

**Horizon Foundation**

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

**December 31, 2022 and 2021**

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# Horizon Foundation

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## Independent Auditor's Report

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

### *Opinion*

We have audited the consolidated financial statements of The Horizon Foundation of Howard County, Inc. and The Howard Community Health Foundation, Inc. (collectively, "Horizon Foundation"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Horizon Foundation of Howard County, Inc. and The Howard Community Health Foundation, Inc. as of December 31, 2022 and 2021, and the change in their consolidated net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of The Horizon Foundation of Howard County, Inc. and The Howard Community Health Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Consolidated Financial Statements*

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Horizon Foundation of Howard County, Inc. and The Howard Community Health Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Horizon Foundation of Howard County, Inc. and The Howard Community Health Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Horizon Foundation of Howard County, Inc. and The Howard Community Health Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*CohnReznick LLP*

Bethesda, Maryland  
February 20, 2024

**Horizon Foundation**  
**Consolidated Statements of Financial Position**  
**December 31, 2022 and 2021**

Assets

	2022	2021
Cash and cash equivalents	\$ 1,872,222	\$ 1,264,147
Investments	85,251,879	102,761,577
Contributions receivable	-	100,000
Accounts receivable	-	35,580
Dividends and other receivable	42,882	27,513
Prepaid expenses	98,893	74,899
Property and equipment, net	177,454	194,089
Right-of-use asset, net	473,454	-
	\$ 87,916,784	\$ 104,457,805

Liabilities and Net Assets

<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 816,629	\$ 702,374
Grants payable	1,791,564	2,492,503
Deferred rent	-	223,336
Operating lease liability	661,881	-
	3,270,074	3,418,213
<b>Total liabilities</b>		
Commitments and contingencies (Note 9)		
<b>Net assets</b>		
Net assets without donor restrictions	84,488,602	100,883,092
Net assets without donor restrictions - board designated	156,608	55,000
	84,645,210	100,938,092
<b>Total net assets without donor restrictions</b>		
Net assets with donor restrictions	1,500	101,500
	84,646,710	101,039,592
<b>Total net assets</b>		
<b>Total liabilities and net assets</b>	\$ 87,916,784	\$ 104,457,805

See Notes to Consolidated Financial Statements.

## Horizon Foundation

### Consolidated Statements of Activities Years Ended December 31, 2022 and 2021

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue						
Net investment return	\$ (11,762,339)	\$ -	\$ (11,762,339)	\$ 14,465,114	\$ -	\$ 14,465,114
Contributions	2,300	-	2,300	101,700	100,196	201,896
Other Income	218,378	-	218,378	102,779	-	102,779
	(11,541,661)	-	(11,541,661)	14,669,593	100,196	14,769,789
Net assets released from restrictions						
Satisfaction of donor restrictions	100,000	(100,000)	-	70,696	(70,696)	-
Total revenue	(11,441,661)	(100,000)	(11,541,661)	14,740,289	29,500	14,769,789
Expenses						
Program services						
Grantmaking	1,612,120	-	1,612,120	2,663,340	-	2,663,340
Community building	2,439,584	-	2,439,584	2,902,336	-	2,902,336
Total program services	4,051,704	-	4,051,704	5,565,676	-	5,565,676
Supporting services						
General and administrative	796,850	-	796,850	683,169	-	683,169
Fundraising and development	2,667	-	2,667	2,505	-	2,505
Total supporting services	799,517	-	799,517	685,674	-	685,674
Total expenses	4,851,221	-	4,851,221	6,251,350	-	6,251,350
Changes in net assets	(16,292,882)	(100,000)	(16,392,882)	8,488,939	29,500	8,518,439
Net assets, beginning	100,938,092	101,500	101,039,592	92,449,153	72,000	92,521,153
Net assets, end	<u>\$ 84,645,210</u>	<u>\$ 1,500</u>	<u>\$ 84,646,710</u>	<u>\$ 100,938,092</u>	<u>\$ 101,500</u>	<u>\$ 101,039,592</u>

See Notes to Consolidated Financial Statements.

