

Horizon Community Funds of Northern Kentucky and Affiliate

**Consolidated Financial Statements
Years ended December 31, 2023 and 2022
With Independent Auditors' Report**

HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE
Years ended December 31, 2023 and 2022

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Independent Auditors' Report

To the Council of Trustees
Horizon Community Funds of Northern Kentucky and Affiliate
Covington, KY

Opinion

We have audited the accompanying consolidated financial statements of Horizon Community Funds of Northern Kentucky and Affiliate (a nonprofit organizations), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Horizon Community Funds of Northern Kentucky and Affiliate as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Horizon Community Funds of Northern Kentucky and Affiliate 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 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 Horizon Community Funds of Northern Kentucky and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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.

**Independent Auditors' Report
(Continued)**

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with generally accepted auditing standards, 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 Horizon Community Funds of Northern Kentucky and Affiliate'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 Horizon Community Funds of Northern Kentucky and Affiliate's ability to continue as a going concern for a reasonable period of time.

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

Barnes, Dennig & Co., Ltd.

July 26, 2024
Crestview Hills, Kentucky

HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE

Consolidated Statements of Financial Position December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 560,865	\$ 1,525,128
Pledges receivable	292,085	501,168
Other receivables	24,550	60,632
Other assets	28,185	25,932
Investments	<u>46,509,653</u>	<u>37,689,688</u>
Total assets	<u>\$ 47,415,338</u>	<u>\$ 39,802,548</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 82,370	\$ 54,912
Grants payable	323,800	821,830
Held for other organizations	<u>7,608,087</u>	<u>6,323,025</u>
Total liabilities	<u>8,014,257</u>	<u>7,199,767</u>
Net Assets		
Without donor restrictions		
Undesignated	173,732	353,332
Donor advised funds	28,686,957	24,852,644
Board designated	1,520,670	1,641,398
Board-designated endowment	<u>417,216</u>	<u>365,784</u>
Total without donor restrictions	30,798,575	27,213,158
With donor restrictions	<u>8,602,506</u>	<u>5,389,623</u>
Total net assets	<u>39,401,081</u>	<u>32,602,781</u>
Total liabilities and net assets	<u>\$ 47,415,338</u>	<u>\$ 39,802,548</u>

See accompanying notes to consolidated financial statements

HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE

Consolidated Statement of Activities Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Contributions and grants	\$ 5,858,811	\$ 3,504,916	\$ 9,363,727
Donated property	1,900,000	-	1,900,000
Net investment return	3,601,306	513,722	4,115,028
Investment administration fees	63,853	-	63,853
Other income	47,387	-	47,387
Released from restriction	805,755	(805,755)	-
	<u>12,277,112</u>	<u>3,212,883</u>	<u>15,489,995</u>
Expenses			
Program expense	8,300,828	-	8,300,828
Management and general expense	205,908	-	205,908
Fundraising expense	184,959	-	184,959
	<u>8,691,695</u>	<u>-</u>	<u>8,691,695</u>
Change in net assets	3,585,417	3,212,883	6,798,300
Net assets, beginning of year	<u>27,213,158</u>	<u>5,389,623</u>	<u>32,602,781</u>
Net assets, end of year	<u><u>\$ 30,798,575</u></u>	<u><u>\$ 8,602,506</u></u>	<u><u>\$ 39,401,081</u></u>

See accompanying notes to consolidated financial statements

HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE

Consolidated Statement of Activities Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Contributions and grants	\$ 5,289,929	\$ 1,742,760	\$ 7,032,689
Net investment losses	(4,700,380)	(318,320)	(5,018,700)
Investment administration fees	51,253	-	51,253
Other income	83,757	-	83,757
Released from restriction	254,086	(254,086)	-
	<u>978,645</u>	<u>1,170,354</u>	<u>2,148,999</u>
Expenses			
Program expense	4,483,538	-	4,483,538
Management and general expense	193,958	-	193,958
Fundraising expense	243,618	-	243,618
	<u>4,921,114</u>	<u>-</u>	<u>4,921,114</u>
Change in net assets	(3,942,469)	1,170,354	(2,772,115)
Net assets, beginning of year	<u>31,155,627</u>	<u>4,219,269</u>	<u>35,374,896</u>
Net assets, end of year	<u><u>\$ 27,213,158</u></u>	<u><u>\$ 5,389,623</u></u>	<u><u>\$ 32,602,781</u></u>

