Horizon Foundation

Consolidated Financial Report
December 31, 2019

Contents

RSM US LLP

Independent Auditor's Report

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. (Horizon Foundation) which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 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.

Other Matter
The financial statements of Horizon Foundation as of and for the year ended December 31, 2018, were audited by other auditors whose report dated August 20, 2019 expressed an unmodified opinion on those statements.

RSM US LLP

Washington, D.C.
November 17, 2020

Horizon Foundation

Consolidated Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	**$ 1,323,910**	$ 936,070
Investments	**89,975,551**	82,547,440
Interest and dividends receivable	**57,432**	68,988
Promises to give	**400**	249,998
Prepaid expenses and other assets	**88,051**	44,768
Property and equipment	**253,441**	296,353
Total assets	**$ 91,698,785**	$ 84,143,617
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 457,228**	$ 495,606
Grants payable	**2,605,614**	2,690,587
Deferred rent	**279,490**	300,993
Total liabilities	**3,342,332**	3,487,186
Commitments and contingencies (see Note 9)	**-**	-
Net assets:		
Without donor restrictions		
Undesignated	**87,635,731**	80,127,798
Designated	**693,235**	440,287
Total net assets without donor restrictions	**88,328,966**	80,568,085
With donor restrictions	**27,487**	88,346
Total net assets	**88,356,453**	80,656,431
Total liabilities and net assets	**$ 91,698,785**	$ 84,143,617

See notes to the consolidated financial statements.

Horizon Foundation

Consolidated Statements of Activities
Years Ended December 31, 2019 and 2018

	2019	2018
Activities without donor restrictions:		
Revenue and support:		
Contributions and other income	$ 41,767	$ 220,116
Net investment return	12,647,530	(5,526,945)
	12,689,297	(5,306,829)
Net assets released from donor restrictions	60,859	254,408
Total revenue and support	12,750,156	(5,052,421)
Expenses:		
Program services:		
Community building	2,358,618	2,467,380
Grantmaking	1,924,531	1,768,546
Total program services	4,283,149	4,235,926
Supporting services:		
General and administrative	701,585	599,029
Fundraising and development	4,541	4,537
Total supporting services	706,126	603,566
Total expenses	4,989,275	4,839,492
Change in net assets without donor restrictions	7,760,881	(9,891,913)
Activities with donor restrictions:		
Contributions	-	259,998
Net assets released from donor restrictions	(60,859)	(254,408)
Change in net assets with donor restrictions	(60,859)	5,590
Change in net assets	7,700,022	(9,886,323)
Net assets:		
Beginning	80,656,431	90,542,754
Ending	$ 88,356,453	$ 80,656,431

See notes to the consolidated financial statements.

Horizon Foundation

Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	**$ 7,700,022**	$ (9,886,323)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net (gain) loss on investments	**(11,296,480)**	6,753,066
Depreciation and amortization	**42,912**	41,441
Grants authorized, net	**1,638,589**	1,620,971
Changes in assets and liabilities:		
(Increase) decrease:		
Promises to give	**249,598**	(174,898)
Prepaid expenses and other assets	**(43,283)**	(12,074)
Increase (decrease):		
Accounts payable and accrued expenses	**(38,378)**	65,475
Grants disbursed	**(1,723,562)**	(1,619,841)
Deferred rent	**(21,503)**	(17,293)
Net cash used in operating activities	**(3,492,085)**	(3,229,476)
Cash flows from investing activities:		
Proceeds from sales, maturities, or redemptions of investments	**41,807,245**	31,025,082
Purchases of investments	**(37,938,876)**	(27,735,174)
Change in interest and dividends receivable	**11,556**	68,126
Purchases of property and equipment	**-**	(24,177)
Net cash provided by investing activities	**3,879,925**	3,333,857
Increase in cash and cash equivalents	**387,840**	104,381
Cash and cash equivalents:		
Beginning	**936,070**	831,689
Ending	**1,323,910**	936,070
Supplemental disclosure:		
Cash paid during the year for income taxes	**$ 800**	$ -

See notes to the consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Organization: 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 not-for-profit organization, formed in 1998 under the laws of the State of Maryland. HCHF supports, promotes, and enhances community health, wellness, and other related activities in Howard County, Maryland.

Program services include the following activities:

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

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

Supporting services 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 accounting: The financial statements of Horizon Foundation are presented on the accrual basis of accounting. Consequently, revenue, other than contributions, is recognized when earned and expenses, other than grants, are recognized when the obligations are incurred.

