



2016

Grayson-Jockey Club
Research Foundation

ANNUAL REPORT

Funding Equine Research For More Than 75 Years

TARGETED RESEARCH

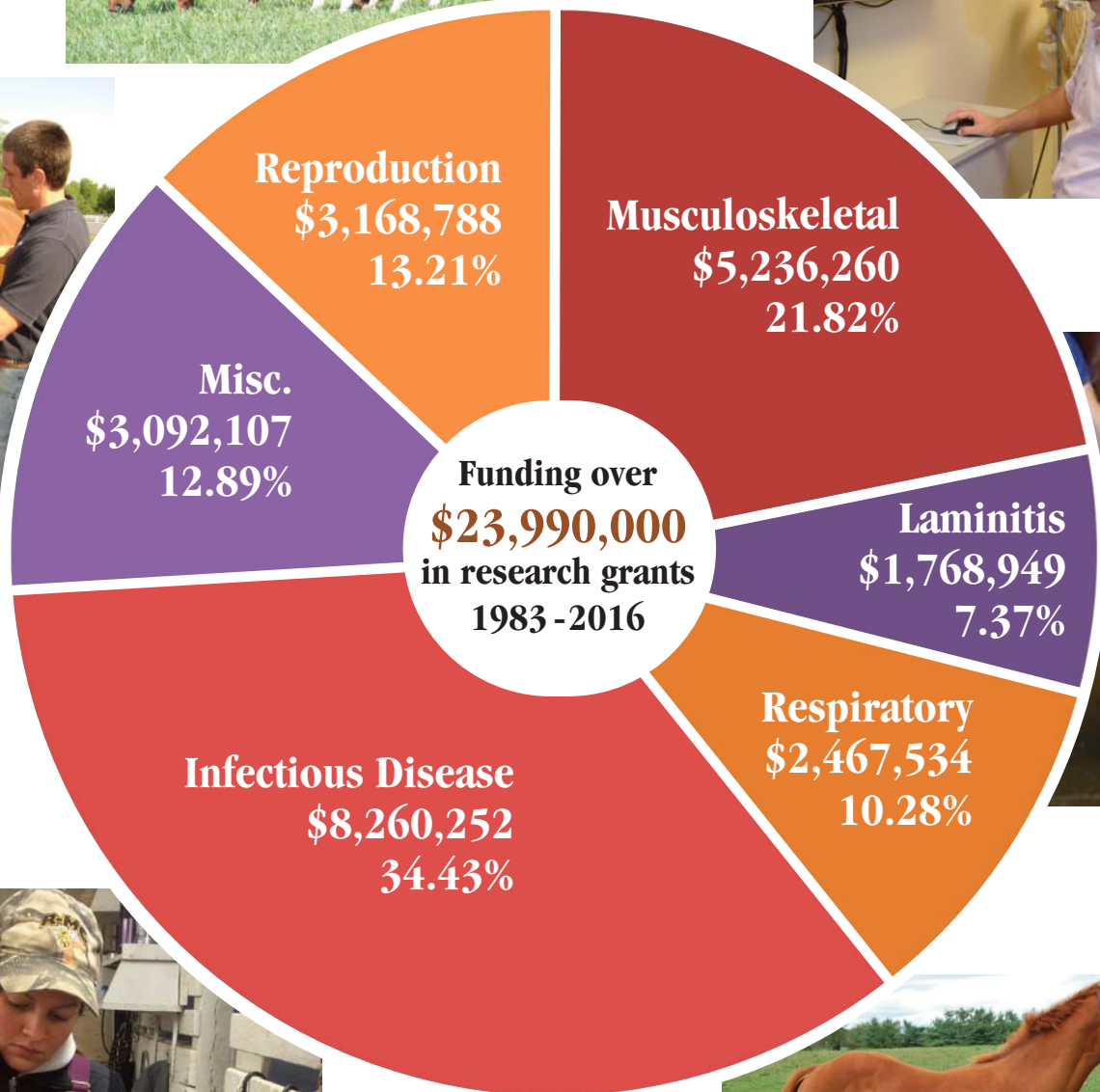




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1940



The forerunner of today's Grayson-Jockey Club Research Foundation reflected concerns of an era now passed, and yet the aims of the founders are as applicable today as they were at that time. In 1940, a number of leading sportsmen had been discussing for years a method of supporting research into the health and welfare of the horse, but it was not only the wars of the Turf which held their attention. Nearly 800,000 horses had been used by German forces in the recent invasion of France, and despite the advances in mechanized warfare, use of the horses in the coming World War II was to be heavier than in World War I.



The original incorporators were William Woodward Sr. (*above left*), then chairman of The Jockey Club; well-known Thoroughbred sportsmen John Hay "Jock" Whitney (*above right*) and Walter M. Jeffords Sr., Kentucky farm manager Major Louis Beard, and Dr. George Crile, a founder and director of the Cleveland Clinic Foundation.

From the launching in the summer of 1940, the Grayson Foundation set goals it continues to pursue, i.e., the funding of research rather than the carrying out of research itself, and the public distribution of information growing out of that research.

The founders chose the name Grayson Foundation to honor Admiral Cary Grayson, (*left*) who had been best known as the personal physician to President Woodrow Wilson. At the time of his death, in 1938, he was chairman of the American Red Cross. He was also a racing man, whose best horses included My Own, winner of the Saratoga Cup, Saratoga Handicap, and Maryland Handicap.

Admiral Grayson was connected to some of the formative stages which led eventually to the establishment of the equine research foundation named for him.

He was president of an organization called the Gorgas Foundation, and he asked its director, Dr. Herbert Clark, to help advise the American Thoroughbred Breeders Association ("ATBA"). The breeder's organization in the late 1930s was exploring various ways to address the promotion of research for horses.

By 1939, a plan had been formulated whereby the ATBA would launch a campaign to raise \$100,000 and, once that amount had been pledged, the Grayson Foundation would become a reality. The Jockey Club, under direction of Mr. Woodward, was among the initial respondents, pledging 20% of the total. The Grayson Foundation became a reality in 1940. Jock Whitney was the Foundation's initial president.

The first grant was made before the year was over, a \$1,000 donation to the University of Pennsylvania Veterinary School to continue its work on periodic ophthalmia. In 1940, the horse and mule were still deeply involved in military defense, and the scope of the Foundation's efforts went far beyond the Thoroughbred, to all breeds, although the impetus came from leaders in Thoroughbred racing.

For much of its history, the Foundation sought to disperse \$100,000 annually in grants to specific research projects. Its success in this goal resulted in support for a number of projects which represented steps forward, among them being the development of vaccines against Equine Viral Arteritis and herpesvirus infections, determining causes of viral abortions leading to development of the most effective vaccine yet developed, and influencing estrous cycles in mares to increase fertility.