See accompanying notes to consolidated financial statements

HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE

Consolidated Statements of Functional Expenses Years Ended December 31, 2023 and 2022

	2023				2022			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Grants	\$ 7,871,731	\$ 776	\$ -	\$ 7,872,507	\$ 4,107,554	\$ -	\$ -	\$ 4,107,554
Marketing	35,979	-	53,895	89,874	41,460	999	68,744	111,203
Personnel	285,277	78,126	113,916	477,319	276,427	75,892	115,663	467,982
Facility	-	109,344	1,168	110,512	-	98,556	-	98,556
Website	31,301	4,675	14,405	50,381	25,946	3,361	7,037	36,344
Membership	3,806	12,521	-	16,327	5,021	15,150	-	20,171
Committee	1,575	466	1,575	3,616	130	-	130	260
Consulting	16,750	-	-	16,750	27,000	-	-	27,000
Events	54,409	-	-	54,409	-	-	52,044	52,044
	<u>\$ 8,300,828</u>	<u>\$ 205,908</u>	<u>\$ 184,959</u>	<u>\$ 8,691,695</u>	<u>\$ 4,483,538</u>	<u>\$ 193,958</u>	<u>\$ 243,618</u>	<u>\$ 4,921,114</u>

See accompanying notes to consolidated financial statements

HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE

Consolidated Statements of Cash Flows Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 6,798,300	\$ (2,772,115)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net realized and unrealized (gains) losses on investments	(3,042,038)	5,558,918
Contributions received restricted for investment in endowment	(475,088)	(496,187)
Non-cash donation of privately held securities	-	216,000
Change in:		
Pledges receivable	209,083	(171)
Other receivables	36,082	(25,017)
Other assets	(2,253)	1,870
Accounts payable and accrued liabilities	27,458	4,025
Grants payable	(498,030)	(282,065)
Held for other organizations	1,285,062	131,860
	<u>4,338,576</u>	<u>2,337,118</u>
Net cash provided by operating activities	<u>4,338,576</u>	<u>2,337,118</u>
Cash flows from investing activities		
Purchases of investments	(19,046,660)	(36,122,410)
Sales of investments	13,268,733	33,100,941
	<u>(5,777,927)</u>	<u>(3,021,469)</u>
Net cash used in investing activities	<u>(5,777,927)</u>	<u>(3,021,469)</u>
Cash flows provided by financing activities		
Proceeds from contributions restricted for investment in endowment	475,088	496,187
	<u>475,088</u>	<u>496,187</u>
Change in cash and cash equivalents	(964,263)	(188,164)
Cash and cash equivalents, beginning of year	<u>1,525,128</u>	<u>1,713,292</u>
Cash and cash equivalents, end of year	<u><u>\$ 560,865</u></u>	<u><u>\$ 1,525,128</u></u>

See accompanying notes to consolidated financial statements

HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE

Notes to Consolidated Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include Horizon Community Funds of Northern Kentucky (the Organization) and its wholly owned and controlled affiliate Northern Kentucky Foundation, LLC (the LLC), which are collectively referred to as “the Foundation.” All significant inter-organizational transactions have been eliminated.

Nature of Activities

Horizon Community Funds of Northern Kentucky was founded as a not-for-profit organization in 2017 under the laws of the State of Kentucky. Its mission is to unite resources to raise the quality of life for all people in Northern Kentucky. The Organization brings people together to donate and contribute in ways that have never been available before, to combine their resources to help break the cycle of poverty, support the arts, spark development and innovation, enrich children's education, and improve the health and wellness of the community. The Organization is a community foundation designed to manage funds exclusively for the benefit of Northern Kentucky. The Organization has options for the full spectrum of donors, from those who want to give to a general community fund to those who want to choose what charities benefit from their gifts.

Northern Kentucky Foundation, LLC was founded on September 25, 2018 as a single-member limited liability company under the laws of the State of Kentucky. The LLC's purpose is to receive certain donated assets, subject to the Organization's gift acceptance policy, that are exclusively for the benefit of the Organization. Pursuant to the LLC's operating agreement, the Organization is the sole member of the LLC and has provided capital contributions of \$100 for 100 membership units, which have been eliminated in consolidation.

