured Credit Fund	j	5,314,079	
SEI Energy Debt LP	k	3,440,337	
Collins Capital Low Volatility Performance II	l	77,915	
Subtotal hedge funds		12,366,709	-
		$ 18,943,267	**$ 5,206,667**

C. Investments - Continued

(a) SEI Core Property Fund LP seeks both current income and long-term capital appreciation and was organized to invest directly and indirectly in a diversified pool of private investment vehicles that invest in commercial real estate properties. A notice period of 65 days is required to redeem shares quarterly with no lock-up period. When a limited partner redeems its investment in the partnership, up to ten percent of the value of such investment may be held in escrow until the completion of the Partnership's annual audit.

(b) Glouston Private Equity Opportunities III seeks to achieve long-term capital appreciation through the purchase of existing limited partnership interests in independently managed private equity funds from third parties seeking liquidity prior to the contractual termination of such portfolio funds. Investors in the portfolio funds have no redemption options. A secondary market does exist whereby investors may sell their limited partnership interest to other investors or third parties with general partners and/or limited partner approval.

(c) ValStone Opportunity Fund IV's investment objective is to invest primarily in distressed debt obligations and other assets, including operating companies and real estate. Furthermore, the fund purchases loan pools through other special-purpose entities, typically in the ownership interest in the loan pools. Investors in the portfolio funds have no redemption options. A secondary market does exist whereby investors may sell their limited partnership interest to other investors or third parties with general partners and/or limited partner approval. On March 1, 2018, the Fund commenced dissolution. During dissolution the liquidation or distribution of the assets of the partnership will occur.

(d) Glouston Private Equity Holdings IV seeks to achieve long-term capital appreciation through the purchase of private investment vehicles that invest in private equity securities, convertible notes and/or notes with warrants issued by small to medium-sized issuers and secondarily through the purchase, holding and disposition of private equity and near-equity investments consisting of investment made directly by the partnership in equity securities, convertible notes, and/or notes with warrants issued by small to medium-sized issuers. Investors in the portfolio funds have no redemption options. A secondary market does exist whereby investors may sell their limited partnership interest to other investors or third parties with general partners and/or limited partner approval.

(e) Penn Square Global Real Estate Fund II, a limited partnership, was formed to identify, acquire, hold, manage, and dispose of investments in real estate private equity funds for income and capital appreciation. The partnership is an opportunistic commingled fund vehicle designed to invest in non-core real estate opportunities. The fund consists of a broadly diversified portfolio of investment opportunities that are typically only accessible by institutional investors with large commitment sizes. Limited partners are not permitted to withdraw or resign from the partnership without the written consent of Penn Square II, LLC (the general partner), which consent may be granted or withheld in its sole discretion, with or without cause. Furthermore, the partnership will distribute all receipts of cash from its real estate investments, after provision for reasonable reserves, as soon as practicable.

(f) Landmark Real Assets Fund is a multi-manager program (also known as a fund-of-funds) that seeks to make investments primarily in a select group of private investment partnerships, limited liability companies, or similar entities that themselves invest in real assets as inflation hedging investments. The fund will typically make distributions promptly following the partnership's receipt of distributions from investments, subject to the capital needs of the partnership as determined by the general partner in its sole discretion. The investments of the partnership are not readily marketable. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable.

C. Investments - Continued

(g) Tuckerbrook SB Global Distressed Fund I is limited partnership formed to invest in private equity funds and hedge funds focusing generally on distressed debt issuers. The strategies of the fund include distressed private equity securities experiencing significant financial or operational difficulties that often lead to bankruptcies, exchange offers, workouts, financial reorganizations, and other special credit event-related situations; and distressed debt/credit hedge funds which build long, short or arbitrage positions where success is largely dependent upon a rigorous evaluation of the credit-worthiness of an issuer and/or a superior understanding of the bankruptcy process. Limited partners may not withdraw their interests in the fund. If a limited partner, for some unforeseen reason, develops a need for liquidity, the fund will cooperate, within constraints established by the fund's agreement, securities laws and the need to preserve the fund's treatment as a partnership for federal tax purposes, in the limited partner's effort to transfer its interest. On August 1, 2018, pursuant to the terms of its partnership agreement, the Fund commenced dissolution. During dissolution the affairs of the partnership will wind up and liquidation or distribution of the assets of the partnership will occur.

