

The Dressage Foundation Inc
Lincoln, Nebraska

December 31, 2019

Financial Statements
and
Independent Accountant's Review Report



CPAs & Consultants | Wealth Management

The Dressage Foundation Inc

Year ended December 31, 2019

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Accountant’s Review Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Revenue and Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-14





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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

The Board of Directors
The Dressage Foundation Inc
Lincoln, Nebraska

We have reviewed the accompanying financial statements of The Dressage Foundation Inc (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note J to the financial statement, in 2019, the entity adopted new accounting guidance ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. Our conclusion is not modified with respect to this matter.

HBE LLP

Lincoln, Nebraska
May 18, 2021

HBE
HBE

The Dressage Foundation Inc

STATEMENT OF FINANCIAL POSITION

December 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents (note A)	\$ 412,758
Contributions receivable, split interest agreements (notes A, B and E)	1,098,644
Investments (notes A, D and E)	2,652,575
Accrued interest receivable	3,483
Prepaid expenses	<u>1,065</u>

Total current assets	4,168,525
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PROPERTY AND EQUIPMENT (notes A and C)	<u>137,937</u>
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	<u>\$ 4,306,462</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 3,330
Payroll taxes payable	1,442
Other payables	75
Gift annuities payable (note E)	30,358
Grants payable	<u>129,500</u>

Total current liabilities	<u>164,705</u>
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NET ASSETS (note A)

Without donor restrictions (note F)	
Undesignated	(38,241)
Designated	375,645
With donor restrictions (note F)	<u>3,804,353</u>

Total net assets	<u>4,141,757</u>
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Total liabilities and net assets	<u>\$ 4,306,462</u>
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See accompanying notes to financial statements and independent accountant's review report.

The Dressage Foundation Inc

STATEMENT OF ACTIVITIES

For the year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
CHANGES IN NET ASSETS			
Revenue and support			
Contributions	\$ 71,906	\$ 263,863	\$ 335,769
Other income	62,167	-	62,167
Investment income	36,720	559,250	595,970
Net assets released from restrictions	<u>205,262</u>	<u>(205,262)</u>	<u>-</u>
Total revenue and support	<u>376,055</u>	<u>617,851</u>	<u>993,906</u>
Expenses			
Program services	297,899	-	297,899
Management and general	31,981	-	31,981
Fundraising	<u>31,324</u>	<u>-</u>	<u>31,324</u>
Total expenses	<u>361,204</u>	<u>-</u>	<u>361,204</u>
Increase in net assets	14,851	617,851	632,702
Net assets, beginning of year	<u>322,553</u>	<u>3,186,502</u>	<u>3,509,055</u>
Net assets, end of year	<u>\$ 337,404</u>	<u>\$ 3,804,353</u>	<u>\$ 4,141,757</u>

See accompanying notes to financial statements and independent accountant's review report.

The Dressage Foundation Inc

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2019

	Dressage Program	Grants and Awards	Total Program	Management and General	Fundraising	Total
Expenses						
Grants and awards	\$ -	\$ 204,944	\$ 204,944	\$ -	\$ -	\$ 204,944
Utilities and telephone	2,634	-	2,634	329	329	3,292
Taxes	7	-	7	1	1	9
Supplies	738	-	738	92	92	922
Promotions	328	-	328	-	-	328
Printing and publications	5,677	-	5,677	-	3,784	9,461
Postage and freight	1,895	-	1,895	750	1,303	3,948
Meetings and travel	-	-	-	2,696	-	2,696
Legal	2,710	-	2,710	1,355	4,968	9,033
Insurance	3,610	-	3,610	451	451	4,512
Entertainment	79	-	79	-	-	79
Dues and subscriptions	298	-	298	306	181	785
Depreciation expense	3,730	-	3,730	466	466	4,662
Condo fees	3,514	-	3,514	439	439	4,392
Computer services	1,130	-	1,130	2,261	1,130	4,521
Awards	739	-	739	-	-	739
Bank charges	-	-	-	1,923	-	1,923
Artwork and design	2,134	-	2,134	1,051	-	3,185
Accounting	-	-	-	10,760	-	10,760
Employee benefits	1,574	-	1,574	225	450	2,249
Payroll tax	4,404	-	4,404	629	1,258	6,291
Salaries and wages	57,575	-	57,575	8,225	16,450	82,250
Miscellaneous	179	-	179	22	22	223
Total expenses	<u>\$ 92,955</u>	<u>\$ 204,944</u>	<u>\$ 297,899</u>	<u>\$ 31,981</u>	<u>\$ 31,324</u>	<u>\$ 361,204</u>

See accompanying notes to financial statements and independent accountant's review report.

