

Horizons at New Canaan Country School

Financial Statements

June 30, 2023

Independent Auditors' Report

The Horizons Committee of the Board of Trustees New Canaan Country School, Incorporated

Opinion

We have audited the accompanying financial statements of Horizons at New Canaan Country School ("Horizons"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Horizons at New Canaan Country School as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Horizons and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

As discussed in Note 1, Horizons is a part of a national model designed to provide academic, artistic, and athletic opportunities to students from local low-income families. We have audited the statements of New Canaan Country School (the "School") which include Horizons, as of and for the year ended June 30, 2023, and our report thereon dated November 8, 2023 expressed an unmodified opinion on those financial statements.

Prior Period Financial Statements

The financial statements of Horizons as of June 30, 2022 were audited by other auditors whose report, dated October 20, 2022, expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent in all material respects with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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Responsibilities of Management for the Financial Statements (*continued*)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Horizons' ability to continue as a going concern within one year after the date that the 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 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 financial statements.

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 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 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 Horizons' 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Horizons' 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.

PKF O'Connor Davies, LLP

November 8, 2023

Horizons at New Canaan Country School

Statement of Financial Position
June 30, 2023
(with comparative amounts at June 30, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 1,847,458	\$ 1,954,998
Other receivable	-	55,990
Prepaid expenses and other assets	86,539	80,508
Investments	6,746,286	6,198,518
Property and equipment, net	<u>26,409</u>	<u>14,546</u>
	<u>\$ 8,706,692</u>	<u>\$ 8,304,560</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 146,591	\$ 101,252
Postretirement benefits payable	<u>163,374</u>	<u>170,606</u>
Total Liabilities	<u>309,965</u>	<u>271,858</u>
Net Assets		
Without donor restrictions	3,546,367	3,271,029
With donor restrictions	<u>4,850,360</u>	<u>4,761,673</u>
Total Net Assets	<u>8,396,727</u>	<u>8,032,702</u>
	<u>\$ 8,706,692</u>	<u>\$ 8,304,560</u>

See notes to financial statements

Horizons at New Canaan Country School

Statement of Activities Year Ended June 30, 2023 (with summarized totals for the year ended June 30, 2022)

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE AND SUPPORT				
Registration fees	\$ 17,375	\$ -	\$ 17,375	\$ 19,730
Contributions and support	979,124	397,681	1,376,805	1,333,235
Special event income, net of direct benefit expenses of \$19,439 and \$89,014	247,579	750	248,329	753,142
Investment return designated for current operations	58,933	91,067	150,000	-
Net assets released from restrictions				
Release for time or purpose	541,244	(541,244)	-	-
Endowment draw release	91,067	(91,067)	-	-
Total Revenue and Support	<u>1,935,322</u>	<u>(142,813)</u>	<u>1,792,509</u>	<u>2,106,107</u>
OPERATING EXPENSES				
Program services	<u>1,481,049</u>	<u>-</u>	<u>1,481,049</u>	<u>1,428,243</u>
Supporting Services				
General and administrative	122,562	-	122,562	101,612
Advancement	217,441	-	217,441	230,110
Total Supporting Services	<u>340,003</u>	<u>-</u>	<u>340,003</u>	<u>331,722</u>
Total Operating Expenses	<u>1,821,052</u>	<u>-</u>	<u>1,821,052</u>	<u>1,759,965</u>
Excess (Deficiency) of Revenue and Support Over Operating Expenses	<u>114,270</u>	<u>(142,813)</u>	<u>(28,543)</u>	<u>346,142</u>
NON-OPERATING ACTIVITIES				
Postretirement medical benefits plan adjustment	7,232	-	7,232	67,180
Investment return, after return designated for current operations	160,405	230,650	391,055	(851,580)
CARES Act revenue	-	-	-	180,990
Contributions - endowment	-	850	850	1,850
Depreciation	(6,569)	-	(6,569)	(5,411)
Total Non-Operating Activities	<u>161,068</u>	<u>231,500</u>	<u>392,568</u>	<u>(606,971)</u>
Change in Net Assets	275,338	88,687	364,025	(260,829)
NET ASSETS				
Beginning of year	<u>3,271,029</u>	<u>4,761,673</u>	<u>8,032,702</u>	<u>8,293,531</u>
End of year	<u>\$ 3,546,367</u>	<u>\$ 4,850,360</u>	<u>\$ 8,396,727</u>	<u>\$ 8,032,702</u>

