



# Financial Statements

December 31, 2019 and 2018

## Grayson-Jockey Club Research Foundation

*... funding research to build better equine health since 1940*

**GRAYSON-JOCKEY CLUB RESEARCH FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

December 31, 2019 and 2018

GRAYSON-JOCKEY CLUB RESEARCH FOUNDATION, INC.

FINANCIAL STATEMENTS  
December 31, 2019 and 2018

CONTENTS

INDEPENDENT AUDITOR'S REPORT .....	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION .....	3
STATEMENTS OF ACTIVITIES.....	4
STATEMENTS OF CASH FLOWS.....	6
NOTES TO FINANCIAL STATEMENTS .....	7

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Grayson-Jockey Club Research Foundation, Inc.  
New York, New York

***Report on the Financial Statements***

We have audited the accompanying financial statements of Grayson-Jockey Club Research Foundation, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grayson-Jockey Club Research Foundation, Inc. as of December 31, 2019 and 2018, 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.

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, the Organization has adopted ASU 2014-09 – *Revenue from Contracts with Customers* and ASU 2018-08 - *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, slightly slanted style.

Crowe LLP

New York, New York  
July 24, 2020

GRAYSON-JOCKEY CLUB RESEARCH FOUNDATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2019 and 2018

---

	December 31,	
	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 890,395	\$ 1,010,406
Investments at fair value	32,521,424	27,080,597
Contributions receivable	266,887	40,303
Other receivables	-	39,977
Prepaid expenses	8,003	7,939
Fixed assets, net	<u>3,095</u>	<u>6,684</u>
	<u>\$ 33,689,804</u>	<u>\$ 28,185,906</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	<u>\$ 86,355</u>	<u>\$ 112,706</u>
Total liabilities	<u>86,355</u>	<u>112,706</u>
<b>Net Assets</b>		
Without donor restrictions	18,933,953	15,899,389
With donor restrictions	<u>14,669,496</u>	<u>12,173,811</u>
Total net assets	<u>33,603,449</u>	<u>28,073,200</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 33,689,804</u>	<u>\$ 28,185,906</u>

---

See accompanying notes to financial statements.

GRAYSON-JOCKEY CLUB RESEARCH FOUNDATION, INC.  
STATEMENT OF ACTIVITIES  
Year ended December 31, 2019

	Year Ended December 31, 2019		
	Without donor Restrictions	With donor Restrictions	Total
<b>Revenue</b>			
Contributions and membership dues	\$ 1,539,070	\$ 240,000	\$ 1,779,070
Proceeds from fundraisers	155,801	-	155,801
Investment income, net	230,480	199,159	429,639
Net realized and unrealized gains from investments	2,960,158	2,270,685	5,230,843
Other	37,246	-	37,246
Net assets released to (from) restrictions	214,159	(214,159)	-
Total revenue	<u>5,136,914</u>	<u>2,495,685</u>	<u>7,632,599</u>
<b>Expenditures</b>			
Grants	1,338,858	-	1,338,858
Professional fees	605,808	-	605,808
Travel and meetings	75,581	-	75,581
Seminars and summits	10,375	-	10,375
Fundraising expenses	12,194	-	12,194
General and administrative expenses	59,534	-	59,534
Total expenditures	<u>2,102,350</u>	<u>-</u>	<u>2,102,350</u>
<b>Change in Net Assets</b>	3,034,564	2,495,685	5,530,249
<b>Net Assets, Beginning of period</b>	<u>15,899,389</u>	<u>12,173,811</u>	<u>28,073,200</u>
<b>Net Assets, End of period</b>	<u>\$ 18,933,953</u>	<u>\$ 14,669,496</u>	<u>\$ 33,603,449</u>

See accompanying notes to financial statements.

