Audited Consolidated Financial Statements
with Consolidating Information

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

December 31, 2016

Contents

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&
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Independent Auditor's Report on the Consolidated Financial Statements

To the Board of Trustees
Horizon Foundation

We have audited the accompanying consolidated financial statements of The Horizon Foundation of Howard County, Inc. and The Howard Community Health Foundation, Inc. (Horizon Foundation) which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Horizon Foundation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Horizon Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Horizon Foundation of Howard County, Inc. and The Howard County Community Health Foundation, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As described in Note C, the consolidated financial statements include alternative funds, which have been reported at an estimated fair value totaling $21,082,068 (25% of total assets) and $20,713,488 (25% of total assets) as of December 31, 2016 and 2015, respectively. The fair values of the alternative funds have been estimated by fund managers in the absence of readily determinable fair values. Our opinion has not been modified with respect to this matter.

Tate & Tryon

Washington, DC
August 15, 2017

Consolidated Statements of Financial Position

December 31,		2016		2015
Assets				
Cash and cash equivalents	**$**	**685,221**	$	719,101
Investments		**84,772,740**		81,771,890
Interest and dividends receivable		**48,016**		45,760
Promises to give		**25,439**		431,878
Prepaid expenses and other assets		**45,841**		32,988
Property and equipment		**353,828**		37,643
Total assets	**$**	**85,931,085**	$	83,039,260
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	**$**	**317,664**	$	171,095
Grants payable		**2,787,126**		3,281,439
Deferred rent and lease incentive		**324,090**		59,530
Total liabilities		**3,428,880**		3,512,064
Net assets				
Unrestricted				
Undesignated		**81,995,272**		78,844,446
Designated		**505,433**		552,688
Total unrestricted		**82,500,705**		79,397,134
Temporarily restricted		**1,500**		130,062
Total net assets		**82,502,205**		79,527,196
Total liabilities and net assets	**$**	**85,931,085**	$	83,039,260

See notes to the consolidated financial statements.

Consolidated Statements of Activities

Year Ended December 31,	2016	2015
Unrestricted activities		
Revenue and support		
Contributions and other income	**$ 147,996**	$ 412,681
Investment income (loss)	**7,122,048**	(483,324)
	7,270,044	(70,643)
Net assets released from restrictions	**153,562**	366,854
Total revenue and support	**7,423,606**	296,211
Expense		
Program services		
Grantmaking	**2,127,673**	1,678,759
Community building	**1,508,811**	1,719,925
Total program services	**3,636,484**	3,398,684
Supporting services		
General and administrative	**680,222**	446,817
Fundraising and development	**3,329**	2,659
Total supporting services	**683,551**	449,476
Total expense	**4,320,035**	3,848,160
Change in unrestricted net assets	**3,103,571**	(3,551,949)
Temporarily restricted activities		
Contributions	**25,000**	345,853
Net assets released from restriction	**(153,562)**	(366,854)
Change in temporarily restricted net assets	**(128,562)**	(21,001)
Change in net assets	**2,975,009**	(3,572,950)
Net assets, beginning of year	**79,527,196**	83,100,146
Net assets, end of year	**$ 82,502,205**	$ 79,527,196

See notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Year Ended December 31,	2016	2015
Cash flows from operating activities		
Change in net assets	**$ 2,975,009**	$ (3,572,950)
Adjustments to reconcile change in net assets		
to net cash used in operating activities:		
Net (gain) loss on investments	**(6,018,262)**	1,843,754
Loss on disposal of property and equipment	**15,170**	-
Depreciation and amortization	**34,194**	29,001
Discount on current year grants	**(94,709)**	(135,259)
Grants authorized (net)	**1,341,693**	1,252,234
Amortization of deferred rent and lease incentive	**(45,400)**	(38,157)
Changes in assets and liabilities:		
Promises to give	**406,439**	(314,496)
Prepaid expenses and other assets	**(12,853)**	(2,218)
Accounts payable and accrued expenses	**146,569**	(266,971)
Grants disbursed	**(1,741,297)**	(1,255,617)
Total adjustments	**(5,968,456)**	1,112,271
Net cash used in operating activities	**(2,993,447)**	(2,460,679)
Cash flows from investing activities		
Proceeds from sales, maturities, or redemptions of investments	**33,160,274**	32,853,212
Purchases of investments	**(30,142,862)**	(30,676,489)
Change in interest and dividends receivable	**(2,256)**	4,856
Purchases of property and equipment	**(55,589)**	-
Net cash provided by investing activities	**2,959,567**	2,181,579
Decrease in cash and cash equivalents	**(33,880)**	(279,100)
Cash and cash equivalents, beginning of year	**719,101**	998,201
Cash and cash equivalents, end of year	**$ 685,221**	$ 719,101
Supplemental disclosure of noncash and cash transactions:		
Leasehold improvements acquired under office lease	**$ 309,960**	**$ -**
Cash paid during the year for income taxes	**$ 800**	**$ 3,000**