1989



The Jockey Club created a research foundation in 1984, and five years later this was merged with Grayson, to be known since then as the Grayson-Jockey Club Research Foundation, Inc. (GJCRF, the Foundation). Grayson had a half-century background in research matters, and The Jockey Club had more wherewithal financially, and in recent years the combined foundation has been able to disperse more than \$1 million annually in grants.

1991



During the 1990s, three gifts of remarkable generosity were instrumental in enhancing the success of the Foundation in fulfilling its mission. In 1991, the Robert J. Kleberg and Helen C. Kleberg Foundation donated \$2 million to Grayson-Jockey Club Research Foundation.

Mr. Kleberg had studied genetics and as head of King Ranch developed the Santa Gertrudis breed of cattle. He also was instrumental in development of the American Quarter Horse, and the many excellent Thoroughbreds he bred included 1946 Triple Crown winner Assault.

1993



In 1993, the Foundation received another major gift when Paul Mellon donated the \$1 million bonus that his Kentucky Derby winner Sea Hero won in the Chrysler Triple Crown Challenge. Mr. Mellon requested that double that amount be raised in response, and this endowment drive was successfully concluded during the 1995-96 fiscal year. The \$1 million was double matched, as members of The Jockey Club and other contributors donated a total of more than \$2 million.

1999



Mr. Mellon passed away in 1999, leaving \$2.5 million to the Foundation's endowment. In 2000, the Foundation created the Rokeby Circle as the designation of those who contribute \$10,000 or more in a given year. Rokeby is the name of Mr. Mellon's beloved Virginia estate, where he bred the champions Mill Reef, Arts and Letters, Fort Marcy, and Key to the Mint. The Sea Hero Triple Crown bonus, and resultant endowment drive, helped attain one of the other goals set by previous chairman John Hettinger, i.e., raising the Foundation's net assets to the \$10-million level.



In 1999, under direction of Drs. Gary Lavin and Larry Bramlage, the Foundation's process of evaluating grants was reorganized. Instead of having separate committees of academicians and practicing veterinarians, a single Research Advisory Committee ("RAC") was created. The Committee includes 32 individuals representing various research specialties and veterinary practices from across North America. Each year, the committee is convened in January, having read all proposals submitted by the research community. The RAC spends three days poring over the projects and rates them top to bottom, recommending the best to the board of directors. The board then meets to determine how many projects can be funded in that year.

2004



The Oxley Challenge was initiated in 2004. Under the direction of Foundation board member John C. Oxley, his family's Oxley Foundation pledged \$1 million over four years contingent on the Foundation raising a like amount in new income sources. The Foundation was successful in that match, and so received \$250,000 from the Oxley Foundation in each of four years.

2006



In 2006, in collaboration with The Jockey Club, the Foundation coordinated and underwrote the first Welfare and Safety of the Racehorse Summit ("Summit") hosted by Keeneland. That meeting, and a second gathering of industry experts in 2008, generated a number of recommendations which the industry has embraced to a large extent. The Jockey Club's Thoroughbred Safety Committee endorsed recommendations of the Summit, and the National Thoroughbred Racing Association's race track accreditation program is based in part on those recommendations. Also, the Summit helped organize the Equine Injury Database™ which is designed to provide the industry much needed epidemiological analysis of trends, aimed at improving injury rates nationally. Summits were held in 2010, 2012, 2014, 2015, and 2016.

2016



Since 1983, Grayson-Jockey Club individually provided more than \$23.3 million to fund a total of 335 projects at 42 universities in North America and overseas through 2016. Under the current chairman, Dell Hancock, growth continued; net assets stood at \$25.6 million at the conclusion of 2016.

The core mission of Grayson-Jockey Club Research Foundation, Inc. (GJCRF, the Foundation) is providing funding for the best research projects, as evaluated by the Research Advisory Committee and approved by the Board of Directors. In 2016, the Foundation funded 19 projects for \$1,163,245. Details on each of these projects are provided in this Annual Report, beginning on page 10. In addition, GJCRF in 2016 funded two Career Development Awards. Explanation of the programs and details of the selected projects appear on page 11. In October of 2016 the Foundation received 61 grant proposals in total for consideration of funding in the 2017 cycle.

The Foundation lost two board members in 2016, Ogden Mills (Dinny) Phipps and William Backer.



Ogden Mills (Dinny) Phipps 75, *(left)* Chairman of The Jockey Club and a board member of the Foundation, was remembered by the Honorable Earle Mack as “the pinnacle of leadership, who fought every step as an advocate for the health of the horse and integrity of racing.” Mack made a donation of \$100,000 for research in his childhood friend’s memory, suggesting others follow his lead. A total of \$337,125 was received by the Foundation in Mr. Phipps’ memory.

William Backer, *(right)* a renowned advertising innovator had been a member of the Grayson-Jockey Club Research Foundation board of directors since 1997.

His efforts on behalf of equine research reflected a long-held devotion to the horse, as a breeder and owner of Thoroughbreds as well as an avid figure in the Virginia hunt fields.



OCALA INITIATIVE

In 2016 the Ocala Initiative was begun, working with organizations in the equine community in Ocala and throughout Florida to raise \$100,000. The funds will be earmarked to support equine research at the University of Florida.

The following pledged or donated to achieve the goal: Donald Dizney *(right)* of Double Diamond Farm, Florida Thoroughbred Breeders and Owners Association, Glen Hill Farm, Gulfstream Park, Niall Brennan Stables, Ocala Breeders' Sales, Ocala Stud, Payton Training Center, and Tampa Bay Downs.



WELFARE AND SAFETY OF THE RACEHORSE SUMMIT VII

The seventh Welfare and Safety of the Racehorse Summit was held June 28th at the Keeneland Sales Pavilion in Lexington, KY. Twelve reports were presented on topics ranging from racing surfaces, equine injuries and rider safety to nutrition, biosecurity, and respiratory health for horses.



Emceed by Donna Barton Brothers *(left)*, former jockey and current NBC racing analyst, the Summit was organized and underwritten by Grayson-Jockey Club Research Foundation and The Jockey Club. It drew approximately 200 observers as well as an international audience who watched a live video stream.

A video replay of the summit, as well as, several of the presentations are available at our website.

BELMONT CELEBRATION

2016 Belmont Stakes Charity Celebration (BSCC) honored Thoroughbred owner Stuart Subotnick. The event was held the Thursday before the 2016 Belmont, at the Bryant Park Grill in New York City. Located in the heart of New York's famed Bryant Park and adjacent to the New York Public Library, Bryant Park Grill is one of the country's distinguished cultural-architectural institutions. The venue proved so popular that the 2017 BSCC was scheduled there as well.