(h) SEI GPA IV Private Equity Fund's objective is to achieve an attractive risk-adjusted return relative to other asset class alternatives through the identification and selection of a set of private asset managers that manage underlying funds across a broad spectrum of venture capital, buyouts, debt, real estate, and real asset/infrastructure investments. The expected duration of the fund is 5 – 7 years with a target maximum life of 10 years. Redemptions are not permitted.

(i) SEI Special Situations Fund's objective is to seek to achieve high returns balanced against an appropriate level of volatility and directional market exposure over a full market cycle. The fund pursues its investment objective primarily by utilizing a “fund of funds” approach, which includes investments in various private funds and opportunistically investing directly in any other securities and financial instruments. With an initial two year lock-up period on initial subscriptions, the fund does not intend to make distributions with respect to shares. If redemption is possible, a notice of 95 days is required to redeem shares semi-annually with a 10% holdback on total redemptions, held in an escrow account until the completion of the fund's annual audit.

(j) SEI Structured Credit Fund's objective is to generate high total returns. The fund pursues its investment objective by investing in a portfolio comprised of collateralized debt obligations, which includes collateralized loan obligations and other structured credit investments, as well as investing in registered investment companies. The fund is a closed-end investment company, and therefore no limited partner will have the right to require the fund to redeem its interests. However, if redemption is possible, a notice period of 65 days is required to redeem shares quarterly with a two year lock-up period on all subscriptions.

(k) SEI Energy Debt LP's objective is to seek to achieve high returns primarily by investing directly and indirectly in below investment grade debt and equity instruments of U.S. and international energy companies. There was a three year lock-up period on initial subscriptions. Investors in the partnership were asked to re-commit to a fresh 3-year lock-up effective April 1, 2019 which will allow the partnership to take advantage of the longer-term investment opportunities in the energy market. The fund does not intend to make distributions with respect to shares. If redemption is possible, limited partners will be permitted to withdraw interests from the fund as of the last business day of June and December of each calendar year with a notice of 95 days.

C. Investments - Continued

(l) Collins Capital Low Volatility Performance II invests approximately 99% of its portfolio in the Collins Capital Master Fund II. The Collins Capital Master Fund II consists of separate and distinct series of limited partnership interests. The primary objective and purpose of each series is to invest and trade in limited partnership interests, interests created pursuant to investment advisory agreements and other interests offered by one or more private investment partnerships, limited liability companies, corporations or other investment vehicles or accounts managed and invested by one or more independent investment advisors or investment managers of such partnerships or other vehicles or accounts, as determined by the general partner in its sole discretion. As of October 1, 2009, Collins Capital Low Volatility Performance II funds effectively were in redemption.

D. Liquidity

The Horizon Foundation invests funds in a professionally managed portfolio consisting of various types of mutual funds and alternative investments. A separate portfolio, referred to as the Spending Immunization Strategy, is invested in short term fixed income funds to provide liquidity to meet annual spending requirements for programs, grants, investment and other administrative expenses. The targeted balance is equal to one year of projected spending and is replenished by income and dividends from the main portfolio.