The Dressage Foundation Inc

STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

Cash flows from operating activities	
Cash received from revenue and support	\$ 317,790
Cash paid to employees and suppliers	(331,235)
Interest and dividends received	<u>59,640</u>
Net cash provided by operating activities	<u>46,195</u>
Cash flows from investing activities	
Proceeds from sales of investments	265,123
Purchases of investments	<u>(269,167)</u>
Net cash used in investing activities	<u>(4,044)</u>
Cash flows from financing activities	
Contributions restricted in perpetuity	<u>120</u>
Increase in cash and cash equivalents	42,271
Cash and cash equivalents at beginning of year	<u>370,487</u>
Cash and cash equivalents at end of year	<u>\$ 412,758</u>
Reconciliation of increase in net assets to net cash provided by operating activities	
Increase in net assets	<u>\$ 632,702</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	4,662
Net realized and unrealized gain on investments	(616,730)
(Increase) decrease in assets	
Accrued interest receivable	(366)
Prepaid expenses	377
Increase (decrease) in liabilities	
Accounts payable	2,593
Payroll taxes payable	572
Other payables	(2,549)
Gift annuities payable	(1,503)
Grants payable	<u>26,437</u>
Total adjustments to increase in net net assets	<u>(586,507)</u>
Net cash provided by operating activities	<u>\$ 46,195</u>

See accompanying notes to financial statements and independent accountant's review report.

NOTES TO FINANCIAL STATEMENTS

The Dressage Foundation Inc (the Foundation), was formed in 1989, and promotes excellence in dressage and growth in affiliated organizations and is dedicated to the advancement and support of classical dressage. The Foundation is supported by contributions from individuals, corporations, and other organizations.

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Method of Accounting. The accompanying financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents. For the purposes of the statements of cash flows, the Foundation considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents.

Contributions Receivable - Split Interest Agreements. Contributions receivable – split interest agreements represent irrevocable deferred payment agreements from donors who name the Foundation as a beneficial party.

Investments. Investments in marketable securities, including equity and debt securities, with readily determinable fair values are reported at their fair values in the statement of financial position. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting in observable price changes in orderly transactions for identical or similar investments. Unrealized gains and losses are included in the statement of activities. Donated securities are recorded as contributions equal to the fair market value of the securities at the date of gift.

Fair Value Measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. The Foundation utilizes a framework to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none">• quoted prices for similar assets or liabilities in active markets;• quoted prices for identical or similar assets or liabilities in inactive markets;• inputs other than quoted prices that are observable for the asset or liability;• inputs that are derived principally from or corroborated by observable market data by correlation or other means. |

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

See independent accountant's review report.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Fair Value Measurements - Continued.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments measured at net asset value (NAV) per share (or its equivalent) using the practical expedient in the FASB's fair value measurement guidance are not required to be categorized in the fair value hierarchy.

Endowment Fund.

The Foundation's endowment consists of an individual donor-restricted fund established to fund grants for educational events to benefit members of the dressage community. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United State of America (U.S. GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body has interpreted the State of Nebraska Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the endowment funds with donor restrictions absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment and accumulations to the permanent endowment made in accordance with the understanding of donor directions. The remaining portion of the donor-restricted endowment fund is classified as held with donor restrictions until these amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds with donor restrictions:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the endowment fund with donor restrictions
- (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

See independent accountant's review report.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Property and Equipment and Depreciation. Property and equipment are carried at cost, if purchased and at fair market value at the date of contribution, if received by donation, less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives computed primarily on the straight-line method. Property and equipment are depreciated over estimated useful lives from 5 to 39 years.