**Horizon Foundation**

**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2022 and 2021**

	2022	2021
Cash flows from operating activities		
Changes in net assets	\$ (16,392,882)	\$ 8,518,439
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation and amortization	38,400	44,359
Loss on disposal of fixed assets	603	-
Net realized/unrealized loss/(gain) on investments	12,750,529	(13,645,182)
Changes in assets and liabilities		
Contributions receivable	100,000	(100,000)
Accounts receivable	35,580	40,654
Dividends and other receivable	(15,369)	1,238
Prepaid expenses	(23,994)	15,335
Right-of-use asset	(473,454)	-
Accounts payable and accrued expenses	114,255	269,192
Grants payable	(700,939)	647,432
Deferred rent	(223,336)	(30,312)
Operating lease liability	661,881	-
	<u>(4,128,726)</u>	<u>(4,238,845)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Purchases of property and equipment	(22,368)	-
Net proceeds from sales of investments	4,759,169	4,864,582
	<u>4,736,801</u>	<u>4,864,582</u>
Net cash provided by investing activities		
Net increase in cash and cash equivalents	608,075	625,737
Cash and cash equivalents, beginning of year	1,264,147	638,410
Cash and cash equivalents, end of year	<u>\$ 1,872,222</u>	<u>\$ 1,264,147</u>
Supplemental cash flow information		
Cash paid during the year for income taxes	<u>\$ 1,633</u>	<u>\$ 912</u>
Write-off of property and equipment, net of accumulated depreciation of \$50,202, resulting from disposal	<u>\$ 50,805</u>	<u>\$ -</u>
Right-of-use asset in exchange for operating lease liability	<u>\$ 586,312</u>	<u>\$ -</u>

See Notes to Consolidated Financial Statements.



## Horizon Foundation

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

#### 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 encourages 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.

## Horizon Foundation

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

#### **Basis of presentation**

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

#### **Without donor restrictions**

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

#### **With donor restrictions**

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

#### **Use of estimates**

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

#### **Income taxes**

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

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

Management evaluated Horizon Foundation's tax positions and concluded that Horizon Foundation had taken no uncertain tax positions that require adjustment to the consolidated financial statements. Income tax returns filed by the Organization are subject to examination by the IRS for a period of three years. While no income tax returns are currently being examined, tax years since 2019 remain open.

#### **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

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

#### 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 consolidated financial statements may not be reflective of the portfolio's value during subsequent periods.

#### Property and equipment

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

#### Impairment

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

#### Deferred rent

In 2021, Horizon Foundation recognized 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 were 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 are both received and released in the same period are classified as without donor restrictions in the statements of activities.

## Horizon Foundation

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

#### 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

The Organization adopted Accounting Standards Update 2016-02 (as amended), *Leases* ("Topic 842") on January 1, 2022 using the effective date method. Topic 842 requires lessees to recognize a right-of-use asset and a corresponding lease liability for virtually all leases. The Organization elected and applied the following transition practical expedients when initially adopting Topic 842:

- The package of practical expedients permitting the Organization to not reassess (i) the lease classification of existing leases; (ii) whether existing and expired contracts are or contain leases; and (iii) initial direct costs for existing leases.
- The practical expedient permitting the Organization to apply a risk-free rate as its discount rate instead of the rate implicit in the lease or its incremental borrowing rate.

The Organization made the following adjustments as of the adoption date in connection with transitioning to Topic 842:

Right-of-use asset	\$	586,312
Operating lease liability		809,649

The Organization's adoption of Topic 842 also resulted in a decrease of \$223,336 in deferred rent and deferred lease incentives, which amount was reclassified to operating lease right-of-use assets at adoption. The adoption of Topic 842 did not have a material impact on the Organization's change in net assets for the year ended December 31, 2022.

In July 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendment is intended to increase transparency of contributed nonfinancial assets for not-for-profit entities through enhancements in presentation and disclosure requirement. Under the new ASU, not-for-profit entities will be required to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU was adopted as required by the Horizon Foundation for the year ending December 31, 2022. The adoption of ASU 2020-07 did not have a material impact on the Horizon Foundation's consolidated financial statements.

#### Subsequent events

Subsequent events have been evaluated through February 20, 2024, which is the date the consolidated financial statements were available to be issued.

## Horizon Foundation

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

#### 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, 2022 and 2021. Management believes the fair values of investments to be a reasonable approximation of their exit price.

