

Horizon Foundation

**Consolidated Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

December 31, 2021

Horizon Foundation

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Independent Auditor's Report

To the Board of Trustees
The Horizon Foundation of Howard County, Inc. and
The Howard Community Health Foundation, Inc.

Opinion

We have audited the consolidated financial statements of The Horizon Foundation of Howard County, Inc. and The Howard Community Health Foundation, Inc. (collectively, "Horizon Foundation"), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Horizon Foundation of Howard County, Inc. and The Howard Community Health Foundation, Inc. as of December 31, 2021, and the change in their net assets and their 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Horizon Foundation of Howard County, Inc. and The Howard Community Health Foundation, Inc. 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.

Prior Period Financial Statement

The consolidated financial statements of The Horizon Foundation of Howard County, Inc. and The Howard County Community Health Foundation, Inc. for the year ended December 31, 2020, were audited by another auditor, who expressed unmodified opinion on those statements on October 25, 2021.

Responsibilities of Management for the 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 Horizon Foundation of Howard County, Inc. and The Howard Community Health Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the 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 auditor's 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 Horizon Foundation of Howard County, Inc. and The Howard Community Health Foundation, Inc.'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 Horizon Foundation of Howard County, Inc. and The Howard Community Health Foundation, Inc.'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and 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 as a whole.



Bethesda, Maryland
January 9, 2023

Horizon Foundation

Consolidated Statements of Financial Position December 31, 2021 and 2020

Assets

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,264,147	\$ 638,410
Investments	102,761,577	93,980,977
Contributions receivable	100,000	-
Accounts receivable	35,580	76,234
Dividends and other receivable	27,513	28,751
Prepaid expenses	74,899	90,234
Property and equipment, net	<u>194,089</u>	<u>238,448</u>
Total assets	<u>\$ 104,457,805</u>	<u>\$ 95,053,054</u>

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 702,374	\$ 433,182
Grants payable	2,492,503	1,845,071
Deferred rent	<u>223,336</u>	<u>253,648</u>
Total liabilities	3,418,213	2,531,901
Commitments and contingencies (Notes 2 and 9)		
Net assets		
Net assets without donor restrictions	100,883,092	92,043,347
Net assets without donor restrictions - board designated	<u>55,000</u>	<u>405,806</u>
Total net assets without donor restrictions	100,938,092	92,449,153
Net assets with donor restrictions	<u>101,500</u>	<u>72,000</u>
Total net assets	<u>101,039,592</u>	<u>92,521,153</u>
Total liabilities and net assets	<u>\$ 104,457,805</u>	<u>\$ 95,053,054</u>

See Notes to Consolidated Financial Statements.

Horizon Foundation

Consolidated Statements of Activities Years Ended December 31, 2021 and 2020

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue						
Net investment return	\$ 14,465,114	\$ -	\$ 14,465,114	\$ 10,041,441	\$ -	\$ 10,041,441
Contributions	101,700	100,196	201,896	1,250	100,500	101,750
Other Income	102,779	-	102,779	60,097	-	60,097
	14,669,593	100,196	14,769,789	10,102,788	100,500	10,203,288
Net assets released from restrictions						
Satisfaction of donor restrictions	70,696	(70,696)	-	55,987	(55,987)	-
Total revenue	14,740,289	29,500	14,769,789	10,158,775	44,513	10,203,288
Expenses						
Program services						
Grantmaking	2,663,340	-	2,663,340	2,855,233	-	2,855,233
Community building	2,902,336	-	2,902,336	2,477,837	-	2,477,837
Total program services	5,565,676	-	5,565,676	5,333,070	-	5,333,070
Supporting services						
General and administrative	683,169	-	683,169	700,682	-	700,682
Fundraising and development	2,505	-	2,505	4,836	-	4,836
Total supporting services	685,674	-	685,674	705,518	-	705,518
Total expenses	6,251,350	-	6,251,350	6,038,588	-	6,038,588
Changes in net assets	8,488,939	29,500	8,518,439	4,120,187	44,513	4,164,700
Net assets, beginning	92,449,153	72,000	92,521,153	88,328,966	27,487	88,356,453
Net assets, end	\$ 100,938,092	\$ 101,500	\$ 101,039,592	\$ 92,449,153	\$ 72,000	\$ 92,521,153

See Notes to Consolidated Financial Statements.