Foundation President Edward L. Bowen and Vice President of Development Nancy Kelly with Honoree Stuart Subotnick, and jockey John Velazquez at 2016 Belmont Stakes Charity Celebration.

SARATOGA GOLF

The 16th Annual Charity Golf Tournament was held Tuesday, August 16, 2016, at the Saratoga National Golf Club in Saratoga Springs, NY. Our 72 golfers who participated enjoyed a lunch in Saratoga National's course-side tent. Awards were presented at a reception at the clubhouse.

NYTHA Board Member Joe Appelbaum and team took first place honors again this year. Second place went to team WinStar and third place went to Adam Madkour of Saratoga Springwater Co.



ELIZABETH LOCKE JEWELS

The Elizabeth Locke Jewels trunk show at Keeneland was a grand success. Ms. Locke is generous enough to extend that percentage program through Christmas for all sales in which the customer mentions the Foundation.



We thank all who patronized the show. For more information on the collection visit elizabethlocke.com.

THIRD ANNUAL GJCRF DAY AT KENTUCKY DOWNS



Sponsorships were sold out for all of the seven races Kentucky Downs made available for the opening day of racing at the unique European style race course. The Foundation thanks President Corey Johnsen, for the innovative program Kentucky Downs has offered. The quality of the racing was exceptional and we appreciate all seven of our race sponsors for stepping up on behalf of the horse- Breeders' Cup, Equibase, Great American Insurance, Hagyard Equine Medical Institute, Ramsey Farm's Kitten's Joy, Rood and Riddle Equine Hospital and Zimmer Biomet.

KEY ADDITIONS

Grayson-Jockey Club Research Foundation has named Jamie Haydon vice president and Holly White director of development. Both of them will report to board chairman Dell Hancock and president Edward L. Bowen and are based in The Jockey Club's Lexington, KY., office.



Haydon, a graduate of the University of Kentucky and a resident of Versailles, KY., joined The Jockey Club staff in 2008 as the manager of industry initiatives after stints with the Kentucky Horse Racing Authority, Four Star Sales, and the National Thoroughbred Racing Association. In the new

position, he will help oversee daily administration and operations of the foundation. He will also continue to lend support to the foundation's equine health and safety initiatives, such as the Welfare and Safety of the Racehorse Summit and The Jockey Club's Thoroughbred Safety Committee.

Haydon recalled that, "The horse has been a central point in my career and life . . . I spent two summers on the Keeneland maintenance crew as a teenager and did internships at the Breeders' Cup and Ascot Racecourse while attending the University of Kentucky. My time here at The Jockey Club, and my experiences assisting Grayson-Jockey Club Research Foundation with our Welfare and Safety of the Racehorse Summit, have brought a deep interest in equine health, and I look forward to acting on behalf of the great animals of all breeds. I cherish this new role."

Holly White, a graduate of Alfred University and a resident of Bloomfield, NY., previously served in various fund-raising capacities for the Rochester Regional Health Foundation, the University of Rochester, Keuka College, and the St. John's Foundation. She also served as a public relations assistant for the Equine Marketing Group, Reichert Celebration and the Alfred University Equestrian Center.



Holly elaborated on her position: "I am very grateful to have the opportunity to combine my passion for horses and philanthropy together in my daily work." She described a specific and personal appreciation for Grayson because one of her horse's colic surgery was performed at Cornell by a surgeon who has had research projects funded by the Foundation in the past.

"These two appointments fortify our foundation at a time when we have just announced a record level of funding," Hancock said. "Jamie brings a wealth of knowledge about the Thoroughbred industry and a long list of contacts while Holly is well versed in fund raising and maintains a long-lasting commitment to equine health and soundness. We are fortunate to have both of them, and we welcome them to the organization."

THE EVOLUTION OF A GRANT



APPLICATION

Since 1999 the Foundation has funded 217 grants, averaging \$1,000,000 annually in awards. The average amount funded during the past five years has been \$98,500 per grant. In 2016, 70 applications were received averaging 37 pages each from 34 different institutions around the world. All applicants must comply with the regulations pertaining to animal use in the proposed study. The application is easily accessed online with a deadline of October 1st.



RAC SCORING

The Research Advisory Committee (RAC) is a mix of 32 equine scientists and practitioners capable of judging the merit of the most sophisticated proposals with clinical specialists both from university clinics and private practices. The group includes representation of the major clinical disciplines such as surgery, internal medicine, and reproduction, along with the academic disciplines of pathology, immunology, microbiology, etc, with geographic diversity to reflect the importance of various local problems.

There is a multi-layered review process for each grant starting with the identification of subject matter and conflicts within the committee. Each grant is assigned four reviewers. The reviewers will individually score the grant based on (a) Scientific Approach, (b) Overall Impression, (c) Impact, (d) Feasibility and (e) Budget. Each grant is scored numerically and given a written review. The committee members access and read all applications prior to the Review Meeting.



FINAL REVIEW

During the RAC Meeting, the essential activities are to discuss each proposal with the entire committee and rank the order for all acceptable proposals. The group endeavors to reconcile mean scores between specialties, to assure that one discipline doesn't score significantly more harshly or more leniently than another. Once grants are ranked numerically to assure that each is ranked correctly for its strengths and weaknesses, each is compared to its neighboring grant. If a grant is moved up or down in the ranking it must be reassessed at each placing, compared to its higher and lower neighbor, to assure that the placing is correct in the consensus of the group.



FUNDING

The recommendations of the RAC are made to the board of directors for final review, with announcement of awards, typically near the first week of March. The funding cycle commences April 1, with three equal payments being made through the year.



A timeline is incorporated into the application document so that all investigators are aware of the schedule. The applicant in the original application predicts a schedule of progress. A progress statement is required on November 1 of the original funding year. Problems with the investigation can be identified early and adjustments made. Satisfactory progress must be documented in order to continue receiving funding.

Second year funding must be approved by the Foundation board of directors after verification that all progress reports on the timeline are met.

RESEARCH ADVISORY COMMITTEE

The Research Advisory Committee evaluates research proposals and advises the Foundation's Board of Directors on the basis of the needs of the industry and scientific quality of each project. For the 2016 grants allocation, the committee was comprised of the following persons who served the Foundation without compensation.