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

## Horizon Foundation

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

Investments consisted of the following at December 31, 2022 and 2021:

December 31, 2022

	Quoted prices in active markets for identical assets/liabilities (Level 1)	Investments measured at net asset value	Total
Mutual funds	\$ 57,843,662	\$ -	\$ 57,843,662
Money market funds	405	-	405
	57,844,067	-	57,844,067
Investments at fair value	-	27,407,812	27,407,812
Alternative investments	-	27,407,812	27,407,812
Total investments	\$ 57,844,067	\$ 27,407,812	\$ 85,251,879

December 31, 2021

	Quoted prices in active markets for identical assets/liabilities (Level 1)	Investments measured at net asset value	Total
Mutual funds	\$ 73,260,571	\$ -	\$ 73,260,571
Money market funds	215	-	215
	73,260,786	-	73,260,786
Investments at fair value	-	29,500,791	29,500,791
Alternative investments	-	29,500,791	29,500,791
Total investments	\$ 73,260,786	\$ 29,500,791	\$ 102,761,577

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 \$73,359 and \$61,402 at December 31, 2022 and 2021, respectively.

## Horizon Foundation

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

Net investment return consisted of the following for the years ended December 31, 2022 and 2021:

	2022	2021
Net (loss)/gain on investments	\$ (12,750,529)	\$ 13,645,182
Interest and dividends	1,549,624	1,374,551
Investment fees	(561,434)	(554,619)
	\$ (11,762,339)	\$ 14,465,114

Alternative investments consisted of the following asset allocation at December 31, 2022:

	Total	Percentage
Private equity funds	\$ 13,744,803	50%
Hedge funds	13,663,009	50%
	\$ 27,407,812	100%

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

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

## Horizon Foundation

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

Alternative investments consisted of the following funds at December 31, 2022 and 2021:

	Net asset value		Unfunded commitments	
	2022	2021	2022	2021
Private equity funds:				
SEI Core Property Fund	\$ 6,534,471	\$ 5,895,301	\$ -	\$ -
SEI Global Private Assets IV	4,613,183	4,779,689	1,545,007	1,985,849
Landmark Real Assets Fund	175,545	174,539	228,710	228,710
SEI Global Private Assets V	2,122,686	1,344,178	3,265,615	4,131,011
Glouston Private Equity Opportunities III	13,140	15,987	283,500	283,500
Tuckerbrook SB Global Distressed Fund I	191,234	199,053	219,423	219,423
Penn Square Global Real Estate Fund II	85,208	96,585	585,000	585,000
Glouston Private Equity Holdings IV	9,336	13,211	84,000	84,000
Subtotal private equity funds	<u>13,744,803</u>	<u>12,518,543</u>	<u>6,211,255</u>	<u>7,517,493</u>
Hedge funds:				
SEI Structured Credit Fund Offshore Feeder	7,488,450	7,733,808	-	-
SEI Special Situations Fund	4,916,600	4,925,287	-	-
SEI Energy Debt Fund	1,185,174	4,255,498	-	-
Collins Capital Low Volatility Performance II	72,785	67,655	-	-
Subtotal hedge funds	<u>13,663,009</u>	<u>16,982,248</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 27,407,812</u>	<u>\$ 29,500,791</u>	<u>\$ 6,211,255</u>	<u>\$ 7,517,493</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, 2022. For the full description relating to each fund, please refer to the fund prospectus, which is available from the fund managers.

- (a) SEI Core Property Fund, LP seeks both current income and long-term capital appreciation and was organized to invest in, directly and indirectly, a diversified pool of private investment vehicles that invest in commercial real estate properties. A notice period of 95 days is required to redeem shares quarterly with no lock-up period. When a limited partner redeems its investment in the partnership, up to 10% of the value of such investment may be held in escrow until the completion of the partnership's annual audit.
- (b) SEI Global Private Assets IV, LP and SEI Global Private Assets V, LP have an objective to achieve an attractive risk-adjusted return relative to other asset class alternatives through the identification and selection of a set of private asset managers that manage underlying funds across a broad spectrum of venture capital, buyouts, debt, real estate and real asset/infrastructure investments. The expected duration of the funds is five to seven years with a target maximum life of 10 years. Redemptions are not permitted.
- (c) Landmark Real Assets Fund, LP is a multi-manager program (also known as a fund-of-funds) that seeks to make investments primarily in a select group of private investment partnerships, limited liability companies, or similar entities that themselves invest in real assets as inflation hedging investments. The fund will typically make distributions promptly following the partnership's receipt of distributions from investments, subject to the capital needs of the partnership as determined by the general partner in its sole discretion. The investments of the partnership are not readily marketable. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable.