Revenue Recognition. The following is a description of the Foundation's principal sources of revenue:

Contributions. Contributions are recognized when a donor makes a promise to give that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Foundation has not received any conditional contributions

Net Asset Classification. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without donor restrictions. Net assets available for use in general operations and not subject to donor restrictions.

With donor restrictions. Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported in the statements of activities as net assets released from restrictions.

Expense Allocations. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. These expenses are allocated on the basis of estimates of time and effort.

Income Taxes. The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. As such, income earned in the performance of its exempt purpose is not subject to income tax. Any income earned through unrelated business activities is subject to income tax at normal corporate rates. For the year ended December 31, 2019, the Foundation had no tax liability on unrelated business activity. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Foundation's federal Returns of Organization Exempt from Income Tax (Form 990) for December 31, 2019, 2018, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

See independent accountant's review report.

The Dressage Foundation Inc

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

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 affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - CONTRIBUTIONS RECEIVABLE - SPLIT INTEREST AGREEMENTS

During 2001, a donor established a charitable remainder unitrust with a local trust company. The charitable remainder unitrust provides for annual payments to designated beneficiaries. The Foundation is the sole remainder beneficiary of the charitable remainder unitrust which is due to the Foundation at the end of the joint life expectancies of the donors. The present value of the unitrust at December 31, 2019 was \$224,210.

Value of unitrust	\$ 348,775
Discount (7%) to present value	<u>(124,565)</u>
Present value of unitrust	<u>\$ 224,210</u>

During 2009, a donor established a charitable remainder unitrust with a local trust company. The charitable remainder unitrust provides for annual payments to designated beneficiaries. The Foundation is the sole remainder beneficiary of the charitable remainder unitrust which is due to the Foundation in December 2019 and was received in January 2020. The present value of the unitrust at December 31, 2019 was \$874,434.

Value of unitrust	\$ 928,412
Discount (6%) to present value	<u>(53,978)</u>
Present value of unitrust	<u>\$ 874,434</u>

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consists of:

Office equipment	\$ 9,310
Furniture and fixtures	11,567
Buildings	181,843
Less accumulated depreciation	<u>(64,783)</u>
	<u>\$ 137,937</u>

The financial statements include depreciation expense of \$4,662 for the year ended December 31, 2019.

See independent accountant's review report.

The Dressage Foundation Inc

NOTES TO FINANCIAL STATEMENTS

NOTE D - INVESTMENTS

Investments consist of:

	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Market</u>
Certificates of deposit	\$ 598,443	\$ 13,104	\$ 611,547
Common stock	821,913	1,098,731	1,920,644
Foreign equities	<u>49,560</u>	<u>70,824</u>	<u>120,384</u>
	<u>\$ 1,469,916</u>	<u>\$ 1,182,659</u>	<u>\$ 2,652,575</u>

Total investment return is comprised of the following:

Interest and dividend income	\$ 60,006
Net realized and unrealized gains	610,700
Management fees	<u>(79,681)</u>
	<u>\$ 591,025</u>

NOTE E - FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used during the year ended December 31, 2019.

Certificates of deposit: Valued using independent pricing models and based on interest rates.

Common stock and foreign equities: Valued at the closing price reported on the active market on which the individual securities are traded.

Contributions receivable: Valued using the estimated present value of the receivable. The discount rate (7% and 6%) and actuarial assumptions used in calculating the receivable are those provided in Internal Revenue Service guidelines and actuarial tables.

Annuity agreements: Valued using the estimated present value of the annuity obligation. The discount rate (7%) and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

See independent accountant's review report.