Horizon Foundation

Consolidated Statements of Cash Flows Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Changes in net assets	\$ 8,518,439	\$ 4,164,700
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation and amortization	44,359	43,284
Net realized/unrealized gain on investments	(13,645,182)	(9,244,155)
Changes in assets and liabilities		
Contributions receivable	(100,000)	-
Accounts receivable	40,654	-
Dividends and other receivable	1,238	28,681
Prepaid expenses	15,335	(78,017)
Accounts payable and accrued expenses	269,192	(24,046)
Grants payable	647,432	(3,405,902)
Deferred rent	(30,312)	(25,842)
Net cash used in operating activities	(4,238,845)	(8,541,297)
Cash flows from investing activities		
Purchases of property and equipment	-	(28,291)
Net proceeds from sales of investments	4,864,582	5,238,729
Net cash provided by investing activities	4,864,582	5,210,438
Net increase in cash and cash equivalents	625,737	(3,330,859)
Cash and cash equivalents, beginning of year	638,410	1,323,910
Cash and cash equivalents, end of year	\$ 1,264,147	\$ 638,410
Supplemental cash flow information		
Cash paid during the year for income taxes	\$ 912	\$ 2,000

See Notes to Consolidated Financial Statements.

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Notes to Consolidated Financial Statements December 31, 2021 and 2020

Note 1 - Nature of activities and significant accounting policies

Nature of activities

The Horizon Foundation of Howard County, Inc. ("Horizon") is a nonprofit 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 nonprofit 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.

Program services include the following activities:

Grantmaking

Horizon Foundation makes grants to organizations working to address identified strategic priorities and to organizations supporting the broader goal of improving the health and wellness of people who live or work in Howard County. Horizon Foundation embraces innovative solutions and new models and encourage possible grantees to present such ideas when submitting funding applications.

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.

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.

A summary of Horizon Foundation's significant accounting policies follows:

Principles of consolidation

The consolidated financial statements include the accounts of Horizon and HCHF. Significant inter-entity accounts and transactions have been eliminated in consolidation. For purposes of this report, the entities are collectively referred to as Horizon Foundation.

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Notes to Consolidated Financial Statements December 31, 2021 and 2020

Basis of presentation

Horizon Foundation follows the accounting requirements of the Not-for-Profit Entities topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). Under the FASB ASC, Horizon Foundation is required to report information regarding its net assets and its activities according to two categories: 1) net assets without donor restrictions and 2) net assets with donor restrictions.

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.

With donor restrictions

Net assets with donor restrictions include those net assets whose use is subject to donor-imposed restrictions. Donor restrictions may be for a specified time or purpose limitation or the donor may specify that the corpus of their original and certain subsequent gifts be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

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.

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.

Investments

Investments with readily determinable fair values are reflected at fair value and alternative investments are reflected at net asset value ("NAV") as a practical expedient. To adjust the carrying value of investments, the change in value is charged or credited to net investment return.

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Notes to Consolidated Financial Statements December 31, 2021 and 2020

Financial 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.

Horizon Foundation invests in a professionally managed portfolio primarily consisting of mutual funds and alternative investments. Such investments are exposed to market and credit risks. Therefore, Horizon Foundation's investments may be subject to significant fluctuations in fair value and investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

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.

Impairment

Long-lived property, such as leasehold improvements, that suffers a permanent impairment will be written down to fair value and an impairment loss equal to the difference between the property's carrying amount and fair value would be included as a reduction in the change in net assets from operations.

Deferred rent

Horizon Foundation recognizes the minimum rents required under a lease as rent expense on a straight-line basis over the term of the lease. Differences between amounts recorded as expense and amounts actually paid are reported as deferred rent in the consolidated statements of financial position along with the unamortized landlord provided tenant improvement allowance (see Note 9).

Contributions

Unconditional contributions are recognized when received. Contributions are classified within activities without donor restrictions or within activities with donor restrictions depending upon the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions when either the purpose restriction is satisfied, or the time restriction expires. Contributions with donor restrictions that is both received and released in the same period is classified as without donor restrictions in the statements of activities.

Functional expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the 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 are allocated based on employee time and effort studies.