Financial Statement Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net asset with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Fair Value Measurements

Under applicable GAAP for fair value measurements and disclosures, a three-level hierarchy is established for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 – Inputs are unadjusted quoted prices for identical assets in active markets; Level 2 – Inputs are observable quoted prices for similar assets in active markets; Level 3 – Inputs are unobservable and reflect management's best estimates of what market participants would use as fair value.

HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE

Notes to Consolidated Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents consist primarily of money market accounts. The Foundation maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The Foundation has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Investments and Investment Return

Investments in money market funds, debt and equity securities are carried at fair value. Investments in certificates of deposit are carried at amortized cost. Investment return includes dividends, interest and realized and unrealized gains and losses on investments, net of fees.

Interest in CFSPV5, LLC DBA Connetic Venture Fund consists of an investment in an unregistered investment pool, which is not valued upon quoted market prices. The unregistered investment pool invests in various equity and debt securities and other vehicles to generate investment return. The fund records investment as the ownership interest in partner capital to which a proportionate share of net assets is attributed, as reported by the fund manager. This represents the Foundation's proportionate membership interest in the capital of the invested funds.

GAAP allows for the use of a practical expedient to measure equity securities without readily determinable fair values at cost, less impairment, and plus or minus changes resulting from observable price changes. The Foundation has elected this practical expedient to measure its investments in privately held securities and preferred stock in privately held corporations.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as with donor restrictions and then released from restriction. Other investment return is reflected in the statements of activities as with donor restrictions or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

As of December 31, 2023 and 2022, the Foundation has established six investment pools with different risk profiles that align with their investment policy. This policy establishes the target allocations for each of the investment pool risk profiles. Donors have the ability to specify their desired allocations into each of the investment pools when creating a donor-advised fund.

Board Designated Assets

The Council of Trustees of the Foundation have designated assets to be used for initiatives to support the Northern Kentucky community's needs and most critical endeavors.

HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE

Notes to Consolidated Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

The Foundation records gifts of cash and other assets at their fair value as of the date of contribution. Such donations are recorded as revenue without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts received with a donor stipulation that limits their use are reported as revenue with donor restrictions and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as revenue with donor restrictions. Absent explicit donor stipulations about how long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and reported as contribution revenue. Conditional promises to give are recognized as revenues when the conditions on which they depend are substantially met.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of Kentucky law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The LLC is treated as a disregarded entity of the Organization for tax purposes and profits and losses pass-through directly to the Organization.

The Organization's IRS Form 990 is subject to review and examination by federal and state authorities. The Organization believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the consolidated financial statements.

Functional Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Expenses have been classified based upon the actual direct expenditures and cost allocations. The most significant allocation is personnel costs, which is allocated based upon estimates of time spent by personnel.

Grants Payable

Grants payable is recognized in the period the grant is approved, provided the grant is not subject to future conditions. Grants payable are recorded at their present value. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. At December 31, 2023 and 2022, conditional grants not reflected in the financial statements as grant expense and grant payable were \$2,219,913 and \$0-, respectively.

HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE

Notes to Consolidated Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain 2022 amounts have been reclassified to conform to the 2023 presentation.

Subsequent Event Evaluation

In preparing its consolidated financial statements, the Foundation has evaluated events subsequent to the consolidated statement of financial position date through July 26, 2024, which is the date the consolidated financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following at December 31, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 142,709	\$ 221,003

The Foundation's donor advised funds consist of cash and restricted investments in investment portfolios offered. Administration income is derived from donor-advised investments with a specific purpose to generate revenue without donor restrictions for operations.

The Foundation's board-designated fund balance is \$1,520,670 and \$1,641,398 at December 31, 2023 and 2022, respectively. Although the Foundation does not intend to spend from this board-designated fund (other than amounts appropriated for grant campaigns), these amounts could be made available, if necessary.

HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE

Notes to Consolidated Financial Statements (Continued)

NOTE 3 PLEDGES RECEIVABLE

Unconditional pledges receivable consisted of the following at December 31:

	2023	2022
Due within one year	\$ 151,792	\$ 234,409
Due in one to five years	163,472	292,314
	315,264	526,723
Less: unamortized discount	(23,179)	(25,555)
	<u>\$ 292,085</u>	<u>\$ 501,168</u>

The discount rate used on long-term pledges receivable ranged between 1.4% and 4.5% for 2023 and 2022.