GRAYSON-JOCKEY CLUB RESEARCH FOUNDATION, INC.  
STATEMENT OF ACTIVITIES  
Year ended December 31, 2018

	Year Ended December 31, 2018		
	Without donor	With donor	Total
	<u>Restrictions</u>	<u>Restrictions</u>	
<b>Revenue</b>			
Contributions and membership dues	\$ 1,083,892	\$ 40,000	\$ 1,123,892
Proceeds from fundraisers	374,298	-	374,298
Investment income, net	165,238	201,746	366,984
Net realized and unrealized losses from investments	(808,910)	(671,619)	(1,480,529)
Other	26,073	-	26,073
Net assets released to (from) restrictions	216,746	(216,746)	-
Total revenue	<u>1,057,337</u>	<u>(646,619)</u>	<u>410,718</u>
<b>Expenditures</b>			
Grants	1,239,084	-	1,239,084
Professional fees	616,134	-	616,134
Travel and meetings	75,324	-	75,324
Seminars and summits	6,275	-	6,275
Fundraising expenses	88,049	-	88,049
General and administrative expenses	59,838	-	59,838
Total expenditures	<u>2,084,704</u>	<u>-</u>	<u>2,084,704</u>
<b>Change in Net Assets</b>	(1,027,367)	(646,619)	(1,673,986)
<b>Net Assets, Beginning of period</b>	<u>16,926,756</u>	<u>12,820,430</u>	<u>29,747,186</u>
<b>Net Assets, End of period</b>	<u>\$ 15,899,389</u>	<u>\$ 12,173,811</u>	<u>\$ 28,073,200</u>

See accompanying notes to financial statements.

GRAYSON-JOCKEY CLUB RESEARCH FOUNDATION, INC.  
 STATEMENTS OF CASH FLOWS  
 Years ended December 31, 2019 and 2018

	Years Ended December 31,	
	2019	2018
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 5,530,249	\$ (1,673,986)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	3,589	5,001
Net realized and unrealized (gains) losses from investments	(5,230,843)	1,480,529
Changes in assets and liabilities		
Contributions receivable	(226,584)	101,660
Other receivables	39,977	2,340
Prepaid expenses	(64)	1,642
Accounts payable and accrued liabilities	(26,351)	(15,227)
Net cash provided by (used in) operating activities	89,973	(98,041)
<b>Cash flows from investing activities</b>		
Additions to fixed assets	-	(4,027)
Proceeds from sales of securities	17,548,628	10,546,532
Purchases of securities	(17,758,612)	(10,584,422)
Net cash used in investing activities	(209,984)	(41,917)
<b>Net change in cash and cash equivalents</b>	(120,011)	(139,958)
Cash and cash equivalents, beginning of period	1,010,406	1,150,364
<b>Cash and cash equivalents, end of period</b>	\$ 890,395	\$ 1,010,406

See accompanying notes to financial statements.

GRAYSON-JOCKEY CLUB RESEARCH FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

**NOTE 1 - ORGANIZATION**

On August 3, 1989, Grayson Foundation merged with The Jockey Club Research Foundation to create the Grayson-Jockey Club Research Foundation, Inc. (the "Foundation"). The purpose of this organization is to further research and education in the equine industry. The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from state and local income taxes.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

**Net assets**

The accounts of the Foundation are maintained on the basis of net assets without donor restrictions and with donor restrictions. Net assets without donor restrictions are available to support research programs approved by the Board of Directors (the "Board") and to fund general operations. Net assets with donor restrictions relate to donations that have been either pledged but not yet received and/or subject to donor restrictions. Related gains and losses of the endowment fund are also subject to donor restrictions and are reclassified to net assets without donor restrictions once the restriction has been released.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that impact the reported amounts of assets and liabilities and the disclosure 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.

**Cash and cash equivalents**

Cash and cash equivalents consist of short term, highly liquid investments which are readily convertible into cash and have original maturities of three months or less when purchased. The Foundation maintains amounts on deposit with various financial institutions, which may, at times, exceed Federally insured limits. The Foundation periodically evaluates the creditworthiness of those institutions, and the Foundation has not experienced any losses on such deposits.

**Investments**

Investments are reported at fair value. The fair value of such investments is based on quoted market prices.

**Fixed assets**

Fixed assets are comprised of office and computer equipment. Depreciation is calculated using the straight-line method over the estimated useful life of the assets ranging from three to five years.

**Revenue recognition**

Contributions are recorded when an unconditional promise to give is made by the donor. As of December 31, 2019 and 2018, contributions receivable as reported on the Statements of Financial Position are all due within one to three years. Included within contribution receivable on the balance sheet is \$225,000 that is to be received over three years with \$75,000 due in 2020, \$75,000 due in 2021 and \$75,000 due in 2022.