The Dressage Foundation Inc

NOTES TO FINANCIAL STATEMENTS

NOTE E - FAIR VALUE MEASUREMENTS - CONTINUED

The following table sets forth the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2019.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Certificates of deposit	\$ 611,547	\$ -	\$ 611,547	\$ -
Equity securities				
Common stock	1,920,644	1,920,644	-	-
Foreign equities	<u>120,384</u>	<u>120,384</u>	-	-
Total investments	<u>\$ 2,652,575</u>	<u>\$ 2,041,028</u>	<u>\$ 611,547</u>	<u>\$ -</u>
Contributions receivable	<u>\$ 1,098,644</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,098,644</u>
Annuities payable	<u>\$ 30,358</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,358</u>

NOTE F - NET ASSETS

Designated and restricted net assets consist of the following as of December 31, 2019:

Without donor restrictions	
Undesignated	\$ (38,241)
Designated for gift annuities	30,358
Designated for operating reserve	<u>345,287</u>
	<u>337,404</u>
With donor restrictions	
Subject to expenditure for specified purpose:	
Endowment accumulated gains	2,437
Charitable trusts and annuities	1,098,644
Scholarships, education, and support	<u>2,653,272</u>
	<u>3,754,353</u>
Subject to restriction in perpetuity	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	<u>50,000</u>
	<u>\$ 4,141,757</u>

See independent accountant's review report.

The Dressage Foundation Inc

NOTES TO FINANCIAL STATEMENTS

NOTE G - ENDOWMENT FUNDS

The Foundation's endowment consists of one individual fund established to fund grants for education events to benefit members of the dressage community.

Endowment net asset composition by type of fund as of December 31, 2019:

With donor restrictions	
Purpose restricted	\$ 2,437
Perpetual in nature	<u>50,000</u>
	<u>\$ 52,437</u>

Changes in endowment net assets for the year ended December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance January 1, 2019	\$ -	\$ 45,819	\$ 45,819
Interest and dividends	-	3,002	3,002
Unrealized gain	-	6,031	6,031
Management fees	-	(1,085)	(1,085)
Contributions	-	120	120
Amounts appropriated for expenditure	-	(1,450)	(1,450)
Balance December 31, 2019	<u>\$ -</u>	<u>\$ 52,437</u>	<u>\$ 52,437</u>

NOTE H - RETIREMENT PLAN

The Foundation maintains SIMPLE IRA accounts for all eligible employees, whereby employees elect to make voluntary contributions pursuant to a salary reduction agreement. It is available to all employees who have met the service requirements. The Foundation contributes 3% of gross wages to the participating employees' accounts. The Foundation's contributions amounted to \$2,249 in 2019.

NOTE I - LIQUIDITY AND AVAILABILITY

The Foundation's endowment funds consist of a donor-restricted endowment. Income for the donor-restricted endowment is restricted for specific purposes and therefore, is not available for general expenditures.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in investments. Although the Foundation does not intend to spend from its investments other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts could be made available if necessary.

See independent accountant's review report.

The Dressage Foundation Inc

NOTES TO FINANCIAL STATEMENTS

NOTE I - LIQUIDITY AND AVAILABILITY - CONTINUED

The following table reflects the Foundation's financial assets as of December 31, 2019:

Cash and cash equivalents	\$ 59,992
Investment appropriations for current use	<u>344,209</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 404,201</u>

NOTE J - NEW ACCOUNTING STANDARDS

Contributions

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounting for as contributions or exchange transactions and determining whether a contribution is conditional. For nonexchange transactions, the contribution guidance in ASC 958 is typically applied, whereas for exchange transactions, an entity should apply ASC 606, *Revenue from Contracts with Customers* (ASU 2014-09) or other appropriate guidance. The Foundation has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU removed some disclosures; modified others, and added some new disclosure requirements. The ASU is effective for all entities for fiscal years beginning after December 15, 2019; however, the Foundation early adopted the standard, effective for the year ended December 31, 2019, as permitted by the standard. See Note E for disclosure of the Foundation's assets and liabilities measured at fair value.

NOTE K - SUBSEQUENT EVENTS

Subsequent events have been evaluated through the review report date, the date the financial statements were available to be issued.

The COVID-19 (coronavirus) outbreak has prompted global health concern. Consequently, it is possible that the Foundation could be impacted by the resulting volatility in the economy before the financial statement date. Specifically, the Foundation could experience declines in market values and investment income related to volatile markets, decreases in donor giving, and decreases in the availability of grant funds.

See independent accountant's review report.