



The Howard & Georgeanna Jones Foundation for Reproductive Medicine

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Financial Statements

Year Ended June 30, 2021 with Comparative Totals for 2020



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Independent Auditors' Report

Board of Directors
The Howard & Georgeanna Jones Foundation
for Reproductive Medicine
Virginia Beach, VA

We have audited the accompanying financial statements of The Howard & Georgeanna Jones Foundation for Reproductive Medicine (Foundation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2021, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 The Howard & Georgeanna Jones Foundation for Reproductive Medicine as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Notes 4 and 5, the financial statements include an investment valued at \$383,121 at June 30, 2021, whose value has been estimated based on cost less taxable losses in absence of readily ascertainable market values. Because of the inherent uncertainty of valuation, the estimated value may differ significantly from the value that would have been used had a ready market for this investment existed, and the difference could be material. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited The Howard & Georgeanna Jones Foundation for Reproductive Medicine's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dixon Hughes Goodman LLP

**Norfolk, VA
September 22, 2021**

The Howard & Georgeanna Jones Foundation for Reproductive Medicine
Statement of Financial Position
June 30, 2021 with Comparative Totals for 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 30,733	\$ 29,755
Investments	1,709,993	1,631,444
Prepaid expenses	3,632	-
Property and equipment, net	949	1,326
	<u>\$ 1,745,307</u>	<u>\$ 1,662,525</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,131	\$ 2,948
Note payable	-	27,876
Total liabilities	<u>3,131</u>	<u>30,824</u>
Net assets:		
Net assets without donor restrictions	608,857	441,314
Net assets with donor restrictions	1,133,319	1,190,387
Total net assets	<u>1,742,176</u>	<u>1,631,701</u>
	<u>\$ 1,745,307</u>	<u>\$ 1,662,525</u>

The Howard & Georgeanna Jones Foundation for Reproductive Medicine
Statement of Activities
Year Ended June 30, 2021 with Comparative Totals for 2020

	2021			Summarized 2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support, revenue and other changes:				
Contributions	\$ 86,026	\$ 351,053	\$ 437,079	\$ 103,651
Interest and dividend income	37,101	-	37,101	65,026
Realized and unrealized investment gains (losses), net	(2,481)	80,620	78,139	(71,546)
Other income - loan forgiveness	27,876	-	27,876	-
Net assets released from restrictions	311,370	(311,370)	-	-
Total support and revenue	459,892	120,303	580,195	97,131
Expenses:				
Program services	381,959	-	381,959	95,502
Fundraising	19,746	-	19,746	21,704
Administrative expenses	68,015	-	68,015	70,641
Total expenses	469,720	-	469,720	187,847
Change in net assets	(9,828)	120,303	110,475	(90,716)
Net assets, beginning of year	441,314	1,190,387	1,631,701	1,722,417
Transfers	177,371	(177,371)	-	-
Net assets, end of year	\$ 608,857	\$ 1,133,319	\$ 1,742,176	\$ 1,631,701

See accompanying notes.

The Howard & Georgeanna Jones Foundation for Reproductive Medicine
Statement of Functional Expenses
Year Ended June 30, 2021 with Comparative Totals for 2020

	<u>Program Services</u>	<u>Fundraising</u>	<u>Administrative Expenses</u>	<u>Total 2021</u>	<u>Summarized Total 2020</u>
Research funding	\$ 293,498	\$ -	\$ -	\$ 293,498	\$ -
Staff salaries and benefits	68,533	15,815	21,087	105,435	119,056
Professional fees	-	-	22,398	22,398	22,967
General expenses	11,802	3,221	14,841	29,864	29,093
Supplies	4,873	209	3,838	8,920	6,354
Insurance	3,253	501	1,251	5,005	5,011
Contractual services	-	-	4,600	4,600	5,366
	<u>-</u>	<u>-</u>	<u>4,600</u>	<u>4,600</u>	<u>5,366</u>
Total expenses	<u>\$ 381,959</u>	<u>\$ 19,746</u>	<u>\$ 68,015</u>	<u>\$ 469,720</u>	<u>\$ 187,847</u>