CHAIRMAN

Stephen Reed, DACVIM

*Head of Equine Medicine & Surgery, Rood & Riddle;
Emeritus Professor, The Ohio State University and
Adjunct Professor, Gluck Center, University of Kentucky
Rood & Riddle Equine Hospital • Lexington, KY
Graduate - The Ohio State University*

CONSULTANT

Johnny Mac Smith, DVM

*Founding Partner
Peterson & Smith Equine Hospital
Ocala, FL
Graduate - Auburn University*

MEMBERS OF THE BOARD OF DIRECTORS

A. Gary Lavin, VMD

*Private Practice
Goshen, KY
Graduate - University of Pennsylvania*

Rick Arthur, DVM

*Equine Medical Director,
California Horse Racing Board
Sierra Madre, CA
Graduate - University of California, Davis*

Jennifer Barrett, DVM, PhD, DACVS, ACVSMR

*Theodora Ayer Randolph Professor of Equine Surgery
Virginia Tech, Marion duPont Scott Equine Med. Center • Leesburg, VA
Graduate - Cornell University*

Noah Cohen, VMD, MPH, PhD, DACVIM

*Professor, Veterinary Medicine & Biomedical Sciences
Texas A & M University • College Station, TX
Graduate - University of Pennsylvania*

Alicia Bertone, DVM, PhD, DACVS, ACVSMR

*The Trueman Chair in Equine Clinical Medicine & Surgery
The Ohio State University • Columbus, OH
Graduate - Cornell University*

Laurent Couteil, DVM, PhD

*Professor and Director of Equine Research
Purdue University • West Lafayette, IN
Graduate - Ecole Nationale Vétérinaire d'Alfort, France*

Jerry Black, DVM

*Director of Equine Sciences Undergraduate Programs
Director of Equine Reproduction Laboratory
Colorado State University • Fort Collins, CO
Graduate - Colorado State University*

J. Barry David, VMD, PhD, DACVIM

*Associate
Hagyard Equine Medical Institute • Lexington, KY
Graduate - University of Pennsylvania*

Larry Bramlage, DVM, MS, DACVS

*Surgeon and Shareholder
Rood & Riddle Equine Hospital • Lexington, KY
Grayson-Jockey Club Research Foundation Board Member
Graduate - The Ohio State University*

Elizabeth Davis, DVM, PhD, DACVIM

*Professor and Section Head, Equine Medicine & Surgery
Kansas State • Manhattan, KS
Graduate - University of Florida*

Todd Brokken, DVM

*Private Practice
Von Bluecher, Blea, Hunkin DVMs • Sierra Madre, CA
Graduate - University of Minnesota*

Jennifer Davis, DVM, PhD

*Assistant Professor
North Carolina State University • Raleigh, NC
Graduate - Virginia-Maryland Regional CVM*

Luis Castro, DVM

*Private Practice
Teigland, Franklin and Brokken • Fort Lauderdale, FL
Graduate - University of Florida*

Mary Durando, DVM, PhD, DACVIM

*Private Practice
Equine Sports Medicine Consultants • Ladenburg, PA
Graduate - University of Georgia*

Carrie Finno, DVM, PhD, DACVIM

Assistant Professor and Researcher

University of California, Davis • Davis, CA
Graduate - University of Minnesota

Steeve Giguère, DVM, PhD, DACVIM

Professor; Marguerite Thomas Hodgson Chair in Equine Studies

University of Georgia • Athens, GA
Graduate - University of Montreal

James Gilman, DVM

Private Practice

Gillman & Associates • Barrington, IL
Graduate - University of Illinois

Kurt Hankenson, DVM, MS, PhD

Professor

Michigan State University • East Lansing, MI
Graduate - University of Illinois

Ashley Hill, DVM, MPVM, PhD

Associate Professor

University of California, Davis • Davis, CA
Graduate - University of California, Davis

Susan Holcombe, VMD, MS, PhD, DACVS, DACVECC

Professor

Michigan State University • East Lansing MI
Graduate - University of Pennsylvania

David Horohov, PhD

Director of Gluck Equine Research Center

University of Kentucky • Lexington, KY
Graduate - University of Tennessee

Christopher Kawcak, DVM, PhD, DACVS

Professor of Orthopedics

Colorado State University • Fort Collins, CO
Graduate - Colorado State University

Lloyd Kloppe, DVM, ACT

Private Practice

Durango Equine Veterinary • Buckeye, AZ
Graduate - University of Missouri

Tim Lynch, DVM, Diplomate, ACVS

Private Practice

Peterson & Smith Equine • Ocala, FL
Graduate - University of Wisconsin

Margo Macpherson, DVM, MS, DACT

Associate Professor

University of Florida • Gainesville, FL
Graduate - Michigan State University

Pat McCue, DVM, PhD, DACT

Iron Rose Ranch Professor of Theriogenology

Colorado State University • Fort Collins, CO
Graduate - University of California, Davis

Robert Mealey, DVM, Diplomate, PhD

Associate Professor

Washington State University • Pullman, WA
Graduate - Colorado State University

Michael Mienaltowski, DVM, PhD

Research Associate

University of Florida • Tampa, FL
Graduate - Michigan State University

Peter Morresey, BVSc, MACVSc, DACVIM, DACT

Private Practice

Rood & Riddle Equine Hospital • Lexington, KY
Graduate - Massey University

Margaret Mudge, VMD, DDACVS, DACVECC

Associate Professor

The Ohio State University • Columbus, OH
Graduate - University of Pennsylvania

Charles Scoggin, DVM

Internist

Rood & Riddle Equine Hospital • Lexington, KY
Graduate - Colorado State University

Louise Southwood, BSc(Vet), BVSc, MS, PhD

Associate Professor

Penn State • Kennett Square, PA
Graduate - University of Sydney



FUNDED PROJECTS IN 2016

Thyro-Hyoid Muscle Training to Treat DDSP

Normand Ducharme, Cornell University

A better knowledge of Dorsal Displacement of the Soft Palate (DDSP) mechanism will give the basis for new treatment options and prophylactic training methods to prevent or reduce the occurrence of DDSP in young horses starting training.

A Novel Vaccine Against Equine Strangles

Noah Cohen, Texas A&M University

Exploring a new concept for a vaccine to protect horses against the disease known as Strangles with good preliminary data suggesting this vaccine will be safe and effective.

Fitness and Persistence of Drug Resistant R. equi

Steeve Giguère, University of Georgia

This study will determine if drug-resistant *Rhodococcus equi* can persist in the environment and if resistant strains are more likely to cause disease than susceptible strains.

Novel Analgesic Combination in Horses

Alonso Guedes, University of Minnesota

This proposal will study a novel, likely more efficacious and potentially safer approach than currently available options to manage pain in horses.

Training and Surfaces for Injury Prevention

Susan Stover, University of California-Davis

Risk for bone fracture in the fetlock joint due to training program and race surface properties will be determined using computer models that simulate bone damage and repair.

PET Imaging of the Equine Distal Limb

Mathieu Spriet, University of California-Davis

Positron Emission Tomography (PET) imaging is a diagnostic tool, newly available to the horse, that will allow detection of lesions not identified with other techniques.