A. Organization and Summary of Significant Accounting Policies

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

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

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

Horizon and HCHF are subject to income tax on their unrelated business activities. However, only Horizon has unrelated business income which consists of investment earnings from limited partnerships or other alternative investments. Horizon's income tax expense on unrelated business activities approximated $800 and $3,000 for the years ended December 31, 2016 and 2015, respectively.

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

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

Use of estimates: The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from estimates.

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

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

A. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Contributions: Contributions are recognized in the statement of activities when donors make legally binding unconditional promises to give or when gifts of cash or other assets are received. Contributions are classified as unrestricted or temporarily restricted support 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 temporarily restricted net assets. Within temporarily restricted net assets, amounts are reclassified to unrestricted net assets upon satisfaction of the donor's purpose restriction or when time restrictions expire.

Functional expenses: The costs of providing various program and supporting services have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

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

Community building: Horizon Foundation collaborates with diverse partners to identify pressing, unmet health and wellness needs in the community and to create catalytic change that is tangible, measurable, and sustainable. Horizon Foundation cares passionately about the community and strives to bring innovative solutions from around the region, country and world to improve health and wellness locally. From strengthening effective policies to expanding critical services and educating the community through the HCHF 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 $45 million in community programs, including grants to nearly 250 organizations serving the county, from after-school programs to faith-based organizations to health care providers. Horizon Foundation has also spearheaded numerous successful projects, including reducing the number of uninsured residents, expanding access to mental health services, improving school nutrition and physical activity, and dramatically reducing the consumption of sugary drinks.

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

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

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

Reclassifications: Certain accounts relating to the prior year have been reclassified to conform to the current year presentation with no effect on the previously reported change in net assets. In particular, grantmaking expense of $17,213 was reclassified to contributions and other income and community building expense of $2,659 was reclassified to fundraising and development expense.

Subsequent events: Subsequent events have been evaluated through August 15, 2017, which is the date the consolidated financial statements were available to be issued.

B. CONCENTRATIONS

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

Market risk: Horizon Foundation invests funds in a professionally managed portfolio consisting of various types of mutual funds. Horizon Foundation also invests in alternative investments which are reported at their estimated fair value as determined by the fund managers. Management monitors fair value determinations and believes the estimates of fair value from the fund managers to be reasonable approximations of the fair value of the alternative investments. Investments are exposed to market and credit risks and may be subject to significant fluctuations in fair 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. By policy, these investments are kept within limits intended to prevent risks caused by concentration.

C. INVESTMENTS

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

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

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

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

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

Investments valued using Level 3 inputs include alternative funds, which were valued based on the estimated net asset value (NAV) as reported by the fund managers. The NAV is based on the underlying portfolio securities which may include ownership interests in other funds, separate account holdings, or direct investments. In valuing the underlying portfolio securities, the fund managers consider all reasonably available information. With the exception of Valstone Opportunity Fund IV, as a practical expedient, Horizon Foundation estimates the fair value of its alternative investments in private equity funds and hedge funds at the measurement date using 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 the NAV is calculated in accordance with U.S. GAAP. With regard to Valstone Opportunity Fund IV, the investment is valued based on NAV reported by the fund manager which has been further adjusted for carried interest. Management believes the estimated fair values of investments to be a reasonable approximation of their exit price.