## Horizon Foundation

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

- (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 noncore real estate opportunities. The fund consists of a broadly diversified portfolio of investment opportunities that are typically only accessible by institutional investors with large commitment sizes. Limited partners are not permitted to withdraw or resign from the partnership without the written consent of Penn Square II, LLC (the general partner), which consent may be granted or withheld in its sole discretion, with or without cause. Furthermore, the partnership will distribute all receipts of cash from its real estate investments, after provision for reasonable reserves, as soon as practicable.
- (g) Glouston Private Equity Holdings IV, LP seeks to achieve long-term capital appreciation through the purchase of private investment vehicles that invest in private equity securities, convertible notes and/or notes with warrants issued by small to medium-sized issuers and secondarily through the purchase, holding and disposition of private equity and near-equity investments consisting of investment made directly by the partnership in equity securities, convertible notes and/or notes with warrants issued by small to medium-sized issuers. Investors in the portfolio funds have no redemption options. A secondary market does exist whereby investors may sell their limited partnership interest to other investors or third parties with general partners and/or limited partner approval.
- (h) SEI Structured Credit Fund Offshore Feeder, Ltd seeks to generate high total returns. The fund pursues its investment objective by investing in a portfolio comprised of collateralized debt obligations, which includes collateralized loan obligations and other structured credit investments, as well as investing in registered investment companies. The fund is a closed-end investment company, and therefore no limited partner will have the right to require the fund to redeem its 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.

## Horizon Foundation

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

- (i) SEI Special Situations Fund, Ltd seeks to achieve high returns balanced against an appropriate level of volatility and directional market exposure over a full market cycle. The fund pursues its investment objective primarily by utilizing a "fund of funds" approach, which includes investments in various private funds and opportunistically investing directly in any other securities and financial instruments. With an initial two year lock-up period on initial subscriptions, the fund does not intend to make distributions with respect to shares. If redemption is possible, a notice of 95 days is required to redeem shares semi-annually with a 10% holdback on total redemptions, held in an escrow account until the completion of the fund's annual audit.
- (j) SEI Energy Debt Fund, LP seeks to achieve high returns primarily by investing directly and indirectly in below investment grade debt and equity instruments of U.S. and international energy companies. There was a three-year lock-up period on initial subscriptions. Investors in the partnership were asked to re-commit to a fresh three-year lock-up effective April 1, 2019, which will allow the partnership to take advantage of the longer-term investment opportunities in the energy market. The fund does not intend to make distributions with respect to shares. If redemption is possible, limited partners will be permitted to withdraw interests from the fund as of the last business day of June and December of each calendar year with a notice of 95 days.
- (k) Collins Capital Low Volatility Performance II Special Investments, Ltd invests approximately 99% of its portfolio in the Collins Capital Master Fund II. The Collins Capital Master Fund II consists of separate and distinct series of limited partnership interests. The primary objective and purpose of each series is to invest and trade in limited partnership interests, interests created pursuant to investment advisory agreements and other interests offered by one or more private investment partnerships, limited liability companies, corporations or other investment vehicles or accounts managed and invested by one or more independent investment advisors or investment managers of such partnerships or other vehicles or accounts, as determined by the general partner in its sole discretion. As of October 1, 2009, Collins Capital Low Volatility Performance II funds effectively were in redemption.

#### **Note 3 - Liquidity and availability of resources**

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

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

## Horizon Foundation

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

The following provides a summary of financial assets available for general expenditures within one year at December 31, 2022 and 2021:

	2022	2021
Financial assets at year end		
Cash and cash equivalents	\$ 1,872,222	\$ 1,264,147
Accounts receivable	-	35,580
Dividends and other receivable	42,882	27,513
Investments	85,251,879	102,761,577
Total financial assets	87,166,983	104,088,817
Less amounts not available to be used within one year		
Investment without immediate liquidity	(20,873,341)	(17,734,770)
Board-designated net assets	(156,608)	(55,000)
Net assets restricted for purpose	(1,500)	(101,500)
Total financial assets available to be used within one year	\$ 66,135,534	\$ 86,197,547

#### Note 4 - Property and equipment, net

Property and equipment consisted of the following at December 31, 2022 and 2021:

	2022	2021
Leasehold improvements	\$ 388,315	\$ 372,501
Furniture and equipment	63,404	107,655
	451,719	480,156
Accumulated depreciation and amortization	(274,265)	(286,067)
Property and equipment, net	\$ 177,454	\$ 194,089

Depreciation and amortization expense related to property and equipment for the years ended December 31, 2022 and 2021 was \$38,400 and \$44,359, respectively, and is included in equipment expense in the statement of functional expenses (Note 8).