Host-directed Control of R. equi Foal Pneumonia

Angela Bordin, Texas A&M University

This project will use an inhaled product applied directly into the lungs to increase immune responses to protect foals against *Rhodococcus equi*, a bacterium that causes severe pneumonia in foals.

Unraveling Complex Traits by Defining Genome Function

Carrie Finno, University of California-Davis

This study defines the critical next step to understand underlying mechanisms of disease by developing a database of tissue-specific gene expression and regulation in the healthy adult horse.

Validation of Stall-side Strangles Diagnosis Using LAMP

Ashley Boyle, University of Pennsylvania

The aim of this study is to validate a stall-side test that could be used for fast, sensitive, accurate, and cost efficient diagnosis of strangles (*S. equi*) carriers (a highly infectious equine respiratory disease). [LAMP means loop-mediated isothermal nucleic acid amplification.]

IGGS(T) Antibodies Identify Foals at Risk for R. equi

David Horobov, University of Kentucky

This project involves the validation of a new test for *Rhodococcus equi* infections in foals.

Equine Herpesvirus-1 (EHV-1) and Latency

Lutz Goebeling, Ludwig Maximilians University

Learning about EHV-1 latency locations, about prevalence in horse populations, and if different latency stages exist along with finding 'stages' that will allow speculation on interventional strategies.

SECOND YEAR PROJECTS INCLUDE:

A Guinea Pig Model of Rhodococcus Equi Pneumonia

Angela Bordin, Texas A&M University

A guinea pig model of *R. equi* pneumonia will help to better understand the disease in foals, and evaluate novel approaches for controlling and preventing *R. equi* pneumonia.

Immune Properties of Autologous and Allogeneic BMDMSCs

Laurie Goodrich, Colorado State University

The completion of this project will answer the important question of whether allogeneic mesenchymal stem cells derived from bone marrow (BMDMSCs) are a viable alternative to autologous BMDMSCs in the horse. (Autologous means cells from the horse's own bone marrow; allogeneic means from another, healthy horse.)

Steroid / Neurosteroid Dynamics in Critically Ill Foals

Ramiro Toribio, The Ohio State University

This study will elucidate the importance of stress hormones as well as hormones that affect neurological function in the development and progression of diseases of newborn foals.

Inhibition of Type-1 Interferon Response by Equine Herpesvirus-1

Thomas Chambers, University of Kentucky

This project explores the mechanism of equine herpesvirus-1 blockage of an immune defense pathway and its relationship to equine herpesviral myeloencephalopathy, a serious condition affecting horses.

Firocoxib Properties in Equine Pregnancy and Placentitis

Margo Macpherson, University of Florida

The potent anti-inflammatory properties of firocoxib have the potential to significantly inhibit inflammation, and subsequent preterm delivery of foals, from mares with placentitis.

Flunixin or Firocoxib in Postoperative Colic Patients

Anthony Blikslager, North Carolina State University

This project will provide an evidence-based approach to the optimal treatment of horses with small intestinal strangulating obstruction in order to reduce endotoxemia and increase survival.

Microsphere Encapsulated EPCS and Wound Vascularization

Anne Wooldridge, Auburn University

Injectable hydrogel microsphere scaffolds containing endothelial progenitor cells are a potential novel therapy to decrease healing time in distal limb wounds in the horse.

Prevention of Supporting Limb Laminitis

Andrew van Eps, University of Queensland

It is anticipated that the results of this study will directly guide the design of devices and/or protocols that can be used in the clinical setting to prevent supporting limb laminitis.



2016 CAREER DEVELOPMENT AWARD RECIPIENTS

The Storm Cat Career Development Award, inaugurated in 2006, is a \$15,000 grant designed as an early boost to an individual considering a career in equine research. It has been underwritten annually by Mrs. Lucy Young Hamilton, a Grayson-Jockey Club Research Foundation board member whose family stood the champion stallion Storm Cat at Overbrook Farm. This year the award winner is:

Elaine Norton- University of Minnesota

Dr. Norton received her DVM from Colorado State and did a residency/ masters program in large animal medicine at Auburn University. She is currently enrolled in the PhD program at the University of Minnesota College of Veterinary Medicine. Her field of study is comparative and molecular biosciences. She is under the mentorship of Dr. Molly McCue and her research project for the period of the award is the identification of the underlying genetic risk factors in horses with Equine Metabolic Syndrome. She presented an excellent plan for her year of study and her support letters were filled with accolades for her abilities and dedication to equine research.

The Elaine Klein Development Award is a competitive program intended to promote development of promising investigators by providing a one year salary supplement of \$15,000. This program is named in honor of renowned horsewoman, Elaine Klein. The grant is funded by \$15,000 donations by the Klein Family Foundation. The 2016 award winner is:

Amanda Ziegler- North Carolina State University

Dr. Zeigler (*left*) is a graduate student at NCSU in the college of Veterinary Medicine's Comparative Biomedical Sciences program. Her year of study was well defined and is being spent on a project funded by GJCRF in 2015 working under Dr. Anthony Blikslager. The project deals with improving drug selection for postoperative colic pain. She received excellent letters of support from faculty, mentors and the Dean of the college, Dr. Paul Lunn. This is a multi-institutional effort combining cases from N.C. State, Michigan State and New Bolton Center. It will help tremendously to know this information to improve the survival rate of surgical colics.

FUNDED UNIVERSITIES

Since 1983 the Foundation has funded research at the following Universities:

| | |
|---------------------------------------|---|
| Auburn University | University of Bristol-UK |
| Case Western Reserve | University of California-Davis |
| Colorado State University | University of Edinburgh/UK |
| Cornell University | University of Florida |
| Harvard University | University of Georgia |
| Iowa State University | University of Guelph/Canada |
| Kansas State University | University of Illinois |
| Louisiana State University | University of Kentucky |
| Ludwig Maximilians University/Germany | University of Maryland |
| Massachusetts Institute of Technology | University of Minnesota |
| Michigan State University | University of Mississippi |
| Mississippi State University | University of Missouri |
| North Carolina State University | University of North Carolina-Wilmington |
| Ohio State University | University of Oklahoma |
| Oklahoma State University | University of Pennsylvania |
| Oregon State University | University of Queensland/Australia |
| Purdue University | University of Saskatchewan/Canada |
| Southern Illinois University | University of Tennessee |
| Temple University | University of Wisconsin |
| Texas A&M | Virginia Tech University |
| Tufts University | Washington State University |



Lab at University of North Carolina-Wilmington

Through the years, research funded by Grayson-Jockey Club Research Foundation and its predecessor (the Grayson Foundation) has uncovered solutions to critical problems affecting horse health as well as clues to numerous other solutions of equine health issues. The following is a partial list of such research milestones.