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.

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

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 accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from 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.

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.

Investments: Investments with readily determinable fair values are reflected at fair market value and other investments are reflected at net asset value (NAV) as a practical expedient. To adjust the carrying value of investments, the change in fair market value or net assets value is charged or credited to investment return, which has been presented as net of related fees.

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

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

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

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 and lease incentive in the consolidated statements of financial position along with the unamortized landlord provided tenant improvement allowance (see Note 9).

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

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

Allocation of 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 costs are allocated based on employee time and effort studies.

Recent accounting pronouncement adopted: In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (an exchange transaction) or nonreciprocal (a contribution). ASU 2018-08 also provided guidance for distinguishing between conditional and unconditional contributions. Horizon Foundation adopted the contributions received portion of the new standard effective for the year ended December 31, 2019, using the modified prospective method. Horizon Foundation will adopt the contributions made portion of the new standard when it is required during the year ending December 31, 2020. Based on management's review of its contributions received, the timing of the amount of contributions recognized previously is consistent with how contributions 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.

Upcoming accounting pronouncements: In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU 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. The new standard is effective for Horizon Foundation's year ending December 31, 2020. Horizon Foundation is currently evaluating the impact of the adoption of this guidance on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU 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.

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, 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.

Alternative investments include private equity funds and hedge funds that were valued using NAV as a practical expedient. As a result, investments at NAV are not required to be classified in one of the levels prescribed by the fair value hierarchy. Horizon Foundation estimates the value of its alternative investments at the measurement date using the NAV reported by the fund managers without further adjustment. Horizon Foundation does not expect to sell its alternative investments at a value other than NAV and Horizon Foundation believes NAV is calculated in accordance with U.S. GAAP.

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

Investments consisted of the following at December 31, 2019 and 2018:

	2019	2018
Investments, at fair value (Level 1):		
Mutual funds:		
Bond funds	$ 27,229,331	$ 27,705,602
Blended funds	36,667,718	20,002,650
Foreign funds	-	10,856,124
Emerging markets funds	2,974,962	2,851,011
Growth funds	2,840,669	2,115,805
	69,712,680	63,531,192
Investments, at net asset value:		
Alternative investments	20,262,871	18,943,267
Investments, at cost:		
Money market fund	-	72,981
	$ 89,975,551	$ 82,547,440

Note 2. Investments (Continued)

Net investment return consisted of the following for the years ended December 31, 2019 and 2018:

	2019	2018
Net gain (loss) on investments	$ 11,296,480	$ (6,753,066)
Interest and dividends	1,832,073	1,700,165
Investment fees	(481,023)	(474,044)
	$ 12,647,530	$ (5,526,945)

Alternative investments consisted of the following at December 31, 2019 and 2018:

2019	Total	Percentage
Private equity funds	$ 7,024,497	35%
Hedge funds	13,238,374	65%
	$ 20,262,871	100%

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

	Redemption Frequency and Notice	Net Asset Value	Unfunded Commitments
Private equity funds:			
SEI Core Property Fund LP	a	$ 4,586,056	$ -
SEI GPA IV Private Equity	b	1,399,637	-
Landmark Real Assets Fund	c	378,999	228,710
Glouston Private Equity Holdings IV	d	174,920	100,000
Tuckerbrook SB Global Distressed Fund I	e	182,652	219,423
Glouston Private Equity Opportunities III	f	174,484	283,500
Penn Square Global Real Estate Fund II	g	127,749	585,000
Subtotal private equity funds		7,024,497	1,416,633
Hedge funds:			
SEI Structured Credit Fund	h	5,817,871	-
SEI Special Situations Fund	i	4,035,986	-
SEI Energy Debt LP	j	3,319,057	-
Collins Capital Low Volatility Performance II	k	65,460	-
Subtotal hedge funds		13,238,374	-
		$ 20,262,871	$ 1,416,633

Note 2. Investments (Continued)

The alternative investments chart on the previous page and the corresponding fund descriptions on the subsequent pages of Note 2 provide summarized information regarding the redemption frequency and notice period along with information regarding unfunded commitments for each alternative investment at December 31, 2019. 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 directly and indirectly in 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 GPA IV Private Equity Fund's objective is to achieve an attractive risk-adjusted return relative to other asset class alternatives through the identification and selection of a set of private asset managers that manage underlying funds across a broad spectrum of venture capital, buyouts, debt, real estate, and real asset/infrastructure investments. The expected duration of the fund is five to seven years with a target maximum life of 10 years. Redemptions are not permitted.