---

-Continued-

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Grants**

Grant expenses are recorded on an accrual basis, which is generally when the funds are awarded.

**Professional services**

The management and staff of the Foundation are contracted from The Jockey Club and related compensation and benefits are billed to the Foundation pursuant to agreements between the parties. These costs totaled \$493,974 and \$530,261 in 2019 and 2018, respectively, and are included in Professional fees in the accompanying Statements of Activities. Additionally, certain administrative services (e.g., accounting and certain office space in New York) are provided by The Jockey Club. These services are not reflected in the accompanying Financial Statements since such amounts would not be material.

**Functional Allocation of Expenses**

The costs of providing the program and administrative functions have been summarized on a functional basis in Note 7. Accordingly, certain costs have been allocated between program services, fundraising services and management and general based principally on specific identification.

**Income Taxes**

Accounting principles generally accepted in the United States of America prescribes recognition thresholds and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Tax benefits will be recognized only if the tax position is more likely than not sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more likely than not test, no tax benefit will be recorded. For the years ended December 31, 2019 and 2018, no income tax liability has been recognized related to uncertain tax provisions in the accompanying Financial Statements.

If an uncertain tax position was recognized, the Foundation would accrue interest and penalties associated with the uncertain tax position. For the Foundation's major tax jurisdictions, the 2016, 2017, and 2018 tax years remain subject to examination. The Foundation does not expect significant changes in unrecognized tax benefits in the next twelve months.

**Recently Issued Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Foundation early adopted this guidance for the year ended December 31, 2019 using a full retrospective method of application to contracts. There were no changes to the recognition or presentation of revenue as a result of the application of ASU 2014-19. As a result, no cumulative effect adjustment was recorded upon adoption.

GRAYSON-JOCKEY CLUB RESEARCH FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (Continued)

In June 2018, the FASB issued (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional. The Foundation applied the amendments in this ASU for the year ended December 31, 2019 using a full retrospective method of application. There were no changes to the recognition or presentation of grant expenditures as a result of the application of ASU 2018-08. As a result, no cumulative effect adjustment was recorded upon adoption.

**Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year's presentation with no changes to total net assets at December 31, 2018 or the change in net assets for the year then ended.

**NOTE 3 - INVESTMENTS**

Investments at fair value consist of the following:

	<u>2019</u>	<u>2018</u>
Mutual funds	\$ 32,512,097	\$ 13,438,712
U.S. common stocks	9,327	6,675,089
Fixed income - corporate	-	3,461,413
Fixed income - U.S. government and federal agency	-	3,505,383
	<u>\$ 32,521,424</u>	<u>\$ 27,080,597</u>

Interest and dividend earnings on these investments were \$255,901 and \$258,624 in 2019 and 2018, respectively. Net realized and unrealized gains (losses) from investments reported in the accompanying Statements of Activities totaled \$5,230,843 and (\$1,480,529) in 2019 and 2018, respectively.

**NOTE 4 - FAIR VALUE MEASUREMENTS**

ASC 820-10 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investments. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market observability and a lesser degree of judgment used in measuring fair value.

---

-Continued-

GRAYSON-JOCKEY CLUB RESEARCH FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

**NOTE 4 - FAIR VALUE MEASUREMENTS** (Continued)

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I - Quoted prices are available in active markets for identical investments as of the reporting date.

Level II - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level III - Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. Fair value for these investments is determined using valuation methodologies that consider a range of factors, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. The inputs into the determination of fair value require significant judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The following tables summarize the valuation of the Foundation's investments by the ASC 820-10 fair value hierarchy as of December 31, 2019 and 2018:

	2019			
	<u>Total</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Mutual funds				
U.S. equities	\$ 17,970,542	\$ 17,970,542	\$ -	\$ -
Fixed income	7,294,004	7,294,004	-	-
Global	4,611,573	4,611,573	-	-
High yield	2,635,978	2,635,978	-	-
U.S. common stocks	<u>9,327</u>	<u>9,327</u>	-	-
	<u>\$ 32,521,424</u>	<u>\$ 32,521,424</u>	<u>\$ -</u>	<u>\$ -</u>

-Continued-

GRAYSON-JOCKEY CLUB RESEARCH FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

