

# **Horizon Community Funds of Northern Kentucky and Affiliate**

**Consolidated Financial Statements  
Years ended December 31, 2024 and 2023  
With Independent Auditors' Report**

**HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE**  
**Years ended December 31, 2024 and 2023**

**Contents**

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	<b><u>Page(s)</u></b>
Independent Auditors' Report	1 - 2
Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4 - 5
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 20

## **Independent Auditors' Report**

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

### **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, 2024 and 2023, 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, 2024 and 2023, 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 auditors' 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.



July 25, 2025  
Crestview Hills, Kentucky

# HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE

## Consolidated Statements of Financial Position December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 863,133	\$ 560,865
Pledges receivable	49,008	292,085
Other receivables	51,609	24,550
Other assets	36,290	28,185
Investments	<u>50,201,643</u>	<u>46,509,653</u>
Total assets	<u><u>\$ 51,201,683</u></u>	<u><u>\$ 47,415,338</u></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 23,644	\$ 82,370
Grants payable	404,846	323,800
Held for other organizations	<u>9,241,406</u>	<u>7,608,087</u>
Total liabilities	<u>9,669,896</u>	<u>8,014,257</u>
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	264,468	173,732
Donor advised funds	32,494,083	28,686,957
Board designated	1,344,442	1,608,654
Board-designated endowment	<u>459,808</u>	<u>417,216</u>
Total without donor restrictions	34,562,801	30,798,575
With donor restrictions	<u>6,968,986</u>	<u>8,602,506</u>
Total net assets	<u>41,531,787</u>	<u>39,401,081</u>
Total liabilities and net assets	<u><u>\$ 51,201,683</u></u>	<u><u>\$ 47,415,338</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, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues</b>			
Contributions and grants	\$ 8,541,159	\$ 2,784,671	\$ 11,325,830
Net investment return	2,983,277	424,017	3,407,294
Investment administration fees	78,484	-	78,484
Other income	70,938	-	70,938
Released from restriction	4,842,208	(4,842,208)	-
	<u>16,516,066</u>	<u>(1,633,520)</u>	<u>14,882,546</u>
<b>Expenses</b>			
Program expense	12,335,864	-	12,335,864
Management and general expense	199,022	-	199,022
Fundraising expense	216,954	-	216,954
	<u>12,751,840</u>	<u>-</u>	<u>12,751,840</u>
<b>Change in net assets</b>	3,764,226	(1,633,520)	2,130,706
<b>Net assets, beginning of year</b>	<u>30,798,575</u>	<u>8,602,506</u>	<u>39,401,081</u>
<b>Net assets, end of year</b>	<u><u>\$ 34,562,801</u></u>	<u><u>\$ 6,968,986</u></u>	<u><u>\$ 41,531,787</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, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues</b>			
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>
<b>Expenses</b>			
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>
<b>Change in net assets</b>	3,585,417	3,212,883	6,798,300
<b>Net assets, beginning of year</b>	<u>27,213,158</u>	<u>5,389,623</u>	<u>32,602,781</u>
<b>Net assets, end of year</b>	<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 Statements of Functional Expenses Years Ended December 31, 2024 and 2023

	2024				2023			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Grants	\$ 11,793,244	\$ -	\$ -	\$ 11,793,244	\$ 7,871,731	\$ 776	\$ -	\$ 7,872,507
Marketing	36,900	-	75,542	112,442	35,979	-	53,895	89,874
Personnel	304,884	81,362	120,322	506,568	285,277	78,126	113,916	477,319
Facility	-	104,430	299	104,729	-	109,344	1,168	110,512
Website	33,601	4,348	19,572	57,521	31,301	4,675	14,405	50,381
Membership	3,288	7,901	-	11,189	3,806	12,521	-	16,327
Committee	1,219	981	1,219	3,419	1,575	466	1,575	3,616
Consulting	84,000	-	-	84,000	16,750	-	-	16,750
Events	78,728	-	-	78,728	54,409	-	-	54,409
	<u>\$ 12,335,864</u>	<u>\$ 199,022</u>	<u>\$ 216,954</u>	<u>\$ 12,751,840</u>	<u>\$ 8,300,828</u>	<u>\$ 205,908</u>	<u>\$ 184,959</u>	<u>\$ 8,691,695</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, 2024 and 2023

	2024	2023
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 2,130,706	\$ 6,798,300
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net realized and unrealized (gains) losses on investments	(1,759,568)	(3,042,038)
Contributions received restricted for investment in endowment	(654,487)	(475,088)
Changes in:		
Pledges receivable	243,077	209,083
Other receivables	(27,059)	36,082
Other assets	(8,105)	(2,253)
Accounts payable and accrued liabilities	(58,726)	27,458
Grants payable	81,046	(498,030)
Held for other organizations	1,633,319	1,285,062
	<u>1,580,203</u>	<u>4,338,576</u>
Net cash provided by operating activities		
<b>Cash flows from investing activities</b>		
Purchases of investments	(22,924,831)	(19,046,660)
Sales of investments	20,992,409	13,268,733
	<u>(1,932,422)</u>	<u>(5,777,927)</u>
Net cash used in investing activities		
<b>Cash flows provided by financing activities</b>		
Proceeds from contributions restricted for investment in endowment	654,487	475,088
	<u>654,487</u>	<u>475,088</u>
Change in cash and cash equivalents	302,268	(964,263)
Cash and cash equivalents, beginning of year	560,865	1,525,128
	<u>560,865</u>	<u>1,525,128</u>
Cash and cash equivalents, end of year	<u>\$ 863,133</u>	<u>\$ 560,865</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***