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Notes to Consolidated Financial Statements December 31, 2021 and 2020

Recent accounting pronouncement adopted

FASB ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* results in the removal, modification and addition of certain disclosure requirements related to transfers between levels within the fair value hierarchy, valuation processes and unrealized gains/losses presentation for Level 3 measurements and liquidation timing for investments held at net asset value. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied except for the changes related to Level 3 measurements, which should be applied prospectively. Horizon Foundation adopted the new standard during the year ended December 31, 2020 but the new standard had no impact on the consolidated financial statements.

Upcoming accounting pronouncements

FASB ASU 2016-02, *Leases (Topic 842)* supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for Horizon Foundation's year ending December 31, 2022. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Horizon Foundation anticipates adopting the new standard during the year ending December 31, 2022 and is currently evaluating the impact of the adoption of the new standard on the consolidated financial statements.

Subsequent events

Subsequent events have been evaluated through January 9, 2023, which is the date the consolidated financial statements were available to be issued.

Note 2 - Investments

Horizon Foundation follows the accounting standards topic regarding fair value measurements, which establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosures about fair value measurements. This standard 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 presented at fair value using Level 1 inputs include mutual funds and money market funds, which were valued based on quoted prices for identical assets in active markets. Management believes the fair values of investments to be a reasonable approximation of their exit price.

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Notes to Consolidated Financial Statements December 31, 2021 and 2020

There were no significant transfers between any of the levels of the fair value hierarchy during the years ended December 31, 2021 and 2020. Management believes the fair values of investments to be a reasonable approximation of their exit price.

Investments valued at NAV (or its equivalent) as a practical expedient include alternative investments, which do not have a readily determinable fair value and are not traded on an exchange. Horizon Foundation estimates the value of its alternative investments at the measurement date using the NAV (or its equivalent) reported by the fund managers without further adjustment. NAV (or its equivalent) was determined by the fund managers based on the fair value of the underlying portfolio of investments. Horizon Foundation does not expect to sell its alternative investments at a value other than NAV (or its equivalent). Furthermore, Horizon Foundation believes NAV (or its equivalent) has been calculated in accordance with U.S. GAAP.

Investments consisted of the following at December 31, 2021 and 2020:

December 31, 2021			
	Quoted prices in active markets for identical assets/liabilities (Level 1)	Investments measured at net asset value	Total
Mutual funds	\$ 73,260,571	\$ -	\$ 73,260,571
Money market funds	215	-	215
Investments at fair value	73,260,786	-	73,260,786
Alternative investments	-	29,500,791	29,500,791
Total investments	<u>\$ 73,260,786</u>	<u>\$ 29,500,791</u>	<u>\$ 102,761,577</u>
December 31, 2020			
	Quoted prices in active markets for identical assets/liabilities (Level 1)	Investments measured at net asset value	Total
Mutual funds	\$ 71,461,785	\$ -	\$ 71,461,785
Money market funds	87,515	-	87,515
Investments at fair value	71,549,300	-	71,549,300
Alternative investments	-	22,431,677	22,431,677
Total investments	<u>\$ 71,549,300</u>	<u>\$ 22,431,677</u>	<u>\$ 93,980,977</u>

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Notes to Consolidated Financial Statements December 31, 2021 and 2020

Investments include amounts held to fund the deferred compensation plan described in Note 7.

Investments held to fund deferred compensation primarily consisted of mutual funds and totaled \$61,402 and \$31,506 at December 31, 2021 and 2020, respectively.

Net investment return consisted of the following for the years ended December 31, 2021 and 2020:

	2021	2020
Net gain on investments	\$ 13,645,182	\$ 9,244,155
Interest and dividends	1,374,551	1,295,625
Investment fees	(554,619)	(498,339)
	<u>\$ 14,465,114</u>	<u>\$ 10,041,441</u>

Alternative investments consisted of the following asset allocation at December 31, 2021:

	Total	Percentage
Private equity funds	\$ 12,518,543	42%
Hedge funds	16,982,248	58%
	<u>\$ 29,500,791</u>	<u>100%</u>

Alternative investments consisted of the following asset allocation at December 31, 2020:

	Total	Percentage
Private equity funds	\$ 8,417,820	38%
Hedge funds	14,013,857	62%
	<u>\$ 22,431,677</u>	<u>100%</u>

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Notes to Consolidated Financial Statements December 31, 2021 and 2020

Alternative investments consisted of the following funds at December 31, 2021 and 2020:

	Net asset value		Unfunded commitments	
	2021	2020	2021	2020
Private equity funds:				
SEI Core Property Fund	\$ 5,895,301	\$ 4,696,907	\$ -	\$ -
SEI Global Private Assets IV	4,779,689	2,607,610	1,985,849	2,755,034
Landmark Real Assets Fund	174,539	375,487	228,710	177,181
SEI Global Private Assets V	1,344,178	217,476	4,131,011	4,901,321
Glouston Private Equity Opportunities III	15,987	198,366	283,500	283,500
Tuckerbrook SB Global Distressed Fund I	199,053	223,990	219,423	103,995
Penn Square Global Real Estate Fund II	96,585	97,424	585,000	585,000
Glouston Private Equity Holdings IV	13,211	560	84,000	1,000
Subtotal private equity funds	12,518,543	8,417,820	7,517,493	8,807,031
Hedge funds:				
SEI Structured Credit Fund Offshore Feeder	7,733,808	6,221,236	-	-
SEI Special Situations Fund	4,925,287	4,586,003	-	-
SEI Energy Debt Fund	4,255,498	3,147,055	-	-
Collins Capital Low Volatility Performance II	67,655	59,563	-	-
Subtotal hedge funds	16,982,248	14,013,857	-	-
Total	\$ 29,500,791	\$ 22,431,677	\$ 7,517,493	\$ 8,807,031

The alternative investments chart shown above and the following fund descriptions on the succeeding pages of Note 2 provide summarized information regarding the redemption frequency and notice period for each alternative investment at December 31, 2021. For the full description relating to each fund, please refer to the fund prospectus, which is available from the fund managers.

- (a) SEI Core Property Fund, LP seeks both current income and long-term capital appreciation and was organized to invest in, directly and indirectly, a diversified pool of private investment vehicles that invest in commercial real estate properties. A notice period of 95 days is required to redeem shares quarterly with no lock-up period. When a limited partner redeems its investment in the partnership, up to 10% of the value of such investment may be held in escrow until the completion of the partnership's annual audit.
- (b) SEI Global Private Assets IV, LP and SEI Global Private Assets V, LP have an objective 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 funds is five to seven years with a target maximum life of 10 years. Redemptions are not permitted.
- (c) Landmark Real Assets Fund, LP 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

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Notes to Consolidated Financial Statements December 31, 2021 and 2020

readily marketable. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable.

- (d) Glouston Private Equity Opportunities III, LP 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.
- (e) Tuckerbrook SB Global Distressed Fund I, LP is a 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.
- (f) Penn Square Global Real Estate Fund II, LP 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.
- (g) Glouston Private Equity Holdings IV, LP 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.
- (h) SEI Structured Credit Fund Offshore Feeder, Ltd seeks 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

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Notes to Consolidated Financial Statements December 31, 2021 and 2020

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.

- (i) SEI Special Situations Fund, Ltd seeks 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 Energy Debt Fund, LP seeks 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 three-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.
- (k) Collins Capital Low Volatility Performance II Special Investments, Ltd 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.

Note 3 - Liquidity and availability of resources

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.

Except for the SEI Core Property Fund, LP, the alternative investments held by Horizon Foundation are not considered to be liquid in the near term.

Horizon Foundation

Notes to Consolidated Financial Statements December 31, 2021 and 2020

The following provides a summary of financial assets available for general expenditures within one year at December 31, 2021 and 2020:

	2021	2020
Financial assets at year end		
Cash and cash equivalents	\$ 1,264,147	\$ 638,410
Accounts receivable	35,580	76,234
Dividends and other receivable	27,513	28,751
Investments	<u>102,761,577</u>	<u>93,980,977</u>
Total financial assets	104,088,817	94,724,372
Less amounts not available to be used within one year		
Investment without immediate liquidity	(23,605,490)	(17,734,770)
Board-designated net assets	(55,000)	(405,806)
Net assets restricted for purpose	<u>(101,500)</u>	<u>(72,000)</u>
Total financial assets available to be used within one year	<u>\$ 80,326,827</u>	<u>\$ 76,511,796</u>

Note 4 - Property and equipment

Property and equipment consisted of the following at December 31, 2021 and 2020:

	2021	2020
Leasehold improvements	\$ 372,501	\$ 372,501
Furniture and equipment	<u>107,655</u>	<u>107,655</u>
	480,156	480,156
Accumulated depreciation and amortization	<u>(286,067)</u>	<u>(241,708)</u>
Property and equipment, net	<u>\$ 194,089</u>	<u>\$ 238,448</u>

Depreciation and amortization expense related to property and equipment for the years ended December 31, 2021 and 2020 was \$44,359 and \$43,284, respectively.