The Howard & Georgeanna Jones Foundation for Reproductive Medicine
Statement of Cash Flows
Year Ended June 30, 2021 with Comparative Totals for 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Contributions received	\$ 437,079	\$ 103,651
Payments for program services	(381,776)	(183,708)
Payments for supporting services	(91,016)	(91,648)
Net cash used by operating activities	<u>(35,713)</u>	<u>(171,705)</u>
Cash flows from investing activities:		
Purchase of property and equipment	-	(896)
Purchase of investments	(328,309)	-
Sales and maturities of investments	365,000	156,341
Net cash provided by investing activities	<u>36,691</u>	<u>155,445</u>
Cash flows from financing activities:		
Proceeds from note payable	-	27,876
Net cash provided by financing activities	<u>-</u>	<u>27,876</u>
Net change in cash and cash equivalents	978	11,616
Cash and cash equivalents, beginning of year	<u>29,755</u>	<u>18,139</u>
Cash and cash equivalents, end of year	<u>\$ 30,733</u>	<u>\$ 29,755</u>
Reconciliation of change in net assets to net cash used by operating activities:		
Change in net assets	\$ 110,475	\$ (90,716)
Adjustments to reconcile to net cash used by operating activities:		
Realized and unrealized (gains) losses	(78,139)	71,546
Depreciation	377	697
Interest and dividend income reinvested	(37,101)	(65,026)
Loan forgiveness	(27,876)	-
Changes in:		
Prepaid expenses	\$ (3,632)	\$ -
Accounts payable and accrued expenses	183	(1,706)
Grants payable	-	(86,500)
Net cash used by operating activities	<u>\$ (35,713)</u>	<u>\$ (171,705)</u>

Notes to Financial Statements

1. Organization and Nature of Activities

The Howard & Georgeanna Jones Foundation for Reproductive Medicine (Foundation) was founded in 1985. The Foundation is a not-for-profit organization that solicits funds from the general public to support scientific and medical research in the field of reproductive medicine. In addition to providing research grants to deserving scientific investigators, the Foundation Board of Directors is prepared to serve in an advisory capacity to the agencies it supports. The Foundation may also sponsor seminars which would be designed to evaluate public policy issues related to reproductive medicine in order to educate the general public and attempt to improve the human condition.

2. Summary of Significant Accounting Policies

Comparative information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for 2020, from which the summarized information was derived.

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred.

Basis of presentation

The Foundation reports its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions represent unrestricted revenue and expenses and contributions received without donor-imposed restrictions. These funds are available for the overall operations of the Foundation and can be designated by the Board of Directors to fund certain projects or programs.

Net assets with donor restrictions represent all contributions or promises to give which are restricted by the donor as to purpose or are inherently time restricted (i.e. noncurrent unrestricted promises to give). Perpetually restricted net assets represent revenue and contributions received where the corpus cannot be spent. Interest, dividends, realized and unrealized gains and losses earned on the principal are recognized as purpose restricted and used to fund the donor designated programs, except for the 5% earnings added to corpus of the two perpetually restricted funds.

Cash and cash equivalents

Cash and cash equivalents consist primarily of temporary investments in government securities, money market accounts, and cash reserve funds. The Foundation considers all highly liquid investments with maturities of six months or less to be cash equivalents. Cash items held by investment managers are considered to be investments.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. The Foundation carries a private equity investment, without a readable determinable fair value, at cost less taxable losses. Because of the inherent uncertainty in the use of this valuation, values that are based on cost may differ from the values that would have been used had a ready market for the investment been available and the differences may be material in the near term. Investment gains and losses are recognized as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulations.

The Foundation's investments are managed by external investment managers in compliance with investment guidelines established by the Board of Directors, except for donated stocks, which are maintained temporarily at the Foundation.

Donated investments are recorded at estimated fair market value on the date of donation, which is then treated as cost.

Property and equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method based on a useful life of five years for equipment. The Foundation's policy is to capitalize property and equipment purchased with a cost greater than \$500. Cost of equipment was \$6,711 and \$7,391 at June 30, 2021 and 2020, and accumulated depreciation was \$5,762 and \$6,065 at June 30, 2021 and 2020, respectively.

Grants Payable

Grants authorized but unpaid at year-end are reported as liabilities. All grants authorized were paid during the year ended June 30, 2021.

Revenue recognition

Contributions and promises to give

Contributions, which include unconditional promises to give, are recognized as revenue in the period received. Promises to give consist of unconditional promises to give that are expected to be collected in future years and are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contributions and promises to give revenue. Management reviews promises to give yearly to determine the need for any allowance. Once management determines that a promise to give is unlikely to be collected, an allowance is provided. After all attempts to collect a promise to give have failed, the promise to give is written off against the allowance. Conditional promises to give are not included as support until the conditions are substantially met. There were no promises to give at June 30, 2021 and 2020.

Recent Accounting Pronouncement

In August 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The ASU removes, modifies, and adds certain disclosures required under Topic 820, Fair Value Measurement. The ASU is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The amendments to disclosure requirements on changes in unrealized gains and losses, the range and weighted average of significant observable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively. All other amendments should be applied retrospectively to all periods presented. The Company has elected to adopt this guidance for the year ended June 30, 2021.