The financial statements have been prepared in accordance with GAAP provisions for fair value measurements. These provisions define fair value, establish a framework for measuring fair value and expand disclosures about fair value measurements. These provisions emphasize that fair value is a market-based measurement and should be determined based on assumptions that a market participant would use when pricing an asset or liability. Additionally, the provisions establish a fair value hierarchy that provides the highest priority to quoted prices in active markets and the lowest priority to unobservable data.

## **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.

The Foundation's interest in certain funds 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, 2024 and 2023, 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, 2024 and 2023, conditional grants not reflected in the financial statements as grant expense and grant payable were \$1,663,956 and \$2,219,913 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 2023 amounts have been reclassified to conform to the 2024 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 25, 2025 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, 2024 and 2023:

	2024	2023
Cash and cash equivalents	\$ 206,240	\$ 142,709

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 \$1,344,442 and \$1,520,670 at December 31, 2024 and 2023, 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:

	2024	2023
Due within one year	\$ 36,635	\$ 151,792
Due in one to five years	15,713	163,472
	52,348	315,264
Less: unamortized discount	(3,340)	(23,179)
	<u>\$ 49,008</u>	<u>\$ 292,085</u>

The discount rate used on long-term pledges receivable ranged between 1.4% and 4.5% for 2024 and 2023.

### NOTE 4 INVESTMENTS AT FAIR VALUE

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

	2024	2023
<b>Level 1:</b>		
Equity securities	\$ 6,762,755	\$ 5,999,303
Equity mutual and exchange traded funds	16,633,178	16,053,858
Fixed income mutual and exchange traded funds	7,529,383	7,176,551
Alternative investment mutual funds	391,555	378,373
<b>Level 2:</b>		
Money market funds	14,523,785	13,193,218
U.S. government securities	1,218,650	1,019,460
Corporate bonds	1,133,913	965,883
Municipal bonds	543,078	479,965
<b>Level 3:</b>		
Preferred stock in privately held corporations	450,031	450,031
Connetic Venture Capital Access Fund	784,845	-
<b>Not subject to fair value hierarchy:</b>		
Interest in eGateway Fund	230,470	-
Interest in Connetic Venture Fund	-	793,011
	<u>\$ 50,201,643</u>	<u>\$ 46,509,653</u>

## HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 4 INVESTMENTS AT FAIR VALUE (CONTINUED)

Under GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. The applicable GAAP accounting for fair value measurements and disclosures establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that reflect the Foundation’s assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the ability to observe inputs as follows:

*Level 1* – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has ability to access at the measurement date.

*Level 2* – Directly or indirectly observable inputs not included in Level 1. Inputs can be quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers (for example, some brokered markets), or in which little information is released publicly (for example, a principal-to-principal market), inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates), inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

*Level 3* – Unobservable inputs that are significant to the overall fair value measurement. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs shall reflect the reporting entity’s own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

*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.

*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.

# HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE

## Notes to Consolidated Financial Statements (Continued)

### NOTE 4 INVESTMENTS AT FAIR VALUE (CONTINUED)

*Connetic Venture Capital Access Fund:* Fair value is estimated by using the net asset value (NAV) as published by the fund trustees. The fund is a closed-end interval fund not listed for trading on any securities exchange. The Foundation considers this a Level 3 investment because the fund only offers to its investors quarterly share repurchases of no less than 5% of the fund's outstanding shares, and thus it is not guaranteed the Foundation will be able to sell its shares in the period it desires.

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, 2024 and 2023:

	Preferred stock in privately held corporations	Connetic Venture Capital Access Fund
Balance, December 31, 2022	\$ -	\$ -
Purchases	450,031	-
Sales	-	-
Total gains and losses included in the change in net assets	-	-
Balance, December 31, 2023	450,031	-
Purchases	-	783,584
Sales	-	-
Total gains and losses included in the change in net assets	-	1,261
Balance, December 31, 2024	<u>\$ 450,031</u>	<u>\$ 784,845</u>

The following is information for investments measured outside of the fair value hierarchy.

Included in investments is an interest in the eGateway Capital Partners II, L.P (EGateway Fund) and an interest in CFSPV5, LLC DBA Connetic Venture Fund (Connetic Venture Fund), which consist of unregistered investment pools. The fair value of the investment pools is reported by the Foundation based on information provided by the investment managers. 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, 2024.