C. Investments - Continued

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

The following is a summary of the input levels used to determine fair value of investments, which are measured on a recurring basis, at December 31,:

2016	Total	Level 1	Level 2	Level 3
Investments, at fair value				
Mutual funds				
Bond funds	$ 21,457,436	$ 21,457,436	$ -	$ -
Blended funds	25,908,087	25,908,087		
Foreign funds	9,255,705	9,255,705		
Emerging markets funds	3,237,904	3,237,904		
Growth funds	3,774,052	3,774,052		
Alternative funds				
Private equity funds	8,981,317			8,981,317
Hedge funds	12,100,751			12,100,751
	84,715,252	**$ 63,633,184**	**$ -**	**$ 21,082,068**
Investments, at cost				
Cash	-			
Money market fund	57,488			
	$ 84,772,740			

2015	Total	Level 1	Level 2	Level 3
Investments, at fair value				
Mutual funds				
Bond funds	$ 23,531,375	$ 23,531,375	$ -	$ -
Blended funds	24,797,490	24,797,490		
Foreign funds	7,080,390	7,080,390		
Emerging markets funds	3,101,102	3,101,102		
Growth funds	2,029,426	2,029,426		
Alternative funds				
Private equity funds	11,354,185			11,354,185
Hedge funds	9,359,303			9,359,303
	81,253,271	**$ 60,539,783**	**$ -**	**$ 20,713,488**
Investments, at cost				
Cash	353,612			
Money market fund	165,007			
	$ 81,771,890			

C. Investments - Continued

Investment income consisted of the following for the years ended December 31,:

	2016	2015
Realized gains	$ 3,067,376	$ 3,298,256
Unrealized gain (loss)	2,950,886	(5,142,010)
Net gain (loss) on investments	6,018,262	(1,843,754)
Interest and dividends	1,480,198	1,707,550
Less investment fees	(376,412)	(347,120)
	$ 7,122,048	**$ (483,324)**

Changes in the fair value of assets which used Level 3 inputs consisted of the following as of and for the years ended December 31,:

	2016	2015
Beginning balance	$ 20,713,488	$ 19,845,375
Realized gain	699,396	333,971
Unrealized gain	515,613	306,815
Purchases	2,184,370	502,341
Sales, maturities, or redemptions	(3,030,799)	(275,014)
Ending balance	**$ 21,082,068**	**$ 20,713,488**

Alternative funds were valued based on the estimated net asset value reported by the respective fund managers. The asset allocation of alternative funds consisted of the following at December 31,:

2016	Total	Percentage
Private equity funds	$ 8,981,317	43%
Hedge funds	12,100,751	57%
	$ 21,082,068	**100%**

2015	Total	Percentage
Private equity funds	$ 11,354,185	55%
Hedge funds	9,359,303	45%
	$ 20,713,488	**100%**

C. Investments - Continued

The following chart and the corresponding fund descriptions below provide summarized information regarding the redemption frequency and notice period along with information regarding unfunded commitments for each alternative fund at December 31, 2016. For the full description relating to each fund, please refer to the fund prospectus which is available from the fund managers.

	Redemption Frequency and Notice	Fair Value	Unfunded Commitments
Private equity funds			
SEI Core Property Fund LP	a	$ 5,052,011	$ -
Glouston Private Equity Opportunities III	b	725,237	283,500
ValStone Opportunity Fund IV	c	1,170,333	-
Glouston Private Equity Holdings IV	d	612,801	100,000
Penn Square Global Real Estate Fund II	e	461,278	585,000
Landmark Real Assets Fund	f	609,001	228,710
Tuckerbrook SB Global Distressed Fund I	g	350,656	219,423
Subtotal private equity funds		8,981,317	1,416,633
Hedge funds			
SEI Special Situations Fund	h	3,330,072	
SEI Structured Credit Fund	i	4,644,431	
SEI Energy Debt LP	j	3,585,524	
Silver Creek Low Volatility Strategies II	k	409,864	
Collins Capital Low Volatility Performance II	l	130,860	
Subtotal hedge funds		12,100,751	-
		$ 21,082,068	**$ 1,416,633**

(a) SEI Core Property Fund LP seeks both current income and long-term capital appreciation and was organized to invest directly and indirectly in a diversified pool of private investment vehicles that invest in commercial real estate properties. A notice period of 65 days is required to redeem shares quarterly with no lock-up period.

(b) Glouston Private Equity Opportunities III, formerly Permal 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 partners with general partners and/or limited partner approval.

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

C. Investments - Continued

(d) Glouston Private Equity Holdings IV, formerly Permal 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 partners with general partners and/or limited partner approval.

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

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

(g) Tuckerbrook SB Global Distressed Fund I is limited partnership formed to invest in private equity funds and hedge funds focusing generally on distressed debt issuers. On June 30, 2016, the General Partner extended the term of the Partnership for an additional two years until August 1, 2018. 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.

(h) 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, as well as gated to 20% by the fund's Board. 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.