NOTE 4 INVESTMENTS AT FAIR VALUE

Investments at fair value consisted of the following at December 31:

	2023	2022
Level 1:		
Equity securities	\$ 5,999,303	\$ 9,651,717
Equity mutual and exchange traded funds	16,053,858	8,649,362
Fixed income mutual and exchange traded funds	7,176,551	6,056,954
Alternative investment mutual funds	378,373	344,151
Level 2:		
Money market funds	13,193,218	10,830,150
U.S. government securities	1,019,460	577,732
Corporate bonds	965,883	589,715
Municipal bonds	479,965	293,739
Level 3:		
Preferred stock in privately held corporations	500,031	-
Interest in privately held securities	-	144,891
Not subject to fair value hierarchy:		
Interest in Connetic Venture Fund	743,011	551,277
	<u>\$ 46,509,653</u>	<u>\$ 37,689,688</u>

HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE

Notes to Consolidated Financial Statements (Continued)

NOTE 4 INVESTMENTS AT FAIR VALUE (CONTINUED)

Mutual funds, exchange traded funds and equity securities: Fair values are determined by reference to quoted market prices and other relevant information generated by market transactions. Mutual funds, exchange traded funds and equity securities are categorized using Level 1 inputs.

Money market funds, corporate and municipal bonds and U.S. government treasuries: Fair values are estimated by using pricing models or quoted prices of securities with similar characteristics. Money market funds, corporate and municipal bonds and U.S. government treasuries are categorized using Level 2 inputs.

Interest in privately held securities: Fair value upon initial investment was based on internal company valuation that considered variables such as financial book value, capitalization rate, and other pertinent information. Based on assessments performed by the Foundation to identify observable price changes of the investment, there have been no upward or downward adjustments to the carrying amount on an annual or cumulative basis. Because the investment is not readily marketable, its estimated value is subject to uncertainty and therefore may be different from the value that would have been used had a ready market for such investment existed.

Preferred stock in privately held corporations: Fair value upon initial investment was based on purchase price. Based on assessments performed by the Foundation to identify observable price changes of the investment, there have been no upward or downward adjustments to the carrying amount on an annual or cumulative basis. Because the investment is not readily marketable, its estimated value is subject to uncertainty and therefore may be different from the value that would have been used had a ready market for such investment existed.

The following table is a reconciliation of investments measured at fair value on a recurring basis using the Foundation's best estimate of what market participants would use as fair value (Level 3) at December 31, 2023 and 2022:

	Interest in privately held securities	Preferred stock in privately held corporations
Balance, December 31, 2021	\$ 786,426	\$ -
Contributions	144,891	-
Sales	(793,664)	-
Total gains and losses included in the change in net assets	7,238	-
Balance, December 31, 2022	\$ 144,891	\$ -
Contributions	-	500,031
Sales	(150,812)	-
Total gains and losses included in the change in net assets	5,921	-
Balance, December 31, 2023	\$ -	\$ 500,031

HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE

Notes to Consolidated Financial Statements (Continued)

NOTE 4 INVESTMENTS AT FAIR VALUE (CONTINUED)

Included in investments is an interest in the CFSPV5, LLC DBA Connetic Venture Fund of \$743,011 and \$551,277 at December 31, 2023 and 2022, respectively, consisting of an unregistered investment pool. The fair value of this investment pool is reported by the Foundation based on information provided by the investment manager. Values may be based on readily available public market data as well as estimates that require varying degrees of judgment. Generally, fair value reflects net capital contributions to the investee and an ownership share of realized and unrealized investment income and expense. The financial statements of the investee are prepared consistent with the measurement principles of an investment company or have the attributes of an investment company. The financial statements are audited annually by independent auditors as of December 31 with the most recent being as of December 31, 2022.

Valuations for this investment pool provided by the investment manager are evaluated by the Foundation, and management believes such values are reasonable for the years ended December 31, 2023 and 2022. The Foundation uses the ownership interest in partner capital to which a proportionate share of net assets is attributed as a practical expedient to determine the fair value of this investment, which is not required to be categorized using the fair value hierarchy.