#### Note 5 - Grants

Horizon Foundation makes unconditional grants which are recognized as grant expense in the year they are authorized by the Board of Trustees. Grants accrued but not paid during the year remain in grants payable until disbursed or cancelled. Grants payable over multiple years are recorded at net present value. For multi-year grants, the discount rate at December 31, 2022 was 3.99%, which was based on the current rate on a five-year U.S. Treasury Note.

## Horizon Foundation

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

Grants payable and grant making activities consisted of the following as of and for the years ended December 31, 2022 and 2021:

	2022	2021
Grants payable, beginning balance	\$ 2,492,503	\$ 1,845,071
Grants authorized, net		
Grants authorized	1,391,762	2,417,280
Grants cancelled	(50,000)	(76,204)
Change in discount to net present value	1,547	(17,977)
Subtotal	1,343,309	2,323,099
Grants disbursed	(2,044,248)	(1,675,667)
Grants payable, ending balance	\$ 1,791,564	\$ 2,492,503

Grants are expected to be disbursed in future years as follows at December 31, 2022 and 2021:

	2022	2021
Amounts payable in less than one year	\$ 1,082,878	\$ 1,250,864
Amounts payable in one to five years	736,500	1,271,000
	1,819,378	2,521,864
Less discount to net present value	(27,814)	(29,361)
	\$ 1,791,564	\$ 2,492,503

#### 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 \$35,000 and \$75,000 during the years ended December 31, 2022 and 2021, respectively. The balance of unconditional grants payable to these organizations is included in grants payable on the statement of financial position and totaled \$5,000 and \$40,000 as of December 31, 2022 and 2021, respectively.

## Horizon Foundation

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

#### 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, 2022 and 2021:

	2022	2021
Undesignated	\$ 84,488,602	\$ 100,883,092
Designated		
Healthy Kids and Family Evaluation	-	25,000
Healthy Kids and Family Mental Health Consulting	-	30,000
Marketing for Change Messaging Campaign	100,000	-
Toole Design	30,900	-
Howard County Pediatrics	5,000	-
Ellicot City Pediatrics Association	20,708	-
Subtotal designated	156,608	55,000
	\$ 84,645,210	\$ 100,938,092

##### Net assets with donor restrictions

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

	Net assets December 31, 2021	Additions	Releases	Net assets December 31, 2022
Purpose restricted				
Health and wellness efforts	\$ 1,500	\$ -	\$ -	\$ 1,500
Total purpose restricted	1,500	-	-	1,500
Time restricted				
Healthy aging	100,000	-	(100,000)	-
Total time restricted	100,000	-	(100,000)	-
Total	\$ 101,500	\$ -	\$ (100,000)	\$ 1,500

## Horizon Foundation

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

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

#### Note 7 - Retirement plans

##### Defined contribution plan

Horizon Foundation sponsors a 401(k) profit sharing plan, which is a defined contribution plan available to all eligible employees. Participants may defer a portion of their compensation to the 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 \$110,975 and \$109,518 for the years ended December 31, 2022 and 2021, respectively.

##### Deferred compensation plan

During the year ended December 31, 2020, Horizon Foundation established a deferred compensation plan under Internal Revenue Code Section 457(b) for a key executive. Investments held to fund deferred compensation (see Note 2) and the corresponding deferred compensation liability totaled \$73,359 and \$61,402 at December 31, 2022 and 2021, respectively. The deferred compensation liability has been included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position. Horizon Foundation's contributions to the deferred compensation plan totaled \$25,647 and \$24,426 for the years ended December 31, 2022 and 2021, respectively.