Functional allocation of expenses

The Foundation's cost of providing support for the various programs and other activities of the Foundation has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services. The Foundation's financial statements report certain categories of expenses that are attributable to administrative supporting functions and program expenses, or those expenses required to fund, maintain and legally support scientific investigative, ethical and medical lectureship projects. Those expenses include depreciation and amortization, as well as expenses attributed to the President's annual official administrative, board management and fundraising requirements. These allocations are based on estimates of time and effort attributed to each function, as well as supporting time and effort attributed to management of restricted funds.

Concentrations and credit risk

Financial instruments which potentially subject the Foundation to concentration of credit risk consist principally of cash and investments. The Foundation places unrestricted cash and temporary overnight investments with a high credit quality financial institution. At June 30, 2021 and 2020, the Foundation had no cash deposits in excess of the FDIC limit.

Foundation endowment assets are held by a reputable asset management firm, and according to their investment policy, are invested in investment grade instruments. The asset management firm is independent of the funds' trustees who review their performance on a periodic basis. At June 30, 2021 and 2020, 62% and 80%, respectively, of the total investment portfolio was not insured by the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC). However, the asset management firm carries separate insurance for all accounts to protect them in the event of a company failure. Approximately \$1,315,000 was invested in two mutual funds at June 30, 2021. Approximately \$1,238,000 was invested in two mutual funds at June 30, 2020.

Contributions for 2021 and 2020 included contributions from one donor of \$338,553 and three donors of \$60,000, representing 77% and 58% of total contributions, respectively. Contributions for 2021 and 2020 included contributions by Foundation Board members who are related parties of \$65,302 and \$60,000, or 15% and 58%, respectively.

Income taxes

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and the tax statutes of the Commonwealth of Virginia; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. Should the Foundation become a private foundation, income taxes would be accrued at that time.

The Howard & Georgeanna Jones Foundation for Reproductive Medicine
Notes to Financial Statements

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 the reported amounts of assets and liabilities and 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.

3. Liquidity and Availability of Financial Assets

As part of the Foundation's liquidity management, the Investment Committee frequently reviews the financial assets of the organization, its investment policy, daily requirements and necessary reserve for upcoming projects. Operational funds are reviewed monthly and maintained through board and public contributions. The Foundation spends from its unrestricted account for general expenses, with the ability to draw from a board designated endowment. The Foundation operates on a cash-based budget. Short-term needs are primarily for salaries, grants, fundraising, professional fees and general office expenses. Expenses due in the coming year are covered by funds raised by grants from other 501(c)(3) organizations and foundations, and contributions received throughout the year.

The following represents the Foundation's financial assets available to meet general expenditures over the next twelve months at June 30:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 30,733	\$ 29,755
Investments	<u>1,709,993</u>	<u>1,631,444</u>
Total financial assets	<u>1,740,726</u>	<u>1,661,199</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	1,133,319	1,190,387
Board designated net assets	<u>430,218</u>	<u>344,086</u>
Total unavailable assets	<u>1,563,537</u>	<u>1,534,473</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 177,189</u>	<u>\$ 126,726</u>

4. Investments

Investments at fair market value at June 30, 2021 were as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Cash and certificates of deposits	\$ 10,532	\$ 10,532	\$ -
Private equity investment (Note 5)	400,000	383,121	(16,879)
Mutual fund, fixed income	<u>1,260,384</u>	<u>1,316,340</u>	<u>55,956</u>
	<u>\$ 1,670,916</u>	<u>\$ 1,709,993</u>	<u>\$ 39,077</u>

The Howard & Georgeanna Jones Foundation for Reproductive Medicine
Notes to Financial Statements

Investments at fair market value at June 30, 2020 were as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Cash and certificates of deposits	\$ 6,932	\$ 6,932	\$ -
Private equity investment (Note 5)	400,000	385,602	(14,398)
Mutual fund, fixed income	<u>1,278,984</u>	<u>1,238,910</u>	<u>(40,074)</u>
	<u>\$ 1,685,916</u>	<u>\$ 1,631,444</u>	<u>\$ (54,472)</u>

5. Private Equity Investment

In June 2014, the Foundation entered into a subscription agreement for a membership interest in HPM Display Partners, LLC (Partnership) in the amount of \$400,000. The Chairman of the Board of the Foundation paid the subscription commitment in the form of a charitable contribution to the Foundation. In addition, the former Chairman of the Board is the manager of the Partnership. The Foundation's ownership interest in the Partnership as of June 30, 2021 and 2020 was 2.5%. The Foundation has adjusted the investment balance based on gains or losses reported to them on Federal K-1's. The adjusted balance is \$383,121 and \$385,602 at June 30, 2021 and 2020, respectively.