**NOTE 4 - FAIR VALUE MEASUREMENTS** (Continued)

	2018			
	<u>Total</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Mutual funds				
U.S. equities	\$ 7,504,792	\$ 7,504,792	\$ -	\$ -
Global	3,623,332	3,623,332	-	-
High yield	2,310,587	2,310,587	-	-
U.S. common stocks	6,675,089	6,675,089	-	-
Fixed income				
Corporate	3,461,413	-	3,461,413	-
U.S. government and federal agency obligations	3,505,383	-	3,505,383	-
	<u>\$ 27,080,597</u>	<u>\$ 20,113,801</u>	<u>\$ 6,966,796</u>	<u>\$ -</u>

In 2019, equities included in mutual funds or separate accounts totaling \$32,521,424 were diversified among the following asset classes: 0.03% domestic value, 55.27% domestic growth, 14.2% global growth, 22.4% small/mid cap and 8.1% high yield. In 2018, similar equities totaling \$20,113,801 were diversified among the following asset classes: 37.3% domestic growth, 32.0% domestic value, 19.2% global growth, and 11.5% high yield.

The fair values of mutual fund and U.S. equity investments are determined by obtaining quoted prices on nationally recognized securities (Level I inputs).

Corporate bonds are valued using a market approach based on yields currently available on comparable securities issuers with similar credit ratings (Level II inputs).

The fair values of U.S. government notes and federal agency obligations are obtained using a market approach from readily available pricing sources for comparable instruments (Level II inputs).

**NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Donations pledged not yet received and / or subject to donor restrictions	\$ 702,027	\$ 462,027
Endowment net assets	<u>13,982,469</u>	<u>11,711,784</u>
	<u>\$ 14,684,496</u>	<u>\$ 12,173,811</u>

-Continued-

GRAYSON-JOCKEY CLUB RESEARCH FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

---

**NOTE 6 - ENDOWMENTS**

The Foundation's net assets with donor restrictions consist of donor restricted investments to be held indefinitely, with the income therefrom expendable to support the purpose of the Foundation and its operations. As required by applicable standards, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at December 31, 2019 and 2018 was:

	<u>With donor restrictions</u>	
	<u>2019</u>	<u>2018</u>
Accumulated earnings on original gift	\$ 8,073,184	\$ 5,802,499
Original gift restricted in perpetuity	<u>5,909,285</u>	<u>5,909,285</u>
<b>Total</b>	<b><u>\$ 13,982,469</u></b>	<b><u>\$ 11,711,784</u></b>

Changes in endowment net assets for the years ended December 31, 2019 and 2018:

	<u>With donor Restrictions</u>
<b>Net assets, January 1, 2018</b>	\$ 12,383,403
Investment return	
Investment income	201,746
Net realized and unrealized losses from investments	<u>(671,619)</u>
Total investment return	(469,873)
Appropriation of assets for expenditure	<u>(201,746)</u>
<b>Net assets, December 31, 2018</b>	11,711,784
Investment return	
Investment income	199,159
Net realized and unrealized gains from investments	<u>2,270,685</u>
Total investment return	2,469,844
Appropriation of assets for expenditure	<u>(199,159)</u>
<b>Net assets, December 31, 2019</b>	<b><u>\$ 13,982,469</u></b>

---

-Continued-

**NOTE 6 - ENDOWMENTS** (Continued)

Interpretation of UPMIFA

The Foundation follows the State of New York's version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and has interpreted UPMIFA as requiring the preservation of the fair value of the original and subsequent gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as net assets with donor restrictions restricted in perpetuity

- (a) the original value of the principal designated as an endowment,
- (b) the original value of the principal of subsequent gifts to the endowment, and
- (c) the accumulations 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 in net assets with donor restrictions restricted in perpetuity is classified as net assets with donor restrictions restricted by purpose or passage of time until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1. The duration and preservation of the fund
- 2. The purposes of the organization and the donor-restricted endowment fund
- 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 the Foundation
- 7. The investment policies of the Foundation

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide predictable streams of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as Board-designated funds. Under this policy, as approved by the Board, the Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Strategies Employed for Achieving Objectives

The purpose of the endowment fund is to facilitate donors' desires to make substantial long-term gifts to the Foundation to develop a new and significant source of revenue for the Foundation. In so doing, the endowment fund will provide a secure, long-term source of funds to (a) carry out the Foundation's purpose of furthering research and education in the equine industry or, (b) support the operational expenses of the Foundation as deemed appropriate.