## Horizon Foundation

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

#### Note 8 - Functional expenses

Functional expenses consisted of the following for the year ended December 31, 2022:

	Program services		Supporting services		Total
	Grantmaking	Community building	General and administrative	Fundraising and development	
Grants	\$ 1,368,677	\$ -	\$ -	\$ -	\$ 1,368,677
Professional fees	55,000	974,569	154,023	-	1,183,592
Salaries and related benefits	146,855	1,106,587	414,951	2,257	1,670,650
Occupancy	20,935	157,750	61,155	322	240,162
Marketing and design	50	141,479	66,999	-	208,528
Equipment	4,248	32,009	12,003	65	48,325
Travel	13,546	-	37,390	-	50,936
Membership dues and licenses	840	-	5,841	-	6,681
Meetings and recruiting	500	16,119	24,509	-	41,128
Insurance	1,469	11,071	5,829	23	18,392
Community engagement	-	-	12,885	-	12,885
Contributions and donations	-	-	1,265	-	1,265
<b>Total</b>	<b>\$ 1,612,120</b>	<b>\$ 2,439,584</b>	<b>\$ 796,850</b>	<b>\$ 2,667</b>	<b>\$ 4,851,221</b>

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

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

#### Note 9 - Commitments and contingencies

##### Office lease

Horizon Foundation has an operating lease agreement for office space that expires on December 31, 2026.

Prior to adoption of Topic 842, *Leases* in 2022, Horizon accounted for the escalation of base rentals and the tenant improvement allowance totaling \$309,960 in the liability for deferred rent, which was amortized on a straight-line basis to achieve straight-line rent expense over the life of the lease. The deferred rent liability totaled \$223,336 at December 31, 2021. Occupancy expense related to the office lease totaled \$127,500 for the year ended December 31, 2021.

On January 1, 2022, the Horizon Foundation adopted FASB ASU 2016-02, *Leases*, as described in Note 1. Horizon leases office space under an operating lease. Operating lease right-of-use asset and operating lease liability are recognized based on the present value of lease payments over the lease term, where the initial term of the lease exceeds twelve months. Horizon uses an estimated

## Horizon Foundation

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

and operating lease liability are recognized based on the present value of lease payments over the lease term, where the initial term of the lease exceeds twelve months. Horizon uses an estimated risk-free rate of 1.37% because the lease does not have a readily determinable implicit discount rate. Operating lease liability is reduced as cash payments are made under the terms of the lease. Interest is charged to occupancy expense for the difference. The operating lease right-of-use asset is amortized over the lease term and is reflected as occupancy expense in the accompanying consolidated financial statements. Lease payments related to periods subject to renewal options are also excluded for purposes of calculating the operating right-of-use asset and operating lease liability unless Horizon is reasonably certain to exercise the option to extend the lease. There are no residual value guarantees.

Lease expense for the operating lease continues to be recognized on a straight-line-basis over the term of the lease under FASB ASU 2016-02. Prior to the adoption of FASB ASU 2016-02, deferred rent resulting from recording operating lease expense on the straight-line-basis was recorded as a liability on the consolidated statement of financial position. As of December 31, 2022, under FASB ASU 2016-02, the deferred rent liability is reported as a reduction to the right-of-use asset within the statement of financial position. Occupancy expense for the year ended December 31, 2022 was \$131,147.

The following table represents the reconciliation of the operating lease right-of-use asset as of December 31, 2022:

Operating lease right-of-use asset, beginning of year	\$	-
Operating lease right-of-use asset acquired, net of deferred rent liability of \$223,336		586,312
Amortization of operating lease right-of-use asset		<u>112,858</u>
Operating lease right-of-use asset, end of year	\$	<u>473,454</u>
Other information		
Cash paid for amounts included in the measurement of lease obligation		
Operating cash flows for operating lease	\$	<u>157,873</u>



## Horizon Foundation

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

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

2023	\$	162,600
2024		167,481
2025		172,518
2026		<u>177,685</u>
Sub-total		680,284
Less: Imputed interest at risk-free rate of 1.37%		<u>(18,403)</u>
	\$	<u><u>661,881</u></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.