The following provides a summary of financial assets available for general expenditures within one year at December 31,:

	2018	2017
Cash and cash equivalents	$ 936,070	$ 831,689
Investments	82,547,440	92,590,414
Interest and dividends receivable	68,988	137,114
Promises to give	249,998	75,100
Total financial assets	83,802,496	93,634,317
Less amounts not available for general expenditures:		
Investments without liquidity	(14,650,785)	(16,356,917)
Board-designated net assets	(440,287)	(195,240)
Net assets with donor restrictions	(88,346)	(82,756)
	$ 68,623,078	**$ 76,999,404**

E. Property and Equipment

Acquisitions of property and equipment greater than $2,500 are capitalized at cost. Depreciation of furniture and equipment is calculated using the straight-line method over estimated useful lives of 5 to 10 years. Amortization of leasehold improvements is calculated using the straight-line method over the lesser of the remaining term of the office lease or the estimated useful life of the improvements.

Property and equipment consisted of the following at December 31,:

	2018	2017
Leasehold improvements	$ 344,210	$ 323,048
Furniture and equipment	107,655	104,640
	451,865	427,688
Less accumulated depreciation and amortization	(155,512)	(114,071)
	$ 296,353	**$ 313,617**

F. Grants

Horizon Foundation makes unconditional grants which are recognized as grant expense in the year they are authorized by the Board of Trustees. Grants accrued but not paid during the year remain in grants payable until disbursed or cancelled. Grants payable over multiple years are recorded at net present value using discount rates in effect when the grants were authorized. For multi-year grants authorized during 2018 and 2017, the discount rates were 2.75% and 1.91% respectively, which was based on the current rate on a 5-year U.S. Treasury Note.

Grants payable and grant activities consisted of the following as of and for the years ended December 31,:

	2018	2017
Grants payable, beginning balance	$ 2,689,457	$ 2,787,126
Grants authorized		
Grants authorized	1,731,444	981,104
Current year grants cancelled	-	(51,506)
Discount to net present value	(110,473)	(103,287)
Subtotal	1,620,971	826,311
Grants paid	(1,619,841)	(923,980)
Grants payable, ending balance	**$ 2,690,587**	**$ 2,689,457**

F. GRANTS - CONTINUED

Grants are expected to be disbursed in future years as follows at December 31,:

	2018	2017
Amounts payable in less than one year	$ 1,490,960	$ 1,257,481
Amounts payable in one to five years	1,110,100	1,135,263
Amounts payable in more than five years	200,000	400,000
	2,801,060	2,792,744
Less discount to net present value	(110,473)	(103,287)
	$ 2,690,587	**$ 2,689,457**

Grants to related parties: Trustees and employees of Horizon Foundation have disclosed potential conflicts of interest as an officer, Trustee, employee, contractor, or vendor of organizations receiving grants from Horizon Foundation. During consideration of awards to these organizations, the Trustees and employees associated with these organizations removed themselves from the discussion and approval process. Grants disbursed to these organizations totaled $51,000 and $17,000 during the years ended December 31, 2018 and 2017, respectively. The balance of unconditional grants payable to these organizations totaled $30,000 and $6,000 at December 31, 2018 and 2017, respectively.

G. NET ASSETS

Without donor restrictions: Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation.

Net assets without donor restrictions consisted of the following at December 31,:

	2018	2017
Undesignated	$ 80,127,798	$ 90,264,758
Designated		
Mental health media campaign	116,252	-
Positive lifestyle evaluation	92,280	37,295
Sugary drink media campaign	76,225	-
SpeakEasy media campaign *	73,530	137,945
Mental health practice tools	45,000	-
Biennial health survey	24,500	-
Youth behavioral health consulting	12,500	-
Sugar Free Kids Maryland Coalition	-	20,000
Subtotal designated	440,287	195,240
	$ 80,568,085	**$ 90,459,998**

***** *Previously referred to as the campaign for positive lifestyles.*

G. Net Assets - Continued

Net assets with donor restrictions: Net assets with donor restrictions include those net assets whose use has been donor restricted for a particular purpose.