See notes to financial statements

Horizons at New Canaan Country School

Statement of Functional Expenses
Year Ended June 30, 2023
(with summarized totals for the year ended June 30, 2022)

	2023				2022
	Program Services	General and Administrative	Advancement	Total	Total
Salaries, payroll taxes and benefits	\$ 1,063,835	\$ 33,116	\$ 183,883	\$ 1,280,834	\$ 1,219,417
Independent contractors	12,888	-	-	12,888	4,061
Instructional support	74,788	-	-	74,788	65,448
Information technology	-	18,707	-	18,707	-
Professional development	18,085	749	-	18,834	19,811
Professional fees	5,680	27,165	-	32,845	28,868
Advertising and promotion	3,332	-	30,988	34,320	38,046
Insurance	2,600	20,025	500	23,125	21,350
Other program expenses	40,432	3,250	2,070	45,752	70,946
Events	-	-	19,439	19,439	116,787
Cafeteria	90,846	-	-	90,846	81,007
Transportation	103,113	-	-	103,113	98,326
Utilities	-	-	-	-	1,161
Depreciation	6,569	-	-	6,569	5,411
Fees due to the School	65,450	19,550	-	85,000	83,751
Total Expenses	1,487,618	122,562	236,880	1,847,060	1,854,390
Less: depreciation - non-operating	(6,569)	-	-	(6,569)	(5,411)
Less: direct cost of benefit	-	-	(19,439)	(19,439)	(89,014)
Total Operating Expenses	\$ 1,481,049	\$ 122,562	\$ 217,441	\$ 1,821,052	\$ 1,759,965

See notes to financial statements

Horizons at New Canaan Country School

Statement of Cash Flows
Year Ended June 30, 2023
(with comparative amounts for the year ended June 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 364,025	\$ (260,829)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	6,569	5,411
Net unrealized and realized (gain) loss on investments	(321,126)	980,827
Change in postretirement medical benefits plan	(7,232)	(67,180)
Contributions to be held in perpetuity	(850)	(1,850)
Paycheck Protection Program loan forgiveness	-	(125,000)
Changes in operating assets and liabilities		
Other receivable	55,990	(55,990)
Prepaid expenses and other assets	(6,031)	(12,060)
Accounts payable and accrued expenses	45,339	(5,610)
Net Cash from Operating Activities	136,684	457,719
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(6,999,840)	(671,676)
Proceeds from sale of investments	6,773,198	542,439
Purchases of property and equipment	(18,432)	(4,735)
Net Cash from Investing Activities	(245,074)	(133,972)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions to be held in perpetuity	850	1,850
Net Change in Cash and Cash Equivalents	(107,540)	325,597
CASH AND CASH EQUIVALENTS		
Beginning of year	1,954,998	1,629,401
End of year	\$ 1,847,458	\$ 1,954,998
SCHEDULE OF NONCASH FINANCE TRANSACTIONS		
Paycheck Protection Program loan forgiveness	\$ -	\$ 125,000

See notes to financial statements

Horizons at New Canaan Country School

Notes to Financial Statements
June 30, 2023

1. Organization and Tax Status

Horizons at New Canaan Country School (“Horizons”) provides academic, artistic, and athletic opportunities to students from local low-income families. Approximately 400 K-12 students participate in the program each year. All students attend the program on full scholarship, paying a nominal registration fee of \$75, which is waived in cases of extreme hardship. The program has been replicated across the country. Currently there are more than sixty Horizons programs in operations, modeled after the New Canaan public/private partnership, serving thousands of students across the country. Horizons consists of an intensive summer program which is 6 weeks long in a typical summer, complemented by school year programming, a high school program and family programs. Offerings include academic classes, enrichment activities, tutoring, academic coaching, caregiver programs, a winter program on Saturdays, SAT preparation, and college tours.

Horizons is a program of the New Canaan Country School, Incorporated (the “School”) and operates on the campus of the School. The operating results and financial position of Horizons could be significantly different if Horizons were an independent organization. The accompanying financial statements have been prepared solely from the accounts of Horizons and do not include any accounts of the School or any other operation in which the School is engaged.