(i) 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.

C. Investments - Continued

(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. With an initial three year lock-up period on initial subscriptions, 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) Silver Creek Low Volatility Strategies II's objective is to provide investors with access to a diversified, multi-strategy investment portfolio designed to achieve stable, long-term, non-market directional positive returns with low relative volatility. In attempting to implement its strategy, the fund invests substantially all of its investable assets indirectly through its investment in Silver Creek Low Vol Strategies Sub Fund II, L.P. Effective January 1, 2010, the fund commenced an orderly liquidation of its portfolio. As a result, the fund began compulsorily redeeming shareholder capital, on a pro rata basis, as proceeds were received from the underlying investee funds. Such compulsory redemptions are expected to occur periodically as excess cash is accumulated. As a result of the liquidation, subscriptions and redemptions are no longer permitted.

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

D. Property and Equipment

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

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

	2016	2015
Leasehold improvements	$ 358,546	$ 249,132
Furniture and equipment	130,592	156,362
	489,138	405,494
Less accumulated depreciation and amortization	(135,310)	(367,851)
	$ 353,828	**$ 37,643**

E. Grants

Unconditional: Unconditional grants are recognized as grant expense in the year they are authorized by the Board of Trustees. Grants accrued but not paid during the year remain in grants payable until disbursed or cancelled. Grants payable over multiple years are recorded at net present value using discount rates in effect when the grants were authorized. For multi-year grants authorized during 2016, the discount rate was 1.33% which was based on the current rate on a 5-year U.S. Treasury Note.

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

	2016	2015
Grants payable, beginning balance	$ 3,281,439	$ 3,420,081
Grants authorized		
Grants authorized	1,365,293	1,645,352
Current year grants cancelled	(23,600)	(393,118)
Discount to net present value	(94,709)	(135,259)
Subtotal	1,246,984	1,116,975
Grants paid	(1,741,297)	(1,255,617)
Grants payable, ending balance	**$ 2,787,126**	**$ 3,281,439**

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

	2016	2015
Amounts payable in less than one year	$ 1,049,945	$ 1,313,308
Amounts payable in one to five years	1,231,890	1,303,390
Amounts payable in more than five years	600,000	800,000
	2,881,835	3,416,698
Less discount to net present value	(94,709)	(135,259)
	$ 2,787,126	**$ 3,281,439**

Conditional: From time to time, the Board of Trustees authorizes conditional grants. However, the Board of Trustees did not authorize any conditional grants during the years ended December 31, 2016 and 2015.

Grants to related parties: Trustees and employees of Horizon Foundation have disclosed potential conflicts of interest as an officer, director, employee, contractor, or vendor of organizations receiving grants from Horizon Foundation. During consideration of awards to these organizations, the Trustees and employees associated with these organizations removed themselves from the discussion and approval process. Grants disbursed to these organizations totaled $57,362 and $5,000 during the years ended December 31, 2016 and 2015, respectively. The balance of unconditional grants payable to these organizations totaled $18,000 and $169,191 at December 31, 2016 and 2015, respectively.

F. Net Assets

Unrestricted: Unrestricted net assets 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.

Unrestricted net assets consisted of the following at December 31,:

	2016	2015
Undesignated	$ 81,995,272	$ 78,844,446
Designated		
Campaigns for positive lifestyles	357,233	385,498
Positive lifestyles initiative research	110,000	67,790
Message development and survey research	35,200	63,000
Positive lifestyles engagement management	3,000	20,500
Creating a sustainable future for clinical & behavioral health services	-	15,900
Subtotal designated	505,433	552,688
	$ 82,500,705	**$ 79,397,134**

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

Temporarily restricted net assets consisted of the following at December 31,:

	2016	2015
Health and Wellness efforts	$ 1,500	$ 1,500
Voices for Healthy Kids	-	128,562
	$ 1,500	**$ 130,062**

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

	2016	2015
Voices for Healthy Kids	$ 128,562	$ 366,854
Advanced Directive Registry	25,000	-
	$ 153,562	**$ 366,854**

G. 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 $82,670 and $67,668 for the years ended December 31, 2016 and 2015, respectively.

H. Commitment and Contingency

Old Office lease: Horizon Foundation had an operating lease for office space that was due to expire in April 2017. The lease contained an escalation of base rentals as well as a tenant improvement allowance of $191,776, which were reported in deferred rent and lease incentive liability and have been amortized on a basis to achieve straight-line rent expense over the life of the lease. The deferred rent and lease incentive liability totaled $2,847 and $59,530 at December 31, 2016 and 2015, respectively.