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

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

(e) Tuckerbrook SB Global Distressed Fund I 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.

Note 2. Investments (Continued)

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

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

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

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

(j) SEI Energy Debt LP's objective is to seek to achieve high returns primarily by investing directly and indirectly in below investment grade debt and equity instruments of U.S. and international energy companies. There was a three-year lock-up period on initial subscriptions. Investors in the partnership were asked to re-commit to a fresh 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.

Note 2. Investments (Continued)

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

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, 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, 2019 and 2018:

	2019	2018
Cash and cash equivalents	$ 1,323,910	$ 936,070
Investments	89,975,551	82,547,440
Interest and dividends receivable	57,432	68,988
Promises to give	400	249,998
Total financial assets	91,357,293	83,802,496
Less amounts not available for general expenditures:		
Investments without immediate liquidity	(15,676,815)	(14,650,785)
Board-designated net assets	(693,235)	(440,287)
Net assets with donor restrictions	(27,487)	(88,346)
	$ 74,959,756	$ 68,623,078

Note 4. Property and Equipment

Property and equipment consisted of the following at December 31, 2019 and 2018:

	2019	2018
Leasehold improvements	$ 344,210	$ 344,210
Furniture and equipment	107,655	107,655
	451,865	451,865
Less accumulated depreciation and amortization	(198,424)	(155,512)
	$ 253,441	$ 296,353

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, 2019 and 2018:

	2019	2018
Grants payable, beginning balance	$ 2,690,587	$ 2,689,457
Grants authorized, net:		
Grants authorized	1,726,243	1,731,444
Grants cancelled	(30,000)	-
Discount to net present value	(57,654)	(110,473)
Subtotal	1,638,589	1,620,971
Grants disbursed	(1,723,562)	(1,619,841)
Grants payable, ending balance	$ 2,605,614	$ 2,690,587

Grants are expected to be disbursed in future years as follows at December 31, 2019 and 2018:

	2019	2018
Amounts payable in less than one year	$ 1,588,268	$ 1,490,960
Amounts payable in one to five years	1,075,000	1,110,100
Amounts payable in more than five years	-	200,000
	2,663,268	2,801,060
Less discount to net present value	(57,654)	(110,473)
	$ 2,605,614	$ 2,690,587

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 $0 and $51,000 during the years ended December 31, 2019 and 2018, respectively. The balance of unconditional grants payable to these organizations totaled $0 and $30,000 at December 31, 2019 and 2018, respectively.

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, 2019 and 2018:

	2019	2018
Undesignated	$ 87,635,731	$ 80,127,798
Designated:		
SpeakEasy media campaign	225,000	73,530
Sugary drink media campaign	220,000	76,225
Positive lifestyle evaluation	146,635	92,280
Healthy design consulting	60,000	-
Communications consulting	20,000	-
Equity communications	10,000	-
Healthy kids and families pay to play	10,000	-
Mental health media campaign	1,600	116,252
Mental health practice tools	-	45,000
Biennial health survey	-	24,500
Youth behavioral health consulting	-	12,500
Subtotal designated	693,235	440,287
	$ 88,328,966	$ 80,568,085

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, 2019 and 2018:

	2019	2018
Voices for Healthy Kids	$ 25,987	$ 86,846
Health and Wellness efforts	1,500	1,500
	$ 27,487	$ 88,346

Net assets released from donor restrictions related to Voices for Healthy Kids and totaled $60,859 and $254,408 for the years ended December 31, 2019 and 2018, respectively.

Note 7. Retirement Plan

Horizon Foundation sponsors a 401(k) profit sharing plan, which is available to all eligible employees. Participants may defer a portion of their compensation to the Plan on a pre-tax basis. In addition, Horizon Foundation makes matching contributions for each participant equal to 100% of participant elective deferrals up to 3% of compensation plus 50% of the next 2% of each participant's elective deferrals. Furthermore, Horizon Foundation may make additional discretionary profit sharing contributions. Horizon Foundation's contributions to the plan totaled $106,221 and $108,867 for the years ended December 31, 2019 and 2018, respectively.