Net assets with donor restrictions consisted of the following at December 31,:

	2018	2017
Voices for Healthy Kids	$ 86,846	$ 81,256
Health and Wellness efforts	1,500	1,500
	$ 88,346	**$ 82,756**

Net assets released from donor restrictions consisted of the following during the years ended December 31:

	2018	2017
Voices for Healthy Kids	$ 254,408	$ 188,744
Changemaker Challenge	-	25,000
	$ 254,408	**$ 213,744**

H. Retirement Plan

Horizon Foundation sponsors a 401(k) profit sharing plan, which is available to all eligible employees. Participants may defer a portion of their compensation to the Plan on a pre-tax basis. In addition, Horizon Foundation makes matching contributions for each participant equal to 100% of participant elective deferrals up to 3% of compensation plus 50% of the next 2% of each participant's elective deferrals. Furthermore, Horizon Foundation may make additional discretionary profit sharing contributions. Horizon Foundation's contributions to the plan totaled $108,867 and $101,564 for the years ended December 31, 2018 and 2017, respectively.

I. Functional Expense

The costs of providing various program and supporting services have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Costs related to a specific functional activity are charged directly to that activity. However, other indirect costs are allocated among the program and supporting services benefited based on management's best estimates. In particular, salaries and benefits and other shared costs such as occupancy and office expense, equipment and depreciation, and insurance costs are allocated based on employee time and effort studies.

Program services: Horizon Foundation's program services include the following activities:

Community building: Horizon Foundation collaborates with diverse partners to identify pressing, unmet health and wellness needs in the community and to create catalytic change that is tangible, measurable, and sustainable. Horizon Foundation cares passionately about the community and strives to bring innovative solutions from around the region, country and world to improve health and wellness locally. From strengthening effective policies to expanding critical services and educating the community through its annual meeting, Horizon Foundation focuses on making Howard County a more vibrant and healthy place to live, learn, work, and play.

Grantmaking: Since 1998, Horizon Foundation has invested more than $55 million in community programs, including grants to more than 300 organizations serving the county, from after-school programs to faith-based organizations to health care providers. Horizon Foundation has also spearheaded numerous successful projects, including reducing the number of uninsured residents, expanding access to mental health services, improving school nutrition and physical activity, and dramatically reducing the consumption of sugary drinks.

Supporting services: Horizon Foundation's supporting services include the following activities:

General and administrative: Horizon Foundation's general and administrative expenses include the functions necessary for administration, such as office operations and financial responsibilities, and for strategic direction through support of the Board of Trustees.

Fundraising and development: Fundraising and development includes expenditures that encourage and secure contributions and grants to support Horizon Foundation's programs.

I. Functional Expense - Continued

Functional expense consisted of the following for the year ended December 31, 2018, with 2017 totals:

	Community Building	Grant Making	General and Administrative	Fundraising and Development	Total 2018	Total 2017
Grants	$ -	$ 1,620,971	$ -	$ -	$ 1,620,971	$ 877,817
Salaries and benefits	1,019,840	124,390	324,633	3,824	1,472,687	1,413,784
Professional fees / contract services	1,040,047		82,152		1,122,199	1,197,764
Occupancy	142,593	17,393	45,371	534	205,891	258,232
Marketing and design	125,707		75,034		200,741	174,547
Meetings and recruiting	66,274		10,736		77,010	54,329
Travel	9,720		31,721		41,441	30,443
Equipment and depreciation	39,524	4,820	12,581	149	57,074	74,074
Membership dues and licenses	14,386		4,065		18,451	12,339
Insurance	7,969	972	2,537	30	11,508	7,262
Community engagement	1,320		8,749		10,069	17,262
Contributions and donations			1,450		1,450	1,600
	$ 2,467,380	**$ 1,768,546**	**$ 599,029**	**$ 4,537**	**$ 4,839,492**	**$ 4,119,453**

J. Commitment and Contingency

Office lease: Horizon Foundation has an operating lease agreement that expires on December 31, 2026. The lease contains an escalation of base rentals as well as a tenant improvement allowance of $309,960, both of which have been reported in deferred rent and lease incentive liability which will be amortized on a basis to achieve straight-line rent expense over the life of the lease. The deferred rent and lease incentive liability totaled $300,993 and $318,286 at December 31, 2018 and 2017, respectively. Rent expense under the new office lease totaled $122,554 and $122,964 for the years ended December 31, 2018 and 2017, respectively.