Since 1940 funded research has resulted in the following:

- The first vaccine for equine influenza, which allowed some control of race track cough.
 - Identified the cause of virus abortion and led to the vaccine for that malady.
 - Defined many aspects of passive immunity in foals.
 - Enhanced understanding of basic aspects of Equine Infectious Anemia (the disease for which Coggins Tests became mandatory).
 - Led to development of the field of biomechanics in horses.
 - Defined the cause of Colitis X.
 - Control of the Shaker Foal Syndrome.
 - Defined the nature of the Wobbler Syndrome.
 - Developed vaccine for Equine Viral Arteritis.
 - Corrected assumptions about the actual cause of abortion in placentitis cases.
 - Verified dosages of Xylazine as an efficient tranquilizer for horses injured during high exercise.
 - Quantified the increased risk of injury from use of high front toe grabs.
 - Increased understanding of various aspects of Equine Protozoal Myeloencephalitis.
 - Facilitated improvements in protecting soundness and repairing injuries.
- Mare Reproductive Loss Syndrome.
 - Use of serum markers to detect impending injury to bone and joint.
 - Improved immunities through DNA vaccination.
 - Clearer understanding of equine gastric ulcers.
 - Progress toward solving the Laminitis puzzle.
 - Refinement of knowledge regarding safer horseshoes and the horse/racetrack interface.
 - Use of stem cells for cartilage repair.
 - Gene therapy for Equine Arthritis.
 - Factors involved in Vesticular Stomatitis in horses.
 - Details of cause and diagnosis of placentitis in mares.
 - New approaches to vaccination against *R. equi* pneumonia.
 - Muscular factors influencing size of airway in exercising horses.
 - Dietary implications for colon impaction.
 - Studies of immunity to EPM.



Surface testing at University of California-Davis

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, 2016 and 2015, 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, 2016 and 2015, 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.



Crowe Horwath LLP

New York, New York
June 14, 2017

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

| | 2016 | 2015 |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 715,985 | \$ 932,859 |
| Investments at fair value | 24,776,398 | 24,017,258 |
| Contributions receivable | 165,311 | 140,450 |
| Other receivables | 27,772 | 19,922 |
| Prepaid expenses | 28,562 | 8,052 |
| Inventory | 172 | 753 |
| Fixed assets, net | 6,582 | 11,725 |
| Total assets | <u>\$ 25,720,782</u> | <u>\$ 25,131,019</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ 95,622 | \$ 259,846 |
| Net Assets | | |
| Unrestricted | 14,727,383 | 14,447,665 |
| Temporarily restricted | 4,988,492 | 4,514,223 |
| Permanently restricted | 5,909,285 | 5,909,285 |
| Total net assets | <u>25,625,160</u> | <u>24,871,173</u> |
| Total liabilities and net assets | <u>\$ 25,720,782</u> | <u>\$ 25,131,019</u> |

See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES

December 31, 2016

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|----------------------|---------------------------|---------------------------|----------------------|
| Revenue | | | | |
| Contributions and membership dues | \$ 1,133,068 | \$ 209,333 | \$ - | \$ 1,342,401 |
| Proceeds from fund raisers, net of direct benefit costs of \$74,447 | 165,741 | - | - | 165,741 |
| Investment income | 220,212 | 159,730 | - | 379,942 |
| Net realized and unrealized gains from investments | 496,049 | 319,936 | - | 815,985 |
| Other | 221 | - | - | 221 |
| Net assets released from restrictions | 214,730 | (214,730) | - | - |
| Total revenue | 2,230,021 | 474,269 | - | 2,704,290 |
| Expenditures | | | | |
| Grants | 1,163,245 | - | - | 1,163,245 |
| Professional fees | 581,426 | - | - | 581,426 |
| Travel and meetings | 64,898 | - | - | 64,898 |
| Investment fees | 78,372 | - | - | 78,372 |
| Seminars and summits | 18,068 | - | - | 18,068 |
| General and administrative expenses | 44,294 | - | - | 44,294 |
| Total expenditures | 1,950,303 | - | - | 1,950,303 |
| Change in net assets | 279,718 | 474,269 | - | 753,987 |
| Net assets, beginning of period | 14,447,665 | 4,514,223 | 5,909,285 | 24,871,173 |
| Net assets, end of period | \$ 14,727,383 | \$ 4,988,492 | \$ 5,909,285 | \$ 25,625,160 |

See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES

December 31, 2015

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|----------------------|---------------------------|---------------------------|----------------------|
| Revenue | | | | |
| Contributions and membership dues | \$ 1,431,780 | \$ 350,000 | \$ - | \$ 1,781,780 |
| Proceeds from fund raisers, net of direct benefit costs of \$34,317 | 153,559 | - | - | 153,559 |
| Investment income | 174,762 | 124,893 | - | 299,655 |
| Net realized and unrealized gains from investments | 115,331 | 117,130 | - | 232,461 |
| Other | 750 | - | - | 750 |
| Net assets released from restrictions | <u>359,893</u> | <u>(359,893)</u> | <u>-</u> | <u>-</u> |
| Total revenue | <u>2,236,075</u> | <u>232,130</u> | <u>-</u> | <u>2,468,205</u> |
| Expenditures | | | | |
| Grants | 1,261,601 | - | - | 1,261,601 |
| Professional fees | 591,489 | - | - | 591,489 |
| Travel and meetings | 68,785 | - | - | 68,785 |
| Investment fees | 76,429 | - | - | 76,429 |
| Seminars and summits | 2,500 | - | - | 2,500 |
| General and administrative expenses | <u>52,232</u> | <u>-</u> | <u>-</u> | <u>52,232</u> |
| Total expenditures | <u>2,053,036</u> | <u>-</u> | <u>-</u> | <u>2,053,036</u> |
| Change in net assets | 183,039 | 232,130 | - | 415,169 |
| Net assets, beginning of period | <u>14,264,626</u> | <u>4,282,093</u> | <u>5,909,285</u> | <u>24,456,004</u> |
| Net assets, end of period | <u>\$ 14,447,665</u> | <u>\$ 4,514,223</u> | <u>\$ 5,909,285</u> | <u>\$ 24,871,173</u> |

