

Horizon Foundation

Consolidated Financial Report
December 31, 2020

Contents

Independent auditor's report	1
<hr/>	
Financial statements	
Consolidated statements of financial position	2
Consolidated statements of activities	3
Consolidated statements of cash flows	4
Notes to consolidated financial statements	5-18
<hr/>	
Independent auditor's report on the supplementary information	19
Consolidating statement of financial position	20
Consolidating statement of activities	21



Independent Auditor's Report

RSM US LLP

Board of Trustees
Horizon Foundation

Report on the Financial Statements

We have audited the accompanying 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 statements of financial position as of December 31, 2020 and 2019, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Horizon Foundation of Howard County, Inc. and The Howard Community Health Foundation, Inc. as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Washington, D.C.
October 25, 2021

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Horizon Foundation

Consolidated Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 638,410	\$ 1,323,910
Investments	93,980,977	89,975,551
Interest and dividends receivable	28,751	57,432
Prepaid expenses and other assets	166,468	88,451
Property and equipment, net	238,448	253,441
Total assets	\$ 95,053,054	\$ 91,698,785
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 433,182	\$ 457,228
Grants payable	1,845,071	2,605,614
Deferred rent	253,648	279,490
Total liabilities	2,531,901	3,342,332
Commitments and contingencies (Notes 2 and 9)		
Net assets:		
Without donor restrictions		
Undesignated	92,043,347	87,635,731
Designated	405,806	693,235
Total net assets without donor restrictions	92,449,153	88,328,966
With donor restrictions	72,000	27,487
Total net assets	92,521,153	88,356,453
Total liabilities and net assets	\$ 95,053,054	\$ 91,698,785

See notes to consolidated financial statements.

Horizon Foundation

**Consolidated Statements of Activities
Years Ended December 31, 2020 and 2019**

	2020	2019
Activities without donor restrictions:		
Revenue and support:		
Net investment return	\$ 10,041,441	\$ 12,647,530
Contributions and other income	61,347	41,767
Net assets released from donor restrictions	55,987	60,859
Total revenue and support	10,158,775	12,750,156
Expenses:		
Program services:		
Grantmaking	2,855,233	1,924,531
Community building	2,477,837	2,358,618
Total program services	5,333,070	4,283,149
Supporting services:		
General and administrative	700,682	701,585
Fundraising and development	4,836	4,541
Total supporting services	705,518	706,126
Total expenses	6,038,588	4,989,275
Change in net assets without donor restrictions	4,120,187	7,760,881
Activities with donor restrictions:		
Contributions	100,500	-
Net assets released from donor restrictions	(55,987)	(60,859)
Change in net assets with donor restrictions	44,513	(60,859)
Change in net assets	4,164,700	7,700,022
Net assets:		
Beginning	88,356,453	80,656,431
Ending	\$ 92,521,153	\$ 88,356,453

See notes to consolidated financial statements.

Horizon Foundation

Consolidated Statements of Cash Flows Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 4,164,700	\$ 7,700,022
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net gain on investments	(9,244,155)	(11,296,480)
Depreciation and amortization	43,284	42,912
Grants authorized, net	2,645,359	1,638,589
Deferred rent	(25,842)	(21,503)
Changes in assets and liabilities:		
(Increase) decrease:		
Interest and dividends receivable	28,681	11,556
Prepaid expenses and other assets	(78,017)	206,315
Increase (decrease):		
Accounts payable and accrued expenses	(24,046)	(38,378)
Grants disbursed	(3,405,902)	(1,723,562)
Net cash used in operating activities	(5,895,938)	(3,480,529)
Cash flows from investing activities:		
Proceeds from sales, maturities or redemptions of investments	38,609,555	41,807,245
Purchases of investments	(33,370,826)	(37,938,876)
Purchases of property and equipment	(28,291)	-
Net cash provided by investing activities	5,210,438	3,868,369
Net (decrease) increase in cash and cash equivalents	(685,500)	387,840
Cash and cash equivalents:		
Beginning	1,323,910	936,070
Ending	\$ 638,410	\$ 1,323,910
Supplemental disclosure:		
Cash paid during the year for income taxes	\$ 2,000	\$ 800

See notes to consolidated financial statements.

Horizon Foundation

Notes to the Consolidated Financial Statements

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.

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.

Horizon Foundation

Notes to the Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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.

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.

Horizon Foundation

Notes to the Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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.

Recent accounting pronouncement adopted: FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. Horizon Foundation adopted the standard for contributions received effective for the year ended December 31, 2019. Horizon Foundation adopted the standard for contributions made effective for the year ended December 31, 2020, using the modified prospective method. Based on Horizon Foundation's review of the contributions it makes, the timing and amount of expense recognized previously is consistent with how expense is recognized under the new standard. Based on management's review of its contributions made, the timing of the amount of grant expenses recognized previously is consistent with how grant expenses are recognized under this new standard. Therefore, the adoption of this standard had no impact on the consolidated financial statements but the standard does require additional disclosures related to conditional contributions when they are present.