Note 5 - 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. For multi-year grants, the discount rate at December 31, 2021 was 1.26%, which was based on the current rate on a five-year U.S. Treasury Note.

Horizon Foundation

Notes to Consolidated Financial Statements December 31, 2021 and 2020

Grants payable and grant making activities consisted of the following as of and for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Grants payable, beginning balance	\$ 1,845,071	\$ 2,605,614
Grants authorized, net		
Grants authorized	2,417,280	2,631,489
Grants cancelled	(76,204)	(32,400)
Change in discount to net present value	<u>(17,977)</u>	<u>46,270</u>
Subtotal	2,323,099	2,645,359
Grants disbursed	<u>(1,675,667)</u>	<u>(3,405,902)</u>
Grants payable, ending balance	<u><u>\$ 2,492,503</u></u>	<u><u>\$ 1,845,071</u></u>

Grants are expected to be disbursed in future years as follows at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Amounts payable in less than one year	\$ 1,250,864	\$ 886,455
Amounts payable in one to five years	<u>1,271,000</u>	<u>970,000</u>
	2,521,864	1,856,455
Less discount to net present value	<u>(29,361)</u>	<u>(11,385)</u>
	<u><u>\$ 2,492,503</u></u>	<u><u>\$ 1,845,070</u></u>

Grants to related parties

Trustees of Horizon Foundation have disclosed potential conflicts of interest as an officer, Trustee, employee, contractor or vendor of organizations that received grants from Horizon Foundation. During consideration of awards to these organizations, the Trustees associated with these organizations removed themselves from the discussion and approval process. Grants disbursed to these organizations totaled \$75,000 and \$100,000 during the years ended December 31, 2021 and 2020, respectively. The balance of unconditional grants payable to these organizations totaled \$40,000 and \$0 as of December 31, 2021 and 2020, respectively.

Horizon Foundation

Notes to Consolidated Financial Statements December 31, 2021 and 2020

Note 6 - 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. Typically, Horizon Foundation's Board of Trustees approves new board-designated funds in conjunction with the annual approval of the budget. Net assets without donor restrictions consisted of the following at December 31, 2021 and 2020:

	2021	2020
Undesignated	\$ 100,883,092	\$ 92,043,347
Designated		
Healthy Kids and Family Evaluation	25,000	-
Healthy Kids and Family Mental Health Consulting	30,000	-
Sugary Drink Media Campaign	-	133,225
Equity communications	-	103,305
SpeakEasy media campaign	-	75,000
Positive lifestyle evaluation	-	55,000
Mental health media campaign	-	24,276
Biennial health survey	-	15,000
Subtotal designated	55,000	405,806
	<u>\$ 100,938,092</u>	<u>\$ 92,449,153</u>

Net assets with donor restrictions

Net assets with donor restrictions include those net assets whose use has been donor restricted for a particular purpose or that are inherently time restricted until constructively received. A rollforward of net assets with donor restrictions from December 31, 2020 to December 31, 2021 is as follows:

	Net assets December 31, 2020	Additions	Releases	Net assets December 31, 2021
Purpose restricted				
Health and wellness efforts	\$ 1,500	\$ -	\$ -	\$ 1,500
Health survey	45,000	-	(45,000)	-
Racial equity media campaign	25,000	-	(25,000)	-
Healthy aging programs - SpeakEasy Howard	500	196	(696)	-
Total purpose restricted	72,000	196	(70,696)	1,500
Time restricted				
Healthy aging	-	100,000	-	100,000
Total time restricted	-	100,000	-	100,000
Total	<u>\$ 72,000</u>	<u>\$ 100,196</u>	<u>\$ (70,696)</u>	<u>\$ 101,500</u>

Note 7 - Retirement plans

Defined contribution plan

Horizon Foundation sponsors a 401(k) profit sharing plan, which is a defined contribution plan available to all eligible employees. Participants may defer a portion of their compensation to the

Horizon Foundation

Notes to Consolidated Financial Statements December 31, 2021 and 2020

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. Horizon Foundation may also make additional discretionary profit sharing contributions. Horizon Foundation's contributions to the plan totaled \$109,518 and \$104,218 for the years ended December 31, 2021 and 2020, respectively.