Valuations for these investment pools provided by the investment managers are evaluated by the Foundation, and management believes such values are reasonable for the years ended December 31, 2024 and 2023. 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.



## HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 4 INVESTMENTS AT FAIR VALUE (CONTINUED)

The investment agreements do not permit the investments 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 managers. 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:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>
<b>December 31, 2024</b>			
Interest in eGateway Fund	\$ 230,470	\$ 259,088	unallowed
<b>December 31, 2023</b>			
Interest in Connetic Venture Fund	\$ 793,011	\$ -	unallowed

#### NOTE 5 GRANTS PAYABLE

Unconditional grants are payable in the following periods as of December 31, 2024:

2025	\$ 222,500
2026	150,000
2027	<u>50,000</u>
	422,500
Less: unamortized discount	<u>(17,654)</u>
	<u><u>\$ 404,846</u></u>

#### 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.

# HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE

## Notes to Consolidated Financial Statements (Continued)

### NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

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

	2024	2023
Restricted as to purpose:		
Covington Life Sciences Partners, Inc.	\$ 1,853,072	\$ 2,019,593
Beechwood School Third Party Fund	768,604	563,303
RiverFront Commons	296,067	320,068
Beechwood Schools BioMed Fund	184,434	-
Dinsmore Homestead Third Party	113,894	94,739
Northern Kentucky Entrepreneur Fund	99,754	81,279
Sharon Arlinghaus Child Development Fund	98,720	-
NKY Student Success Fund	82,648	207,109
Beechwood School Fund Edge Agri Science Lab	58,582	58,834
Boone County Animal Shelter Building Fund	49,192	2,175,288
St. Elizabeth	42,609	38,735
NKIP	36,387	34,280
NKY Community Journalism	26,273	19,596
Educate NKY	1,516	449,445
Father Mario Tizziani Memorial Fund	-	218,931
Other	218,713	137,044
Donor-restricted endowment subject to spending policy and appropriation	3,038,521	2,184,262
	<u>\$ 6,968,986</u>	<u>\$ 8,602,506</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.

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:

	2024	2023
Without donor restrictions:		
Board-designated endowments	\$ 459,808	\$ 417,216
With donor restrictions		
Donor-restricted endowments, at historical value, required to be maintained in perpetuity	2,684,875	2,030,388
Accumulated net appreciation (deficit) of endowments required to be maintained in perpetuity	353,646	153,874
Total with donor restrictions	3,038,521	2,184,262
	<u>\$ 3,498,329</u>	<u>\$ 2,601,478</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 - 12/31/22	\$ 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
Contributions	14,122	654,487
Investment return, net	28,470	206,898
Appropriated earnings	-	(7,126)
Endowment net assets - 12/31/24	<u>\$ 459,808</u>	<u>\$ 3,038,521</u>

#### ***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, 2024, there were no deficiencies of this nature. 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). 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 2024 and 2023 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 2025. The lessor has the right to terminate the lease with sixty days' advance notice. Lease expense in 2024 and 2023 was \$26,540 and \$27,951, respectively.

The Foundation and the Connetic Venture Capital Access Fund have common management. As of December 31, 2024, the Connetic Venture Capital Access Fund is operated by the immediate family member of one of the Foundation's Council of Trustees. Also as of December 31, 2024, there is one Foundation Council of Trustees, immediate family members of Foundation Council of Trustees, or immediate family members of Foundation management who also serves on the Board of Directors of Connetic Venture Capital Access Fund. The Foundation's investment in the Connetic Venture Capital Access Fund is \$784,845 at December 31, 2024.

The Foundation and the Connetic Venture Fund have common management. As of December 31, 2023, 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, there is one Foundation Council of Trustees, immediate family members of Foundation Council of Trustees, or immediate family members of Foundation management who also serves on the Board of Directors of Connetic Venture Fund. The Foundation's investment in the Connetic Venture Fund is \$793,011 at December 31, 2023.

#### **NOTE 11 SIGNIFICANT CONCENTRATIONS**

Accounting principles generally accepted in the United States of America require disclosure of current vulnerabilities due to certain concentrations. During 2024, two donors represented approximately 39% of contributions and grants and one donor represented substantially all of the pledges receivable as of December 31, 2024. 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.

#### **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 \$12,435 and \$11,446 related to this plan during 2024 and 2023, 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, 2024. 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.

## **HORIZON COMMUNITY FUNDS OF NORTHERN KENTUCKY AND AFFILIATE**

### **Notes to Consolidated Financial Statements (Continued)**

#### **NOTE 14 CONTRIBUTED NONFINANCIAL 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. There were no contributed nonfinancial assets received in 2024.

#### **NOTE 15 OPERATING LEASE**

At December 31, 2024 and 2023, the Foundation has executed a lease for office space that has not yet commenced of approximately \$158,000. The lease will have a term of 10 years with the option to renew for an additional 5 years. Monthly lease payments are \$1,430 and increase by 3% on an annual basis. The lease commenced after year end on July 10, 2025.