## **Supplementary Information**

## Horizon Foundation

### Supplementary Information

#### Consolidating Statement of Financial Position December 31, 2022

	Horizon	HCHF	Total	Eliminations	Consolidated total
<b>Assets</b>					
Cash and cash equivalents	\$ 1,870,457	\$ 1,765	\$ 1,872,222	\$ -	\$ 1,872,222
Investments	85,251,879	-	85,251,879	-	85,251,879
Contributions receivable	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Dividends and other receivable	42,882	-	42,882	-	42,882
Prepaid expenses	98,893	-	98,893	-	98,893
Property and equipment, net	177,454	-	177,454	-	177,454
Right-of-use asset	473,454	-	473,454	-	473,454
	<b>\$ 87,915,019</b>	<b>\$ 1,765</b>	<b>\$ 87,916,784</b>	<b>\$ -</b>	<b>\$ 87,916,784</b>
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 816,629	\$ -	\$ 816,629	\$ -	\$ 816,629
Grants payable	1,791,564	-	1,791,564	-	1,791,564
Deferred rent	-	-	-	-	-
Operating lease liability	661,881	-	661,881	-	661,881
	<b>3,270,074</b>	<b>-</b>	<b>3,270,074</b>	<b>-</b>	<b>3,270,074</b>
<b>Commitments and contingencies</b>					
<b>Net assets</b>					
Without donor restrictions					
Undesignated	84,486,837	1,765	84,488,602	-	84,488,602
Board designated	156,608	-	156,608	-	156,608
	<b>84,643,445</b>	<b>1,765</b>	<b>84,645,210</b>	<b>-</b>	<b>84,645,210</b>
With donor restrictions	1,500	-	1,500	-	1,500
	<b>84,644,945</b>	<b>1,765</b>	<b>84,646,710</b>	<b>-</b>	<b>84,646,710</b>
	<b>\$ 87,915,019</b>	<b>\$ 1,765</b>	<b>\$ 87,916,784</b>	<b>\$ -</b>	<b>\$ 87,916,784</b>

See Independent Auditor's Report.

**Horizon Foundation**  
**Supplementary Information**  
**Consolidating Statement of Activities**  
**Year Ended December 31, 2022**

	Without donor restrictions					With donor restrictions					Consolidated total
	Horizon	HCHF	Total	Eliminations	Consolidated	Horizon	HCHF	Total	Eliminations	Consolidated	
<b>Revenue</b>											
Net investment return	\$ (11,762,339)	\$ -	\$ (11,762,339)	\$ -	\$ (11,762,339)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (11,762,339)
Contributions	500	1,800	2,300	-	2,300	-	-	-	-	-	2,300
Contributed services	-	204,715	204,715	(204,715)	-	-	-	-	-	-	-
Other Income	218,378	-	218,378	-	218,378	-	-	-	-	-	218,378
	(11,543,461)	206,515	(11,336,946)	(204,715)	(11,541,661)	-	-	-	-	-	(11,541,661)
Net assets released from restrictions											
Satisfaction of donor restrictions	100,000	-	100,000	-	100,000	(100,000)	-	(100,000)	-	(100,000)	-
Total revenue	(11,443,461)	206,515	(11,236,946)	(204,715)	(11,441,661)	(100,000)	-	(100,000)	-	(100,000)	(11,541,661)
<b>Expenses</b>											
Program services											
Grantmaking	1,612,120	-	1,612,120	-	1,612,120	-	-	-	-	-	1,612,120
Community building	2,437,884	164,192	2,602,076	(162,492)	2,439,584	-	-	-	-	-	2,439,584
Total program services	4,050,004	164,192	4,214,196	(162,492)	4,051,704	-	-	-	-	-	4,051,704
Supporting services											
General and administrative	796,850	42,223	839,073	(42,223)	796,850	-	-	-	-	-	796,850
Fundraising and development	2,667	-	2,667	-	2,667	-	-	-	-	-	2,667
Total supporting services	799,517	42,223	841,740	(42,223)	799,517	-	-	-	-	-	799,517
Total expenses	4,849,521	206,415	5,055,936	(204,715)	4,851,221	-	-	-	-	-	4,851,221
Changes in net assets	(16,292,982)	100	(16,292,882)	-	(16,292,882)	(100,000)	-	(100,000)	-	(100,000)	(16,392,882)
Net assets, beginning	100,936,427	1,665	100,938,092	-	100,938,092	101,500	-	101,500	-	101,500	101,039,592
Net assets, end	\$ 84,643,445	\$ 1,765	\$ 84,645,210	\$ -	\$ 84,645,210	\$ 1,500	\$ -	\$ 1,500	\$ -	\$ 1,500	\$ 84,646,710

See Independent Auditor's Report.



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