Future minimum cash basis lease payments, not including pass through costs related to real estate taxes or operating expenses, are as follows:

Year Ending December 31,	Amount
2019	$ 144,500
2020	148,800
2021	153,300
2022	157,900
2023	162,600
Thereafter	517,700
	$ 1,284,800

Employment agreement: Horizon Foundation has an employment agreement with a key executive. The agreement stipulates that, in the event employment is terminated without cause, Horizon Foundation will be obligated to pay severance equal to six months of base salary and related benefits.

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&
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Independent Auditor's Report on the Consolidating Information

To the Boards of Trustees
Horizon Foundation

We have audited the accompanying consolidated financial statements of The Horizon Foundation of Howard County, Inc. and the Howard Community Health Foundation, Inc. (Horizon Foundation) as of and for the year ended December 31, 2018, and our report thereon dated August 20, 2019, contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on the following pages is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Tate & Tryon

Washington, DC
August 20, 2019

Horizon Foundation

Consolidating Statement of Financial Position

December 31, 2018

	Horizon	HCHF	Total
Assets			
Cash and cash equivalents	$ 933,769	$ 2,301	**$ 936,070**
Investments	82,547,440		**82,547,440**
Interest and dividends receivable	68,988		**68,988**
Promises to give	249,998		**249,998**
Prepaid expenses and other assets	44,768		**44,768**
Property and equipment	296,353		**296,353**
Total assets	$ 84,141,316	$ 2,301	**$ 84,143,617**
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	$ 495,606	$ -	**$ 495,606**
Grants payable	2,690,587		**2,690,587**
Deferred rent and lease incentive	300,993		**300,993**
Total liabilities	3,487,186	-	**3,487,186**
Net assets			
Without donor restrictions			
Undesignated	80,125,497	2,301	**80,127,798**
Designated	440,287		**440,287**
Total net assets without donor restrictions	80,565,784	2,301	**80,568,085**
With donor restrictions	88,346		**88,346**
Total net assets	80,654,130	2,301	**80,656,431**
Total liabilities and net assets	$ 84,141,316	$ 2,301	**$ 84,143,617**

Horizon Foundation

Consolidating Statement of Activities

Year Ended December 31, 2018

	Horizon	HCHF	Eliminations	Total
Activities without donor restrictions				
Revenue and support				
Contributions and other income	$ 217,816	$ 62,368	$ (60,068)	**$ 220,116**
Net investment return	(5,526,945)			**(5,526,945)**
	(5,309,129)	62,368	(60,068)	**(5,306,829)**
Net assets released from donor restrictions	254,408			**254,408**
Total revenue and support	(5,054,721)	62,368	(60,068)	**(5,052,421)**
Expense				
Program services				
Community building	2,465,591	29,618	(27,829)	**2,467,380**
Grantmaking	1,768,546			**1,768,546**
Total program services	4,234,137	29,618	(27,829)	**4,235,926**
Supporting services				
General and administrative	598,981	32,287	(32,239)	**599,029**
Fundraising and development	4,537			**4,537**
Total supporting services	603,518	32,287	(32,239)	**603,566**
Total expense	4,837,655	61,905	(60,068)	4,839,492
Change in net assets without donor restrictions	(9,892,376)	463	-	**(9,891,913)**
Activities with donor restrictions				
Contributions	259,998			**259,998**
Net assets released from donor restrictions	(254,408)			**(254,408)**
Change in net assets with donor restrictions	5,590	-	-	**5,590**
Change in net assets	(9,886,786)	463	-	**(9,886,323)**
Net assets, January 1, 2018	90,540,916	1,838		**90,542,754**
Net assets, December 31, 2018	$ 80,654,130	$ 2,301	$ -	**$ 80,656,431**