The investment agreement does not permit the investment to be redeemed with the investee unless a liquidity event occurs, but the Foundation can receive member distributions to the extent distributable cash is available, as determined by the investment manager. The timing and amount of any liquidation of underlying assets by the investee is unknown.

The following table lists the investment in other investment companies by major category:

	Fair Value	Unfunded Commitments	Redemption Frequency
December 31, 2023			
Interest in Connetic Venture Fund	\$ 743,011	\$ -	unallowed
December 31, 2022			
Interest in Connetic Venture Fund	\$ 551,277	\$ 50,000	unallowed

NOTE 5 GRANTS PAYABLE

Unconditional grants are payable in the following periods as of December 31:

2024	\$ 100,000
2025	100,000
2026	100,000
2027	70,000
	<hr/>
	370,000
Less: unamortized discount	(46,200)
	<hr/>
	\$ 323,800

HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE

Notes to Consolidated Financial Statements (Continued)

NOTE 6 HELD FOR OTHER ORGANIZATIONS

The Foundation has an agreement with various organizations regarding a component fund included in its investment pools in which those organizations retain beneficial interest.

NOTE 7 DONOR ADVISED FUNDS

Advisors of donor advised funds have the ability to recommend the use of the funds within the guidelines of the Foundation's mission. These funds are reported as without donor restrictions on the consolidated statements of financial position.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following periods or purposes as of December 31, 2023 and 2022:

	2023	2022
Restricted as to purpose:		
Boone County Animal Shelter Building Fund	\$ 2,175,288	\$ 2,103,820
Covington Life Sciences Partners, Inc.	2,019,593	-
NKY Student Success Fund	207,109	340,733
Education NKY	449,445	-
Beechwood School Third Party Fund	563,303	367,283
RiverFront Commons	320,068	299,866
NKY Community Journalism	19,596	164,139
Northern Kentucky Entrepreneur Fund	81,279	200,696
Father Mario Tizziani Memorial Fund	218,931	193,427
Beechwood School Fund Edge Agri Science Lab	58,834	56,600
St. Elizabeth	38,735	34,408
NKIP	34,280	31,267
Dinsmore Homestead Third Party	94,739	28,236
Other	137,044	101,580
Donor-restricted endowment subject to spending policy and appropriation	2,184,262	1,467,568
	<u>\$ 8,602,506</u>	<u>\$ 5,389,623</u>

HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE

Notes to Consolidated Financial Statements (Continued)

NOTE 9 ENDOWMENTS

The Foundation's endowment consists of several donor-restricted and board-designated endowment funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds, including funds designated by the Council of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Council of Trustees of the Foundation follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA provides guidance on matters concerning the governance and management of donor-restricted endowment funds. Under UPMIFA, the original value of donated gifts to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument are classified as net assets with donor restrictions. The remaining portion of the donor-restricted endowment fund that is not included in donor-restricted endowment, at historical value, is classified as accumulated net appreciation on endowments until those amounts are appropriated for expenditure by the Council of Trustees.

Interpretation of Relevant Law (Continued)

The Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

The endowment net asset composition by type of fund is as follows as of December 31:

	2023	2022
Without donor restrictions:		
Board-designated endowments	\$ 417,216	\$ 365,784
With donor restrictions		
Donor-restricted endowments, at historical value, required to be maintained in perpetuity	2,030,388	1,555,300
Accumulated net appreciation (deficit) of endowments required to be maintained in perpetuity	153,874	(87,732)
Total with donor restrictions	2,184,262	1,467,568
	<u>\$ 2,601,478</u>	<u>\$ 1,833,352</u>

HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE

Notes to Consolidated Financial Statements (Continued)

NOTE 9 ENDOWMENTS (CONTINUED)

The changes in endowment net assets for the years ended December 31 were as follows:

	Without Donor Restrictions	With Donor Restrictions
Endowment net assets - 12/31/21	\$ 296,037	\$ 1,177,408
Contributions	123,336	496,187
Investment losses, net	(53,589)	(197,791)
Appropriated earnings	-	(8,236)
Endowment net assets - 12/31/22	365,784	1,467,568
Contributions	3,070	475,088
Investment return, net	48,362	250,632
Appropriated earnings	-	(9,026)
Endowment net assets - 12/31/23	\$ 417,216	\$ 2,184,262

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. At December 31, 2023, deficiencies of this nature exist in 6 donor-restricted endowment funds, which together have an original gift value of \$206,807, a current fair value of \$215,264, and a deficiency of (\$8,457). At December 31, 2022, deficiencies of this nature exist in 39 donor-restricted endowment funds, which together have an original gift value of \$1,189,132, a current fair value of \$1,288,297, and a deficiency of (\$99,165). These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Council of Trustees.