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2016 and 2015

| | 2016 | 2015 |
|---|-------------------|-------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 753,987 | \$ 415,169 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Depreciation | 5,143 | 7,202 |
| Net realized and unrealized gains from investments | (815,985) | (232,461) |
| Changes in assets and liabilities | | |
| Contributions receivable | (24,861) | (78,036) |
| Other receivables | (7,850) | (3,028) |
| Prepaid expenses | (20,510) | (3,504) |
| Inventory | 581 | 845 |
| Accounts payable and accrued liabilities | (164,224) | 186,497 |
| Net cash from operating activities | (273,719) | 292,684 |
| Cash flows from investing activities | | |
| Additions to fixed assets | - | (12,000) |
| Proceeds from sales of securities | 8,806,897 | 13,236,892 |
| Purchases of securities | (8,750,052) | (13,133,756) |
| Net cash from investing activities | 56,845 | 91,136 |
| Net change in cash and cash equivalents | (216,874) | 383,820 |
| Cash and cash equivalents, beginning of period | 932,859 | 549,039 |
| Cash and cash equivalents, end of period | <u>\$ 715,985</u> | <u>\$ 932,859</u> |

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

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 unrestricted, temporarily restricted and permanently restricted net assets. Unrestricted net assets are available to support research programs approved by the Board of Directors (the "Board") and to fund general operations. Temporarily restricted net assets relate to donations that have been either pledged but not yet received and/or subject to donor restrictions as well as related gains and losses of the endowment fund and are reclassified to unrestricted net assets once the restriction has been released. Permanently restricted net assets are subject to donor restrictions and require that the principal remain invested in perpetuity and the income earned therefrom be available in temporarily restricted net assets to fund research programs and general operations.

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, 2016 and 2015, contributions receivable as reported on the Statements of Financial Position are all due within one year.

Grants

Grants are recorded on an accrual basis, which is generally when the funds are disbursed.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Professional services

The management and staff of the Foundation are employees of The Jockey Club and their related salaries and fringe benefits are billed to the Foundation pursuant to agreements between the parties. These costs totaled \$510,033 and \$515,591 in 2016 and 2015, 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.

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, 2016 and 2015, 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 2013, 2014, and 2015 tax years remain subject to examination. The Foundation does not expect significant changes in unrecognized tax benefits in the next twelve months.

Accounting pronouncements

The adoption of recently effective accounting standards did not have a material effect on the Foundation's Financial Statements nor does the Foundation believe that any other recently issued, but not yet effective, accounting standards will have a material effect on the Foundation's Statement of Financial Position or Statement of Activities when adopted.

NOTE 3 - INVESTMENTS

Investments at fair value consist of the following:

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Mutual funds | \$ 11,252,641 | \$ 10,798,747 |
| U.S. common stocks | 6,572,237 | 5,890,401 |
| Fixed income - corporate | 2,580,615 | 2,474,046 |
| Fixed income - U.S. government and federal agency | 4,370,905 | 4,854,064 |
| | <u>\$ 24,776,398</u> | <u>\$ 24,017,258</u> |

Interest and dividend earnings on these investments were \$379,645 and \$299,177 in 2016 and 2015, respectively. Net realized and unrealized gains from investments reported in the accompanying Statements of Activities totaled \$815,985 and \$232,461 in 2016 and 2015, respectively.

NOTE 4 - FAIR VALUE MEASUREMENTS

ASC 820-10 establishes a hierarchical 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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

The following tables summarize the valuation of the Foundation's investments by the ASC 820-10 fair value hierarchy as of December 31, 2016 and 2015:

| 2016 | | | | |
|--|----------------------|----------------------|---------------------|-------------|
| | Total | Level I | Level II | Level III |
| Mutual funds | | | | |
| U.S. equities | \$ 6,349,768 | \$ 6,349,768 | \$ - | \$ - |
| Global | 2,687,342 | 2,687,342 | - | - |
| High yield | 2,215,531 | 2,215,531 | - | - |
| U.S. common stocks | 6,572,237 | 6,572,237 | - | - |
| Fixed income | | | | |
| Corporate | 2,580,615 | - | 2,580,615 | - |
| U.S. government and federal agency obligations | 4,370,905 | - | 4,370,905 | - |
| | <u>\$ 24,776,398</u> | <u>\$ 17,824,878</u> | <u>\$ 6,951,520</u> | <u>\$ -</u> |
| 2015 | | | | |
| | Total | Level I | Level II | Level III |
| Mutual funds | | | | |
| U.S. equities | \$ 6,173,616 | \$ 6,173,616 | \$ - | \$ - |
| Global | 2,675,318 | 2,675,318 | - | - |
| High yield | 1,949,813 | 1,949,813 | - | - |
| U.S. common stocks | 5,890,401 | 5,890,401 | - | - |
| Fixed income | | | | |
| Corporate | 2,474,046 | - | 2,474,046 | - |
| U.S. government and federal agency obligations | 4,854,064 | - | 4,854,064 | - |
| | <u>\$ 24,017,258</u> | <u>\$ 16,689,148</u> | <u>\$ 7,328,110</u> | <u>\$ -</u> |

In 2016, equities included in mutual funds or separate accounts totaling \$17,824,880 were diversified among the following asset classes: 35.7% domestic growth, 35.4% domestic value, 16.5% global growth, and 12.4% high yield. In 2015, similar equities totaling \$16,689,148 were diversified among the following asset classes: 34.3% domestic growth, 37.0% domestic value, 17.0% global growth, and 11.7% high yield.

There were no transfers between Level I and Level II during 2016 or 2015.

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 - ENDOWMENTS

The Foundation's permanently restricted net assets 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.

Endowment net assets composition by type of fund as of December 31, 2016 and 2015:

| | 2016 | 2015 |
|------------------------|----------------------|----------------------|
| Temporarily restricted | \$ 4,580,465 | \$ 4,260,529 |
| Permanently restricted | 5,909,285 | 5,909,285 |
| Total | <u>\$ 10,489,750</u> | <u>\$ 10,169,814</u> |

Changes in endowment net assets for the years ended December 31, 2016 and 2015:

| | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------------------|---------------------------|----------------------|
| Net assets, January 1, 2015 | \$ 4,143,399 | \$ 5,909,285 | \$ 10,052,684 |
| Investment return | | | |
| Investment income | 124,893 | - | 124,893 |
| Net realized and unrealized gains from investments | <u>117,130</u> | <u>-</u> | <u>117,130</u> |
| Total investment return | 242,023 | - | 242,023 |
| Appropriation of assets for expenditure | <u>(124,893)</u> | <u>-</u> | <u>(124,893)</u> |
| Net assets, December 31, 2015 | 4,260,529 | 5,909,285 | 10,169,814 |
| Investment return | | | |
| Investment income | 159,730 | - | 159,730 |
| Net realized and unrealized gains from investments | <u>319,936</u> | <u>-</u> | <u>319,936</u> |
| Total investment return | 479,666 | - | 479,666 |
| Appropriation of assets for expenditure | <u>(159,730)</u> | <u>-</u> | <u>(159,730)</u> |
| Net assets, December 31, 2016 | <u>\$ 4,580,465</u> | <u>\$ 5,909,285</u> | <u>\$ 10,489,750</u> |

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - ENDOWMENTS (Continued)

As a result of this interpretation, the Foundation classifies as permanently restricted net assets

- (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 permanently restricted net assets is classified as temporarily restricted net assets 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.