Horizons is a separate operation of the School, which is a qualified organization exempt from income tax under Section 501(c)(3) if the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of Horizons have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Asset Presentation

Net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are those currently available at the discretion of management and the Board for use in the operations of Horizons. Net assets with donor restrictions are restricted by donor imposed restrictions as to use or time. When a restriction expires, restricted net assets are re-classified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Certain restricted amounts contain donor imposed restrictions to be maintained in perpetuity by Horizons.

Horizons at New Canaan Country School

Notes to Financial Statements
June 30, 2023

2. Summary of Significant Accounting Policies (*continued*)

Cash and Cash Equivalents

Horizons considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Contributions

Contributions from donors are recognized as revenues in the period received based upon the existence or absence of donor-imposed restrictions. Contributions include donor gifts of cash, pledges and other assets. Promises to give and other assets are recorded as revenues at their estimated fair value. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Revenue Recognition

Payments are made either electronically or via check and are typically received on or prior to the due date. Registration fees are recognized upon completion of the program.

Special Events

Special events revenue is recorded when the event takes place.

Fair Value Measurements

Horizons follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Pursuant to U.S. GAAP guidance, alternative investments, where the fair value is measured using Net Asset Value ("NAV"), per share as a practical expedient are not categorized within the fair value hierarchy.

Investments Valuation and Income Recognition

Investments are stated at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized gains and losses on the sale of investments are computed on the specific identification basis. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Horizons at New Canaan Country School

Notes to Financial Statements
June 30, 2023

2. Summary of Significant Accounting Policies *(continued)*

Property and Equipment

Horizons follows the practice of capitalizing all expenditures for property and equipment with a cost in excess of \$5,000. Construction in progress is transferred to building improvements and depreciated when the construction is substantially complete and the asset is placed in service. Assets are recorded at cost or in the case of gift, at the fair value at the date of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building improvements	3 - 40 years
Furniture and equipment	2 - 20 years
Vehicles	5 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to the fair value. There were no asset impairments for the year ended June 30, 2023.

Functional Allocation of Expenses

The cost of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated include, but are not limited to, salaries, payroll taxes and benefits, and fees due to the School, which are allocated on the basis of time and effort spent in each department.

Advertising

Horizons charges advertising costs to expense as incurred. Advertising expenses were approximately \$34,000 for the year ended June 30, 2023.

Measure of Operations

Operations include all revenues and expenses that are an integral part of Horizons' programs and supporting activities. The measure of operations excludes postretirement medical benefit plan adjustments, investment return, CARES Act revenue, contributions towards Horizons' endowment and depreciation expense.

Reclassification

Certain items in the 2022 financial statements have been reclassified to be in conformity with the 2023 financial statement presentation.

Horizons at New Canaan Country School

Notes to Financial Statements
June 30, 2023

2. Summary of Significant Accounting Policies *(continued)*

Summarized Comparative Financial Information

The financial statements include certain prior-year comparative information in total but not by net asset class. Accordingly, such information does not constitute a presentation in conformity with U.S. GAAP. Such information should be read in conjunction with Horizons' financial statements as of and for the year ended June 30, 2022, from which the summarized information was derived.

Accounting for Uncertainty in Income Taxes

Horizons is a program of the School. The School files a tax return including the Horizons program. The School is exempt from income tax under section 501(c)(3) of the U.S. Internal Revenue Code (the "Code"). The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examination by the applicable taxing jurisdictions for periods prior to June 30, 2020. Contributions made to the School on behalf of Horizons are qualified for the maximum tax deduction allowable under the Code.

Subsequent Events

Horizons has evaluated subsequent events for disclosure and/or recognition through November 8, 2023, the date that the financial statements were available to be issued.

3. Concentration of Credit Risk

Horizons places its cash with highly rated financial institutions. At times, cash balances may be in excess of federally insured limits. This potentially subjects Horizons to a concentration of credit risk. The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment or groups of investments represent a significant concentration of market risk.

Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") are insured up to \$250,000. The Securities Investor Protection Corporation ("SIPC") protects customers from brokerage firm failures. In the event of a failure, SIPC covers losses caused by the misappropriations of securities up to \$500,000 (inclusive of up to \$250,000 for cash holdings). At times cash balances may exceed the FDIC and/or the SIPC limit. As of June 30, 2023, Horizons' uninsured cash balances totaled approximately \$1,598,000. As of June 30, 2023, Horizons' uninsured investment holdings totaled approximately \$6,266,000. Horizons has not experienced any losses in such accounts and, as such, believes it is not exposed to any significant credit risk on cash and cash equivalents and investments.