Horizon Foundation

Notes to the Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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 year ending 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 October 25, 2021, 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.

There were no significant transfers between any of the levels of the fair value hierarchy during the years ended December 31, 2020 and 2019. Management believes the fair values of investments to be a reasonable approximation of their exit price.

Horizon Foundation

Notes to the Consolidated Financial Statements

Note 2. Investments (Continued)

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, 2020 and 2019:

	2020	2019
Investments, at fair value (Level 1):		
Mutual funds:		
Bond funds	\$ 18,156,642	\$ 27,229,331
Blended funds	29,743,709	36,667,718
Foreign funds	15,370,412	-
Emerging markets funds	3,080,006	2,974,962
Growth funds	5,111,016	2,840,669
Money market funds	87,515	-
	<u>71,549,300</u>	<u>69,712,680</u>
Investments, at net asset value:		
Alternative investments	22,431,677	20,262,871
	<u>\$ 93,980,977</u>	<u>\$ 89,975,551</u>

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 \$31,506 and \$0 at December 31, 2020 and 2019, respectively.

Net investment return consisted of the following for the years ended December 31, 2020 and 2019:

	2020	2019
Net gain on investments	\$ 9,244,155	\$ 11,296,480
Interest and dividends	1,295,625	1,832,073
Investment fees	(498,339)	(481,023)
	<u>\$ 10,041,441</u>	<u>\$ 12,647,530</u>

Horizon Foundation

Notes to the Consolidated Financial Statements

Note 2. Investments (Continued)

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

	Total	Percentage
Private equity funds	\$ 8,417,820	37%
Hedge funds	14,013,857	63%
	<u>\$ 22,431,677</u>	<u>100%</u>

Alternative investments consisted of the following asset allocation at December 31, 2019:

	Total	Percentage
Private equity funds	\$ 7,024,497	35%
Hedge funds	13,238,374	65%
	<u>\$ 20,262,871</u>	<u>100%</u>

Alternative investments consisted of the following funds at December 31, 2020 and 2019:

	Redemption Frequency and Notice	Net Asset Value		Unfunded Commitments	
		2020	2019	2020	2019
Private equity funds:					
SEI Core Property Fund	a	\$ 4,696,907	\$ 4,586,056	\$ -	\$ -
SEI Global Private Assets IV	b	2,607,610	1,399,637	2,755,034	-
Landmark Real Assets Fund	c	375,487	378,999	177,181	228,710
SEI Global Private Assets V	b	217,476	-	4,901,321	-
Glouston Private Equity Opportunities III	d	198,366	174,484	283,500	283,500
Tuckerbrook SB Global Distressed Fund I	e	223,990	182,652	103,995	219,423
Penn Square Global Real Estate Fund II	f	97,424	127,749	585,000	585,000
Glouston Private Equity Holdings IV	g	560	174,920	100,000	100,000
Subtotal private equity funds		<u>8,417,820</u>	<u>7,024,497</u>	<u>8,906,031</u>	<u>1,416,633</u>
Hedge funds:					
SEI Structured Credit Fund Offshore Feeder	h	6,221,236	5,817,871	-	-
SEI Special Situations Fund	i	4,586,003	4,035,986	-	-
SEI Energy Debt Fund	j	3,147,055	3,319,057	-	-
Collins Capital Low Volatility Performance II	k	59,563	65,460	-	-
Subtotal hedge funds		<u>14,013,857</u>	<u>13,238,374</u>	<u>-</u>	<u>-</u>
		<u>\$ 22,431,677</u>	<u>\$ 20,262,871</u>	<u>\$ 8,906,031</u>	<u>\$ 1,416,633</u>

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, 2020. 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.

Horizon Foundation

Notes to the Consolidated Financial Statements

Note 2. Investments (Continued)

- (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 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.

Horizon Foundation

Notes to the Consolidated Financial Statements

Note 2. Investments (Continued)

- (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 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.

Horizon Foundation

Notes to the Consolidated Financial Statements

Note 3. Liquidity

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.

The following provides a summary of financial assets available for general expenditures within one year at December 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 638,410	\$ 1,323,910
Investments	93,980,977	89,975,551
Interest and dividends receivable	28,751	57,432
Total financial assets	94,648,138	91,356,893
Less amounts not available for general expenditures:		
Investments without immediate liquidity	(17,734,770)	(15,676,815)
Board-designated net assets	(405,806)	(693,235)
Net assets with donor restrictions	(72,000)	(27,487)
	<u>\$ 76,435,562</u>	<u>\$ 74,959,356</u>

Note 4. Property and Equipment

Property and equipment consisted of the following at December 31, 2020 and 2019:

	2020	2019
Leasehold improvements	\$ 372,501	\$ 344,210
Furniture and equipment	107,655	107,655
	480,156	451,865
Less accumulated depreciation and amortization	(241,708)	(198,424)
	<u>\$ 238,448</u>	<u>\$ 253,441</u>

Horizon Foundation

Notes to the Consolidated Financial Statements

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 was 1.95%, which was based on the current rate on a five-year U.S. Treasury Note.