GRAYSON-JOCKEY CLUB RESEARCH FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

---

**NOTE 6 - ENDOWMENTS** (Continued)

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The distribution rate is based upon withdrawing the investment income for spending each year and allowing capital appreciation to be reinvested in the fund. For the years ended December 31, 2019 and 2018, \$199,159 and \$201,746, respectively, of investment income from the endowment fund was spent and none of the capital appreciation was spent. The spending is determined by the Foundation's management, who may elect to make no distributions from the fund in any given year.

Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual donation. Deficiencies of this nature that are reported in net assets with donor restrictions. There were no such deficiencies as of December 31, 2019 and 2018.

**NOTE 7 - FUNCTIONAL CLASSIFICATION OF EXPENSES**

The Statements of Activities report certain categories of expenses attributable to grants, programs and general and administrative functions of the Foundation and are categorized by natural classification for the years ended December 31, 2019 and 2018, as follows:

	2019			
	Program Services	Fundraising Services	Management & General	Total
Grants	\$ 1,338,858	\$ -	\$ -	\$ 1,338,858
Professional fees	80,192	468,150	57,467	605,809
Travel and meetings	57,200	15,034	3,347	75,581
Printing	1,842	16,212	368	18,422
Seminars and summits	10,375	-	-	10,375
Fundraising expenses	-	12,194	-	12,194
Members reception	-	2,515	-	2,515
Other	591	9,106	28,899	38,596
	\$ 1,489,058	\$ 523,211	\$ 90,081	\$ 2,102,350

---

- Continued -

GRAYSON-JOCKEY CLUB RESEARCH FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

**NOTE 7 - FUNCTIONAL CLASSIFICATION OF EXPENSES** (Continued)

	2018			
	Program Services	Fundraising Services	Management & General	Total
Grants	\$ 1,239,084	\$ -	\$ -	\$ 1,239,084
Professional fees	179,879	381,891	54,364	616,134
Travel and meetings	55,592	16,192	3,537	75,321
Printing	1,807	15,905	361	18,073
Seminars and summits	6,275	-	-	6,275
Fundraising expenses	-	88,049	-	88,049
Other	527	9,679	31,562	41,768
	<u>\$ 1,483,164</u>	<u>\$ 511,716</u>	<u>\$ 89,824</u>	<u>\$ 2,084,704</u>

**NOTE 8 - LIQUIDITY AND AVAILABILITY**

The Foundation's financial assets available within one year of the Statements of Financial Position date for general expenditure are as follows:

	2019	2018
Cash	\$ 890,395	\$ 1,010,406
Investments at fair value	32,521,424	27,080,597
Contributions receivable	116,887	40,303
Less: Donor restricted funds	(14,444,496)	(12,173,811)
	<u>\$ 19,084,210</u>	<u>\$ 28,185,906</u>

As part of the Foundation's liquidity management, the Foundation maintains cash to be available as its general expenditures, liabilities, and other obligations become due.

**NOTE 9 - SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events through the date the accompanying financial statements were available to be issued, which was July 24, 2020. Other than the following matter noted below, no subsequent events have been identified that are required to be accounted for or disclosed.

In March 2020, the novel coronavirus disease (COVID-19) was declared a pandemic by the World Health Organization. Many countries around the world have significant governmental measures being implemented to control the spread of the virus, including temporary closure of businesses, severe restrictions on travel and the movement of people, and other material limitations on an organization's ability to conduct business.

**NOTE 9 - SUBSEQUENT EVENTS** (Continued)

The extent to which COVID-19 impacts the Foundation operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence at this time. The ultimate disruption may result in adverse impacts on the Foundation's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruptions to the Foundation's contributions and a decline in the value of assets held by the Foundation that may include marketable securities.



## **Grayson-Jockey Club Research Foundation**

821 Corporate Drive • Lexington, KY 40503 • (859) 224-2850  
40 East 52nd Street • New York, NY 10022 • (212) 371-5970  
[grayson-jockeyclub.org](http://grayson-jockeyclub.org) • [contactus@grayson-jockeyclub.org](mailto:contactus@grayson-jockeyclub.org)