Investment Policy

The Foundation's long-term return objective is to preserve the real value of the fund assets while supporting the spending policy and fund expenses. The Foundation believes that the most significant decision to affect the ability of the fund to meet its objectives is asset allocation. As such, the funds are diversified in order to minimize the risk of large losses and to manage volatility of asset classes and investment styles. Further, the investment policy details certain investments as prohibited investments. The Foundation expects investments to outperform relevant indices and targeted benchmarks over a full market cycle (typically three-to-five-year period).

Spending Policy

The spending policy is set annually by the Council of Trustees for an amount no less than 3.0% and no more than 6.0%. The Foundation's spending policy for 2023 and 2022 allows annual spending of 4.0% of the average market value of the fund over the last 12 quarters, or a shorter time period as determined by the Council of Trustees. The calculation to determine the available annual distribution is made as of December 31st each year for the following year. The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE

Notes to Consolidated Financial Statements (Continued)

NOTE 10 RELATED PARTY TRANSACTIONS

The Foundation has a lease for office space with a company affiliated with one of its Council of Trustees. The term of the lease is one year with the lease expiring in September 2024. The lessor has the right to terminate the lease with sixty days' advance notice. Lease expense in 2023 and 2022 was \$27,951 and \$25,635, respectively.

The Foundation and the Connetic Venture Fund have common management. As of December 31, 2023 and 2022, the Connetic Venture Fund is operated by the immediate family member of one of the Foundation's Council of Trustees. Also as of December 31, 2023 and 2022, there are one and two, respectively, Foundation Council of Trustees, immediate family members of Foundation Council of Trustees, and immediate family members of Foundation management who also serve on the Board of Directors of Connetic Venture Fund. The Foundation's investment in the Connetic Venture Fund is \$743,011 and \$551,277 at December 31, 2023 and 2022, respectively.

NOTE 11 SIGNIFICANT CONCENTRATIONS

Accounting principles generally accepted in the United States of America require disclosure of current vulnerabilities due to certain concentrations. During 2023, three donors represented approximately 67% of contributions and grants and one donor represented substantially all of the pledges receivable as of December 31, 2023. During 2022, two donors represented approximately 32% of contributions and one donor represented substantially all of the pledges receivable as of December 31, 2022.

NOTE 12 RETIREMENT PLAN

The Foundation maintains a SIMPLE IRA plan for the benefit of employees, with a 3% match of employee salaries. The Foundation recognized expense of \$11,446 and \$10,911 related to this plan during 2023 and 2022, respectively.

NOTE 13 RISKS AND UNCERTAINTIES

The Foundation's investments consist of those summarized in Note 4. Investment securities are exposed to various risks, such as credit, market and interest rate. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position at December 31, 2023. However, the diversification of the Foundation's investments among various asset classes should mitigate the impact of any adverse changes on any one asset class. Investments are managed by the Council of Trustees with advice and assistance from investment professionals.

NOTE 14 CONTRIBUTED NONFINANIAL ASSETS

During 2023, the Foundation received donated property that was valued at \$1,900,000. In valuing the contributed property, which is in Covington, Kentucky, the Foundation estimated the fair value based on recent comparable sales prices in Covington, Kentucky's real estate market. There were no donor-imposed restrictions associated with the donated property and it was subsequently sold and monetized.

HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE

Notes to Consolidated Financial Statements (Continued)

NOTE 15 OPERATING LEASE

At December 31, 2023, the Foundation has executed a lease for office space that has not yet commenced. The lease is expected to commence in 2024 with a lease term of 10 years and the option to renew for an additional 5 years. Monthly lease payments are \$1,430 at lease commencement and increase by 3% on an annual basis.