Deferred compensation plan

During the year ended December 31, 2020, Horizon Foundation established a deferred compensation plan under Internal Revenue Code Section 457(b) for a key executive. Investments held to fund deferred compensation (see Note 2) and the corresponding deferred compensation liability totaled \$61,402 and \$31,506 at December 31, 2021 and 2020, respectively. The deferred compensation liability has been included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position. Horizon Foundation's contributions to the deferred compensation plan totaled \$24,426 and \$23,600 for the years ended December 31, 2021 and 2020, respectively.

Note 8 - Functional expenses

Functional expenses consisted of the following for the year ended December 31, 2021:

	Program services		Supporting services		Total
	Grantmaking	Community building	General and administrative	Fundraising and development	
Grants	\$ 2,434,302	\$ -	\$ -	\$ -	\$ 2,434,302
Professional fees	33,450	1,538,693	126,415	-	1,698,558
Salaries and related benefits	144,751	1,089,828	365,979	2,104	1,602,662
Occupancy	21,652	163,016	54,743	315	239,726
Marketing and design	1,834	64,232	61,930	-	127,996
Equipment	4,669	35,154	11,805	68	51,696
Travel	-	1,457	29,031	-	30,488
Membership dues and licenses	20,003	300	7,271	-	27,574
Meetings and recruiting	1,459	472	16,157	-	18,088
Insurance	1,220	9,184	3,240	18	13,662
Community engagement	-	-	5,198	-	5,198
Contributions and donations	-	-	1,400	-	1,400
Total	<u>\$ 2,663,340</u>	<u>\$ 2,902,336</u>	<u>\$ 683,169</u>	<u>\$ 2,505</u>	<u>\$ 6,251,350</u>

Horizon Foundation

Notes to Consolidated Financial Statements December 31, 2021 and 2020

Functional expenses consisted of the following for the year ended December 31, 2020:

	Program services		Supporting services		
	Grantmaking	Community Building	General and administrative	Fundraising and development	Total
Grants	\$ 2,677,759	\$ -	\$ -	\$ -	\$ 2,677,759
Professional fees	11,513	1,168,426	115,131	-	1,295,070
Salaries and related benefits	118,760	1,028,129	375,042	4,096	1,526,027
Occupancy	16,488	142,738	99,903	569	259,698
Marketing and design	2,769	56,822	60,443	-	120,034
Equipment	3,962	34,300	12,511	137	50,910
Travel	-	1,939	11,582	-	13,521
Membership dues and licenses	20,874	300	6,558	-	27,732
Meetings and recruiting	-	8,847	6,919	-	15,766
Insurance	985	8,530	3,112	34	12,661
Community engagement	2,123	27,806	8,231	-	38,160
Contributions and donations	-	-	1,250	-	1,250
Total	<u>\$ 2,855,233</u>	<u>\$ 2,477,837</u>	<u>\$ 700,682</u>	<u>\$ 4,836</u>	<u>\$ 6,038,588</u>

Note 9 - Commitments and contingencies

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 the liability for deferred rent, which will be amortized on a basis to achieve straight-line rent expense over the life of the lease. The deferred rent liability totaled \$223,336 and \$253,648 at December 31, 2021 and 2020, respectively. Rent expense under the office lease totaled \$127,500 and \$125,206 for the years ended December 31, 2021 and 2020, respectively.

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

2022	\$ 161,315
2023	166,042
2024	170,924
2025	175,961
2026	<u>178,545</u>
Total	<u>\$ 852,787</u>

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.

COVID-19 pandemic

On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a "Public Health Emergency of International Concern" and, on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of

Horizon Foundation

Notes to Consolidated Financial Statements December 31, 2021 and 2020

public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which Horizon Foundation operates. It is unknown how long these conditions will last and what the complete financial effect will be to Horizon Foundation, to date, and it is reasonably possible that Horizon Foundation is vulnerable to the risk of a near-term impact.