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, 2016 and 2015, \$159,730 and \$124,893, 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 in excess of related temporarily restricted amounts are reported in unrestricted net assets. There were no such delinquencies as of December 31, 2016 and 2015.

NOTE 6 - FUNCTIONAL CLASSIFICATION OF EXPENSES

For the years ended December 31, 2016 and 2015, the Foundation incurred \$1,950,303 and \$2,053,036 in expenses, respectively, as reported in the accompanying Statements of Activities. Those expenses by their functional classifications are as follows:

| | 2016 | | | |
|----------------------|---------------------|-------------------------|---------------------------|---------------------|
| | Program Services | Fundraising Services | Management and General | Total |
| Grants | \$ 1,163,245 | \$ - | \$ - | \$ 1,163,245 |
| Professional fees | 162,450 | 359,278 | 59,698 | 581,426 |
| Travel and meetings | 45,438 | 18,140 | 1,320 | 64,898 |
| Investment fees | - | - | 78,372 | 78,372 |
| Printing | 1,282 | 11,279 | 256 | 12,817 |
| Seminars and summits | 18,068 | - | - | 18,068 |
| Other | 387 | 6,842 | 24,248 | 31,477 |
| | <u>\$ 1,390,870</u> | <u>\$ 395,539</u> | <u>\$ 163,894</u> | <u>\$ 1,950,303</u> |

| | 2015 | | | |
|----------------------|---------------------|-------------------------|---------------------------|---------------------|
| | Program Services | Fundraising Services | Management and General | Total |
| Grants | \$ 1,261,601 | \$ - | \$ - | \$ 1,261,601 |
| Professional fees | 154,537 | 372,355 | 64,597 | 591,489 |
| Travel and meetings | 44,429 | 22,379 | 1,977 | 68,785 |
| Investment fees | - | - | 76,429 | 76,429 |
| Printing | 1,538 | 13,531 | 308 | 15,377 |
| Seminars and summits | 2,500 | - | - | 2,500 |
| Members reception | - | 930 | - | 930 |
| Other | 367 | 6,748 | 28,810 | 35,925 |
| | <u>\$ 1,464,972</u> | <u>\$ 415,943</u> | <u>\$ 172,121</u> | <u>\$ 2,053,036</u> |

NOTE 7 - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through the date the accompanying Financial Statements were available to be issued, which was June 14, 2017. No subsequent events have been identified that are required to be accounted for or disclosed.



Special Friends of Grayson

We wish to recognize donors whose generosity has created a profound impact on the Foundation over the years and has been of extraordinary benefit to the horse.

The Robert J. Kleberg, Jr. & Helen C. Kleberg Foundation
Paul Mellon

The Oxley Foundation
William Stamps Farish Fund



Rokeby

In honor of the generosity to the Foundation by the late Paul Mellon, Grayson-Jockey Club designates inclusion in the Rokeby Circle for those donors at the \$10,000-plus level within the year. The honor is named for Rokeby Farm, Mr. Mellon's estate in Virginia.

His Highness Prince Khalid Abdullah
Joseph Allen
American Association of Equine
Practitioners Foundation
Ashford / Coolmore
Austin Lang Testamentary Trust
William M. Backer
Barbara Banke,
Stonestreet Farm
Perry Bass,
The Perry R. Bass II Foundation
Ramona & Lee Bass
Barry & Judith Becker
Bessemer Trust
Bessemer Venture Partners
Alexander G. Campbell Jr.
Adele B. Dilschneider
Donald R. & Irene Dizney
Elizabeth Locke Jewels
Mr. & Mrs. Bertram R. Firestone
Hugh A. Fitzsimons Jr.
Caroline Forgason
Dr. Susan Galandiuk
Glen Hill Farm

Godolphin
Great American Insurance
Gulfstream Park
Hallway Feeds
Emory Hamilton
Lucy Y. Hamilton
Dell Hancock
Mr. & Mrs. Seth W. Hancock
Ian Highet, TIC Stables
Stuart S. Janney III
Jockeys' Check-Off Program
Mr. & Mrs. S. K. Johnston Jr.
Klein Family Foundation
Dr. & Mrs. Gary Lavin
Mr. & Mrs. Kevin S. Lavin
Earle I. Mack
Robert T. Manfuso
Jacqueline B. Mars
The Robert and Janice McNair Foundation
Robert E. Meyerhoff
NTRA Charities
Oak Tree Racing Association
Ocala Stud
Mr. & Mrs. John M.B. O'Connor

Paul & Jo Ann Orefice
Audrey W. Otto
Mr. & Mrs. John C. Oxley,
The Mary Oxley Foundation
Payton Training Center
Dr. Hiram C. Polk Jr.
Carl Pollard
Amanda Pope,
The John William Pope Foundation
Louise & Leonard Riggio
Dr. Wilfrid R. Robinson
Richard & Peggy Santulli,
Colts Neck Stable
Mr. & Mrs. Barry Schwartz
Mr. & Mrs. Joseph V. Shields Jr.
Mr. & Mrs. Michael Simpson
Stuart Subotnick
Stella Thayer,
Tampa Bay Downs
Thoroughbred Horsemen's Associations, Inc.
Virginia G. Valentine
Charlotte C. Weber
WinStar Farm

Platinum Circle

Anonymous
Celeste M. Neuman Foundation
at Blue Grass Community Foundation

Miller Charitable Lead Annuity Trust
Nancy K. Polk

Gold Circle

Josephine Abercrombie,
Pin Oak Charitable Fund
Donald Adam
Thomas W. Bachman
Reynolds Bell Jr.
Niall Brennan
Mr. & Mrs. Chester Broman
Florida Thoroughbred Breeders
and Owners' Association

Helen K. Groves
The Hon. & Mrs. Brereton & Elizabeth Jones
Mr. & Mrs. Jon S. Kelly
Richard & Sue Ann Masson
Mr. & Mrs. Leverett S. Miller
Leandro P. Rizzuto
Andrew Rosen
Secretariat Foundation Inc.
Samantha Siegel

Mr. & Mrs. Michael Simpson
Mr. & Mrs. A. J. C. Smith
Sarah Walter
Warren B. Williamson

Silver Circle

Craig & Holly Bendoroff,
Denali Stud
Laura Barillaro
Edward L. Bowen
Dr. Larry Bramlage
Breeders' Cup Ltd.
Isabelle H. de Tomaso

Equine Medical Associates, PSC
Mr. & Mrs. John K. Goodman
Hinkle Farms
Jody & Michelle Huckabay
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