Grants payable and grant-making activities consisted of the following as of and for the years ended December 31, 2020 and 2019:

	2020	2019
Grants payable, beginning balance	\$ 2,605,614	\$ 2,690,587
Grants authorized, net:		
Grants authorized	2,631,489	1,615,770
Grants cancelled	(32,400)	(30,000)
Change in discount to net present value	46,270	52,819
Subtotal	2,645,359	1,638,589
Grants disbursed	(3,405,902)	(1,723,562)
Grants payable, ending balance	<u>\$ 1,845,071</u>	<u>\$ 2,605,614</u>

Grants are expected to be disbursed in future years as follows at December 31, 2020 and 2019:

	2020	2019
Amounts payable in less than one year	\$ 886,455	\$ 1,588,268
Amounts payable in one to five years	970,000	1,075,000
	1,856,455	2,663,268
Less discount to net present value	(11,384)	(57,654)
	<u>\$ 1,845,071</u>	<u>\$ 2,605,614</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 \$100,000 and \$0 during the years ended December 31, 2020 and 2019, respectively. The balance of unconditional grants payable to these organizations totaled \$0 at both December 31, 2020 and 2019, respectively.

Horizon Foundation

Notes to the Consolidated Financial Statements

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, 2020 and 2019:

	2020	2019
Undesignated	\$ 92,043,347	\$ 87,635,731
Designated:		
Sugary drink media campaign	133,225	220,000
Equity communications	103,305	10,000
SpeakEasy media campaign	75,000	225,000
Positive lifestyle evaluation	55,000	146,635
Mental health media campaign	24,276	1,600
Biennial health survey	15,000	-
Healthy design consulting	-	60,000
Communications consulting	-	20,000
Healthy kids and families pay to play	-	10,000
Subtotal designated	405,806	693,235
	<u>\$ 92,449,153</u>	<u>\$ 88,328,966</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. Net assets with donor restrictions consisted of the following at December 31, 2020 and 2019:

	2020	2019
Health Survey	\$ 45,000	\$ -
Racial Equity Media Campaign	25,000	-
Health and Wellness efforts	1,500	1,500
Healthy Aging Programs – SpeakEasy Howard	500	-
Voices for Healthy Kids	-	25,987
	<u>\$ 72,000</u>	<u>\$ 27,487</u>

Net assets released from donor restrictions consisted of the following for the years ended December 31, 2020 and 2019:

	2020	2019
Health Survey	\$ 30,000	\$ -
Voices for Healthy Kids	25,987	60,859
	<u>\$ 55,987</u>	<u>\$ 60,859</u>

Horizon Foundation

Notes to the Consolidated Financial Statements

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 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 \$104,218 and \$106,221 for the years December 31, 2020 and 2019, respectively.

Deferred compensation plan: During the year ended December 31, 2020, Horizon Foundation established a deferred compensation plan under IRC Section 457(b) for a key executive. Investments held to fund deferred compensation (see Note 2) and the corresponding deferred compensation liability totaled \$31,506 and \$0 at December 31, 2020 and 2019, respectively. The deferred compensation liability has been included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position. Horizon Foundation's contributions to the deferred compensation plan totaled \$23,600 and \$0 for the years ended December 31, 2020 and 2019, respectively.

Note 8. Functional Expenses

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

	Grant Making	Community Building	General and Administrative	Fundraising and Development	Total
Grants	\$ 2,677,759	\$ -	\$ -	\$ -	\$ 2,677,759
Salaries and benefits	118,760	1,028,129	375,042	4,096	1,526,027
Professional fees	11,513	1,168,426	115,131	-	1,295,070
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
Community engagement	2,123	27,806	8,231	-	38,160
Membership dues and licenses	20,874	300	6,558	-	27,732
Meetings and recruiting	-	8,847	6,919	-	15,766
Travel	-	1,939	11,582	-	13,521
Insurance	985	8,530	3,112	34	12,661
Contributions and donations	-	-	1,250	-	1,250
	<u>\$ 2,855,233</u>	<u>\$ 2,477,837</u>	<u>\$ 700,682</u>	<u>\$ 4,836</u>	<u>\$ 6,038,588</u>

Horizon Foundation

Notes to the Consolidated Financial Statements

Note 8. Functional Expenses (Continued)