Horizons at New Canaan Country School

Notes to Financial Statements
June 30, 2023

4. Investments

The following are major categories of investments measured at fair value on a recurring basis as of June 30, 2023 categorized by the fair value hierarchy of those assets measured at fair value:

	Level 1	Investments Valued Using NAV *	Total
Mutual Funds:			
Bond fund	\$ 1,232,563	\$ -	\$ 1,232,563
Equity fund	2,315,843	-	2,315,843
Alternative Investments:			
Hedge funds	-	2,235,765	2,235,765
Private equity	-	886,306	886,306
	3,548,406	3,122,071	6,670,477
Investment cash, at cost	-	-	75,809
Total Investments	\$ 3,548,406	\$ 3,122,071	\$ 6,746,286

(*) As discussed in Note 2, investments that are measured using a practical expedient are not classified within the fair value hierarchy.

Information regarding the alternative investments valued at NAV using the practical expedient at June 30, 2023 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds (a)	\$ 2,235,765	\$ -	Quarterly	30 - 95 days
Private equity (b)	886,306	241,033	*	*
	\$ 3,122,071	\$ 241,033		

* Illiquid investments

(a) These funds consist of multiple limited partnerships which use a range of strategies, some of which take part in a master-feeder structure. Investments of these funds are mainly private investment partnerships and diversified common stock funds.

(b) These funds consist of multiple limited partnerships which use a range of strategies. The investments of these funds include but are not limited to venture capital, debt, buyout and growth, real estate and real assets. These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through liquidation of the underlying assets of the fund.

Horizons at New Canaan Country School

Notes to Financial Statements
June 30, 2023

4. Investments (continued)

Investment return for the year ended June 30, 2023 is summarized as follows:

Dividend and interest income	\$ 253,722
Realized and unrealized gain	321,126
Investment expense	<u>(33,793)</u>
Total Investment Return	<u>\$ 541,055</u>

5. Property and Equipment

Property and equipment consisted of the following as of June 30, 2023:

Building improvements	\$ 96,907
Vehicles	28,155
Furniture and equipment	<u>46,687</u>
	171,749
Less accumulated depreciation	<u>(145,340)</u>
Property and equipment, net	<u>\$ 26,409</u>

6. Net Assets

Net assets without donor restrictions are available for the following purposes as of June 30, 2023:

Undesignated - available for operations	\$ 961,761
Investment in plant	26,409
Postretirement healthcare liability in excess of asset reserve	(163,374)
Board-designated endowment funds	
Winter connection	386,060
General endowment	<u>2,335,511</u>
	<u>\$ 3,546,367</u>

Horizons at New Canaan Country School

Notes to Financial Statements
June 30, 2023

6. Net Assets (continued)

Net assets with donor restrictions at June 30, 2023 are restricted for the following purposes:

Time or Purpose Restricted	
Program resources	\$ 287,343
Acquisition and maintenance of buildings and equipment	52,069
Restricted for time	546,415
Endowment Earnings	
Program scholarships	91,703
Faculty enrichment	284,596
Horizons School Year Program	915,791
General endowment	17,356
Total Time or Purpose Restricted	<u>2,195,273</u>
 Held in Perpetuity	
Program scholarships	253,593
Faculty enrichment	542,125
Horizons School Year Program	1,845,869
General endowment	13,500
Total Held in Perpetuity	<u>2,655,087</u>
 Total Net Assets with Donor Restrictions	 <u><u>\$ 4,850,360</u></u>

During the year ended June 30, 2023, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors as follows:

Program resources	\$ 370,087
Expiration of time restriction	171,157
Endowment Draw Release	
Program scholarships	7,913
Faculty enrichment	18,994
Horizons School Year Program	63,451
General endowment	709
	<u>632,311</u>

7. Retirement Plan

Salaried employees are covered by a contributory retirement plan that is generally available to employees of educational organizations and provides for retirement benefits through the purchase of individually owned annuities. Horizons' policy is to fund costs accrued. Contributions for the year ended June 30, 2023 were \$42,820.

Horizons at New Canaan Country School

Notes to Financial Statements
June 30, 2023

8. Postretirement Health Care Benefits

The School sponsors a defined benefit postretirement medical benefit plan covering certain full-time salaried employees who meet date of hire, years of service and age requirements. The plan is contributory, with retiree contributions adjusted annually. The School allocated a portion of its postretirement benefit obligations to Horizons.