Note 8. Functional Expenses

Functional expenses consisted of the following for the years ended December 31, 2019 and 2018:

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

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

Note 9. Commitment and Contingency

Office lease: Horizon Foundation has an operating lease agreement that expires on December 31, 2026. The lease contains an escalation of base rentals as well as a tenant improvement allowance of $309,960, both of which have been reported in deferred rent and lease incentive liability which will be amortized on a basis to achieve straight-line rent expense over the life of the lease. The deferred rent and lease incentive liability totaled $279,490 and $300,993 at December 31, 2019 and 2018, respectively. Rent expense under the new office lease totaled $126,413 and $122,554 for the years ended December 31, 2019 and 2018, 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:		
2020	$	148,800
2021		153,300
2022		157,900
2023		162,600
2024		167,500
Thereafter		350,200
	$	1,140,300

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.

Note 10. Subsequent Events

Subsequent events have been evaluated through November 17, 2020, which is the date the consolidated financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus 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 the Organization operates. Resulting economic uncertainties may impact investment related income but the extent of the effect is unknown at this time.

Fair value of investments: Subsequent to December 31, 2019, the financial markets experienced a high degree of volatility as a result of the pandemic. Therefore, the investment balances presented in the accompanying consolidated financial statements do not include subsequent increases or decreases in fair value due to fluctuations in the financial markets.

Additional grants approved: At the April 10, 2020, Board of Trustees meeting, a resolution was passed to authorize $1,000,000 in additional grant funding related to the coronavirus pandemic.

RSM US LLP

Independent Auditor's Report on the Consolidating 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 year ended December 31, 2019, and have issued our report thereon dated November 17, 2020, which contained an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on the following pages is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual entities and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

RSM US LLP

Washington, D.C.
November 17, 2020

Horizon Foundation

Consolidating Statement of Financial Position
December 31, 2019

	Horizon	HCHF	Eliminations	Total
Assets				
Cash and cash equivalents	$ 1,322,633	$ 1,277	$ -	$ 1,323,910
Investments	89,975,551	-	-	89,975,551
Interest and dividends receivable	57,432	-	-	57,432
Promises to give	-	400	-	400
Prepaid expenses and other assets	88,051	-	-	88,051
Property and equipment	253,441	-	-	253,441
Total assets	$ 91,697,108	$ 1,677	$ -	$ 91,698,785
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	$ 457,228	$ -	$ -	$ 457,228
Grants payable	2,605,614	-	-	2,605,614
Deferred rent	279,490	-	-	279,490
Total liabilities	3,342,332	-	-	3,342,332
Net assets:				
Without donor restrictions:				
Undesignated	87,634,054	1,677	-	87,635,731
Designated	693,235	-	-	693,235
Total net assets without donor restrictions	88,327,289	1,677	-	88,328,966
With donor restrictions	27,487	-	-	27,487
Total net assets	88,354,776	1,677	-	88,356,453
Total liabilities and net assets	$ 91,697,108	$ 1,677	$ -	$ 91,698,785

Horizon Foundation

Consolidating Statement of Activities
Year Ended December 31, 2019

	Horizon	HCHF	Eliminations	Total
Activities without donor restrictions:				
Revenue and support:				
Contributions and other income	$ 40,067	$ 49,724	$ (48,024)	$ 41,767
Net investment return	12,647,530	-	-	12,647,530
	12,687,597	49,724	(48,024)	12,689,297
Net assets released from donor restrictions	60,859	-	-	60,859
Total revenue and support	12,748,456	49,724	(48,024)	12,750,156
Expenses:				
Program services:				
Community building	2,356,318	42,328	(40,028)	2,358,618
Grantmaking	1,924,531	-	-	1,924,531
Total program services	4,280,849	42,328	(40,028)	4,283,149
Supporting services:				
General and administrative	701,561	8,020	(7,996)	701,585
Fundraising and development	4,541	-	-	4,541
Total supporting services	706,102	8,020	(7,996)	706,126
Total expenses	4,986,951	50,348	(48,024)	4,989,275
Change in net assets without donor restrictions	7,761,505	(624)	-	7,760,881
Activities with donor restrictions:				
Net assets released from donor restrictions	(60,859)	-	-	(60,859)
Change in net assets with donor restrictions	(60,859)	-	-	(60,859)
Change in net assets	7,700,646	(624)	-	7,700,022
Net assets:				
Beginning	80,654,130	2,301	-	80,656,431
Ending	$ 88,354,776	$ 1,677	$ -	$ 88,356,453