Supplementary Information

Horizon Foundation
Supplementary Information
Consolidating Statement of Financial Position
December 31, 2021

	Horizon	HCHF	Total	Eliminations	Consolidated total
Assets					
Cash and cash equivalents	\$ 1,262,582	\$ 1,565	\$ 1,264,147	\$ -	\$ 1,264,147
Investments	102,761,577	-	102,761,577	-	102,761,577
Contributions receivable	100,000		100,000	-	100,000
Accounts receivable	35,480	100	35,580	-	35,580
Dividends and other receivable	27,513	-	27,513	-	27,513
Prepaid expenses	74,899	-	74,899	-	74,899
Property and equipment, net	194,089	-	194,089	-	194,089
Total assets	\$ 104,456,140	\$ 1,665	\$ 104,457,805	\$ -	\$ 104,457,805
Liabilities					
Accounts payable and accrued expenses	\$ 702,374	\$ -	\$ 702,374	\$ -	\$ 702,374
Grants payable	2,492,503	-	2,492,503	-	2,492,503
Deferred rent	223,336	-	223,336	-	223,336
Total liabilities	3,418,213	-	3,418,213	-	3,418,213
Commitments and contingencies					
Net assets					
Without donor restrictions					
Undesignated	100,881,427	1,665	100,883,092	-	100,883,092
Board designated	55,000	-	55,000	-	55,000
Total net assets without donor restrictions	100,936,427	1,665	100,938,092	-	100,938,092
With donor restrictions	101,500	-	101,500	-	101,500
Total net assets	101,037,927	1,665	101,039,592	-	101,039,592
Total liabilities and net assets	\$ 104,456,140	\$ 1,665	\$ 104,457,805	\$ -	\$ 104,457,805

See Independent Auditor's Report.

Horizon Foundation

Supplementary Information

Consolidating Statement of Activities Year Ended December 31, 2021

	Without donor restrictions					With donor restrictions					Consolidated total
	Horizon	HCHF	Total	Eliminations	Consolidated	Horizon	HCHF	Total	Eliminations	Consolidated	
Revenue											
Net investment return	\$ 14,465,114	\$ -	\$ 14,465,114	\$ -	\$ 14,465,114	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,465,114
Contributions	100,000	1,700	101,700	-	101,700	100,196	-	100,196	-	100,196	201,896
Contributed services	-	38,673	38,673	(38,673)	-	-	-	-	-	-	-
Other Income	102,779	-	102,779	-	102,779	-	-	-	-	-	102,779
	14,667,893	40,373	14,708,266	(38,673)	14,669,593	100,196	-	100,196	-	100,196	14,769,789
Net assets released from restrictions											
Satisfaction of donor restrictions	70,696	-	70,696	-	70,696	(70,696)	-	(70,696)	-	(70,696)	-
Total revenue	14,738,589	40,373	14,778,962	(38,673)	14,740,289	29,500	-	29,500	-	29,500	14,769,789
Expenses											
Program services											
Grantmaking	2,663,340	-	2,663,340	-	2,663,340	-	-	-	-	-	2,663,340
Community building	2,901,124	32,069	2,933,193	(30,857)	2,902,336	-	-	-	-	-	2,902,336
Total program services	5,564,464	32,069	5,596,533	(30,857)	5,565,676	-	-	-	-	-	5,565,676
Supporting services											
General and administrative	683,169	7,816	690,985	(7,816)	683,169	-	-	-	-	-	683,169
Fundraising and development	2,505	-	2,505	-	2,505	-	-	-	-	-	2,505
Total supporting services	685,674	7,816	693,490	(7,816)	685,674	-	-	-	-	-	685,674
Total expenses	6,250,138	39,885	6,290,023	(38,673)	6,251,350	-	-	-	-	-	6,251,350
Net gain (loss) on Sale/disposition of assets	-	-	-	-	-	-	-	-	-	-	-
Changes in net assets	8,488,451	488	8,488,939	-	8,488,939	29,500	-	29,500	-	29,500	8,518,439
Net assets, beginning	92,447,976	1,177	92,449,153	-	92,449,153	72,000	-	72,000	-	72,000	92,521,153
Net assets, end	\$ 100,936,427	\$ 1,665	\$ 100,938,092	\$ -	\$ 100,938,092	\$ 101,500	\$ -	\$ 101,500	\$ -	\$ 101,500	\$ 101,039,592

See Independent Auditor's Report.



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