9. Endowment

General

Horizons' endowment consists of donor-restricted endowment funds and funds designated by the Horizons Committee of the Board of Trustees to function as endowment, established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

During 2010, Connecticut State adopted the Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA"). CTUPMIFA includes provisions that differ from previous law, including the elimination of the historic dollar value rule with respect to endowment spending, establishment of new standards governing the expenditure and modification of restrictions on endowment funds, and revision of the prudence standard for the management and investment of endowment funds.

Interpretation of Relevant Law

The Horizons Committee of the Board of Trustees has interpreted CTUPMIFA as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Horizons classifies as net assets with donor restrictions (held in perpetuity) (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions (held in perpetuity) is classified as net assets with donor restrictions (time or purpose restricted) until those amounts are appropriated for expenditure by Horizons in a manner consistent with the standard of prudence prescribed by CTUPMIFA. Horizons considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the various funds;
- (2) The purposes of the donor-restricted endowment funds;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of Horizons and
- (7) Horizons' investment policies.

Horizons at New Canaan Country School

Notes to Financial Statements
June 30, 2023

9. Endowment (continued)

Return Objectives, Strategies Employed and Spending Policy

Horizons has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under Horizons' policies, as approved by the Horizons Committee of the Board of Trustees, the endowment assets are invested in accordance with sound investment practices emphasizing long-term investment fundamentals. It is recognized that short-term market fluctuations may cause variations in account performance.

To satisfy its long-term rate-of-return objectives, Horizons relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Horizons targets asset allocation consisting of domestic and international equity, hedge funds and other alternative asset holdings, domestic fixed income securities and cash to achieve its long-term return objectives within prudent risk constraints.

In order to support the operating activities of Horizons, the Horizons Committee of the Board of Trustees utilizes a spending policy based on up to 5 percent of the average of the prior twelve quarter-end endowment values up to and including June 30th. In establishing this policy, Horizons considered the long-term expected return on its endowment. Accordingly, over the long-term, Horizons expects the current spending policy to allow its endowment to grow, consistent with its objective to maintain the purchasing power of the endowment over time as well as to provide additional real growth through new gifts and investment return.

Changes in the endowment for the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose Restricted	Held in Perpetuity	
Balance, July 1, 2022	\$ 2,415,766	\$ 1,078,796	\$ 2,654,237	\$ 6,148,799
Dividend and interest income	87,302	130,773	-	218,075
Realized and unrealized gain, net	127,436	190,944	-	318,380
Contributions	-	-	850	850
Board designations	150,000	-	-	150,000
Appropriation of endowment assets	(58,933)	(91,067)	-	(150,000)
Balance, June 30, 2023	<u>\$ 2,721,571</u>	<u>\$ 1,309,446</u>	<u>\$ 2,655,087</u>	<u>\$ 6,686,104</u>

Funds with Deficiencies

Due to unfavorable market fluctuations, from time to time the fair value of assets associated with individual donor-restricted endowment funds may decline below historic dollar value of the donor's original contribution. Horizons is not aware of any funds with deficiencies as of June 30, 2023.

Horizons at New Canaan Country School

Notes to Financial Statements
June 30, 2023

10. Liquidity and Availability

The following reflects Horizons' financial assets as of year end, reduced by amounts not available for general use within one year of fiscal year end because of contractual or donor imposed restrictions or internal designations. As part of Horizons' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The endowment is subject to an annual spending rate of up to 5%. Although Horizons does not intend to spend from the board-designated endowment portion (other than amounts appropriated for general expenditure as part of the Board's annual budget approved and appropriation), these amounts could be made available if necessary.

Horizons' financial assets available for general expenditure within one year of the statement of financial position are as follows for June 30, 2023:

Financial assets:	
Cash and cash equivalents	\$ 1,847,458
Investments	6,746,286
Total Financial Assets	<u>8,593,744</u>
Less contractual or donor imposed restricted amounts:	
Donor restricted funds:	
Time or purpose restricted	2,195,273
Held in perpetuity	2,655,087
Amounts unavailable to management without Board approval	
Board-designated endowment funds	<u>2,721,571</u>
	<u>7,571,931</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,021,813</u>

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