Functional expenses consisted of the following for the year ended December 31, 2019:

	Grant Making	Community Building	General and Administrative	Fundraising and Development	Total
Grants	\$ 1,668,589	\$ -	\$ -	\$ -	\$ 1,668,589
Salaries and benefits	165,837	993,270	371,036	3,880	1,534,023
Professional fees	31,794	1,053,875	96,776	-	1,182,445
Occupancy	20,505	122,812	75,289	480	219,086
Marketing and design	8,917	60,523	78,300	-	147,740
Equipment	6,469	38,742	14,472	151	59,834
Community engagement	-	4,283	10,220	-	14,503
Membership dues and licenses	12,940	2,600	6,548	-	22,088
Meetings and recruiting	8,171	55,168	20,935	-	84,274
Travel	9	19,556	23,348	-	42,913
Insurance	1,300	7,789	2,911	30	12,030
Contributions and donations	-	-	1,750	-	1,750
	<u>\$ 1,924,531</u>	<u>\$ 2,358,618</u>	<u>\$ 701,585</u>	<u>\$ 4,541</u>	<u>\$ 4,989,275</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 \$253,648 and \$279,490 at December 31, 2020 and 2019, respectively. Rent expense under the office lease totaled \$125,206 and \$126,413 for the years ended December 31, 2020 and 2019, respectively.

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

Years ending December 31:

2021	\$ 153,300
2022	157,900
2023	162,600
2024	167,500
2025	172,500
Thereafter	177,700
	<u>\$ 991,500</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.

Horizon Foundation

Notes to the Consolidated Financial Statements

Note 9. Commitments and Contingencies (Continued)

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 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 affect 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.



RSM US LLP

Independent Auditor's Report on the Supplementary Information

Boards of Trustees
Horizon Foundation

We have audited the 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 years ended December 31, 2020 and 2019, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. See page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating financial information on the following pages is presented for purposes of additional analysis of the consolidated financial statements, rather than to present the financial position, changes in net assets, and cash flows of the individual entities, 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 consolidating information has been subjected to the auditing procedures applied in the audits 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

RSM US LLP

Washington, D.C.
October 25, 2021

Horizon Foundation

Consolidating Statement of Financial Position December 31, 2020

	Horizon	HCHF	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 637,233	\$ 1,177	\$ -	\$ 638,410
Investments	93,980,977	-	-	93,980,977
Interest and dividends receivable	28,751	-	-	28,751
Prepaid expenses and other assets	166,468	-	-	166,468
Property and equipment, net	238,448	-	-	238,448
Total assets	\$ 95,051,877	\$ 1,177	\$ -	\$ 95,053,054
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 433,182	\$ -	\$ -	\$ 433,182
Grants payable	1,845,071	-	-	1,845,071
Deferred rent	253,648	-	-	253,648
Total liabilities	2,531,901	-	-	2,531,901
Net assets:				
Without donor restrictions:				
Undesignated	92,042,170	1,177	-	92,043,347
Designated	405,806	-	-	405,806
Total net assets without donor restrictions	92,447,976	1,177	-	92,449,153
With donor restrictions	72,000	-	-	72,000
Total net assets	92,519,976	1,177	-	92,521,153
Total liabilities and net assets	\$ 95,051,877	\$ 1,177	\$ -	\$ 95,053,054

Horizon Foundation

Consolidating Statement of Activities Year Ended December 31, 2020

	Horizon	HCHF	Eliminations	Total
Activities without donor restrictions:				
Revenue and support:				
Net investment return	\$ 10,041,441	\$ -	\$ -	\$ 10,041,441
Contributions and other income	60,147	43,086	(41,886)	61,347
Net assets released from donor restrictions	55,987	-	-	55,987
Total revenue and support	10,157,575	43,086	(41,886)	10,158,775
Expenses:				
Program services:				
Grantmaking	2,855,233	-	-	2,855,233
Community building	2,476,137	37,125	(35,425)	2,477,837
Total program services	5,331,370	37,125	(35,425)	5,333,070
Supporting services:				
General and administrative	700,682	6,461	(6,461)	700,682
Fundraising and development	4,836	-	-	4,836
Total supporting services	705,518	6,461	(6,461)	705,518
Total expenses	6,036,888	43,586	(41,886)	6,038,588
Change in net assets without donor restrictions	4,120,687	(500)	-	4,120,187
Activities with donor restrictions:				
Contributions	100,500	-	-	100,500
Net assets released from donor restrictions	(55,987)	-	-	(55,987)
Change in net assets with donor restrictions	44,513	-	-	44,513
Change in net assets	4,165,200	(500)	-	4,164,700
Net assets:				
Beginning	88,354,776	1,677	-	88,356,453
Ending	\$ 92,519,976	\$ 1,177	\$ -	\$ 92,521,153