In conjunction with the new office lease for office space in a different location, which is described below, effective August 2016, Horizon Foundation amended the old office lease to reduce the original square footage of office space so as to encompass only the subtenant's space, which was occupied by an unrelated nonprofit organization in accordance with a memorandum of understanding. Horizon Foundation continued to lease the reduced space under the amended lease term through April 2017. Rent expense under the old office lease totaled $97,126 and $151,622 for the years ended December 31, 2016 and 2015, respectively. Future minimum cash basis lease payments will be approximately $13,600 during the year ending December 31, 2017.

New Office lease: During February 2016, Horizon Foundation signed an operating lease agreement with a term of approximately 10 years and 4 months. 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 $321,243 at December 31, 2016. Rent expense under the new office lease totaled $133,954 for the year ended December 31, 2016. Future minimum cash basis lease payments, not including pass through costs related to real estate taxes or operating expenses, are as follows:

Year Ending December 31,	Amount
2017	$ 125,900
2018	140,300
2019	144,500
2020	148,800
2021	153,300
Thereafter	838,200
	$ 1,551,000

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

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Independent Auditor's Report on the Consolidating Information

To the Boards of Trustees
Horizon Foundation

We have audited the accompanying consolidated financial statements of The Horizon Foundation of Howard County, Inc. and the Howard Community Health Foundation, Inc. (Horizon Foundation) as of and for the year ended December 31, 2016, and our report thereon dated August 15, 2017, contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on the following pages is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Tate & Tryon

Washington, DC
August 15, 2017

Horizon Foundation

Consolidating Statement of Financial Position

December 31, 2016

	Horizon	HCHF	Total
Assets			
Cash and cash equivalents	$ 683,585	$ 1,636	**$ 685,221**
Investments	84,772,740		**84,772,740**
Interest and dividends receivable	48,016		**48,016**
Promises to give	25,039	400	**25,439**
Prepaid expenses and other assets	45,841		**45,841**
Property and equipment	353,828		**353,828**
Total assets	$ 85,929,049	$ 2,036	**$ 85,931,085**
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	$ 317,664	$ -	**$ 317,664**
Grants payable	2,787,126		**2,787,126**
Deferred rent and lease incentive	324,090		**324,090**
Total liabilities	3,428,880	-	**3,428,880**
Net assets			
Unrestricted			
Undesignated	81,993,236	2,036	**81,995,272**
Designated	505,433		**505,433**
Total unrestricted	82,498,669	2,036	**82,500,705**
Temporarily restricted	1,500		**1,500**
Total net assets	82,500,169	2,036	**82,502,205**
Total liabilities and net assets	$ 85,929,049	$ 2,036	**$ 85,931,085**

Horizon Foundation

Consolidating Statement of Activities

Year Ended December 31, 2016

	Horizon	HCHF	Eliminations	Total
Unrestricted activities				
Revenue and support				
Contributions and other income	$ 145,946	$ 150,407	$ (148,357)	**$ 147,996**
Investment income	7,122,048			**7,122,048**
	7,267,994	150,407	(148,357)	**7,270,044**
Net assets released from restrictions	153,562			**153,562**
Total revenue and support	7,421,556	150,407	(148,357)	**7,423,606**
Expense				
Program services				
Grantmaking	2,127,673			**2,127,673**
Community building	1,506,993	135,941	(134,123)	**1,508,811**
Total program services	3,634,666	135,941	(134,123)	**3,636,484**
Supporting services				
General and administrative	680,222	14,234	(14,234)	**680,222**
Fundraising and development	3,329			**3,329**
Total supporting services	683,551	14,234	(14,234)	**683,551**
Total expense	4,318,217	150,175	(148,357)	**4,320,035**
Change in unrestricted net assets	3,103,339	232	-	**3,103,571**
Temporarily restricted activities				
Contributions	25,000			**25,000**
Net assets released from restriction	(153,562)			**(153,562)**
Change in temporarily restricted net assets	(128,562)	-	-	**(128,562)**
Change in net assets	2,974,777	232	-	**2,975,009**
Net assets, January 1, 2016	79,525,392	1,804		**79,527,196**
Net assets, December 31, 2016	$ 82,500,169	$ 2,036	$ -	**$ 82,502,205**