Redemptions are not permitted during the life of the private equity investment. The private equity investment life is 10 years with an option to extend an additional 2 years. When assets are sold, the proceeds will be distributed to the investors.

As the Partnership is regularly engaged in a trade or business that is unrelated to the Foundation's mission, future earnings of this investment may be subject to unrelated business income tax.

6. Fair Value Measurements

The Foundation defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. Accounting standards establish a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Current accounting standards expands disclosures about instruments measured at fair value and applies the other accounting pronouncements that require or permit fair value measurements.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1:** Inputs to the valuation methodology are unadjusted quoted market 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 quoted prices for similar assets or liabilities in active markets and identical or similar assets or liabilities in inactive markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

The Howard & Georgeanna Jones Foundation for Reproductive Medicine
Notes to Financial Statements

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

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying value of the Foundation's investments have been adjusted to their fair value except where fair value is not readily determinable in which case historical cost (book value) is utilized.

The following table presents the financial instruments carried at fair value as of June 30, 2021, by caption on the statements of financial position by the valuation hierarchy defined previously:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Mutual fund, fixed income	\$ 1,316,340	\$ -	\$ -	\$ 1,316,340
Private equity investment	<u>-</u>	<u>-</u>	<u>383,121</u>	<u>383,121</u>
	<u>\$ 1,316,340</u>	<u>\$ -</u>	<u>\$ 383,121</u>	<u>\$ 1,699,461</u>

The following table presents the financial instruments carried at fair value as of June 30, 2020, by caption on the statements of financial position by the valuation hierarchy defined previously:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Mutual fund, fixed income	\$ 1,238,910	\$ -	\$ -	\$ 1,238,910
Private equity investment	<u>-</u>	<u>-</u>	<u>385,602</u>	<u>385,602</u>
	<u>\$ 1,238,910</u>	<u>\$ -</u>	<u>\$ 385,602</u>	<u>\$ 1,624,512</u>

Fair value for Level 3 primarily consists of a private equity investment detailed in Note 4. The Foundation's President and the Board, with the help of a third-party investment advisory firm, determine fair value measurement valuation policies and procedures. The fund does not have a readily determinable fair value and is carried at cost less tax losses. Because of the inherent uncertainty of valuations of Level 3 investments, their estimated values may differ significantly from the values that would have been used had a ready market for the level 3 investments existed, and the difference could be material. At least annually, the Foundation's President and Chairman of the Board determine if the current valuation techniques used in the fair value measurements are still appropriate based on current market conditions and third-party information. There were no changes in the valuation techniques during the current year.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes the 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 estimate of fair value at the reporting date.

7. Intentions to Give

In August 2020, the Foundation received notification from a revocable charitable trust that a gift intended for the Foundation had become irrevocable. The Foundation received \$338,500 from this trust which has been recognized in contribution revenue with donor restrictions in the statement of activities. The Foundation expects to receive an additional gift from the charitable trust after all accrued expenses of the trust have been settled. The additional gift is estimated to be between zero and \$50,000, with a most likely gift of \$30,000. Because of the underlying uncertainty, the additional gift has not been recognized in revenue.

8. Retirement Plan

The Foundation adopted a 401(k) Profit Sharing Plan on July 1, 2011 that provides for a discretionary employer contribution for qualified individuals. There were no employer contributions during the years ended June 30, 2021 and 2020. The Foundation terminated the 401(k) plan on February 10, 2020.

9. Note Payable

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act provides for the establishment of the Paycheck Protection Program (PPP), a new loan program under the Small Business Administration's 7(a) program providing loans to qualifying businesses. Additionally, loans originated under this program may be forgiven, in whole or in part, if certain criteria are met. In May 2020, the Foundation received a PPP loan totaling \$27,876 and has elected to account for the funds received in accordance with ASC Topic 470, *Debt*.

During the covered period, the Foundation spent all funds received under the PPP for qualifying purposes, prepared a forgiveness calculation and submitted an application for forgiveness to its lender. As of the statement of financial position date, the Foundation received notification from the lender and Small Business Administration that the loan had been forgiven and the Foundation had been relieved of its obligation for the liability. As a result, the Foundation recognized the outstanding principal balance together with the related accrued interest as a loan forgiveness income within the statement of activities.

The Howard & Georgeanna Jones Foundation for Reproductive Medicine
Notes to Financial Statements

10. Net Assets

At June 30, 2021 and 2020, the Foundation's net assets consisted of the following:

	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions:		
Operating	\$ 178,639	\$ 97,228
Quasi endowment, board designated	430,218	397,608
Shirley Kheel Family Fund, board designated	-	32,483
Jones Rounds, board designated	-	(86,005)
	<u>608,857</u>	<u>441,314</u>
Total net assets without donor restrictions	<u>\$ 608,857</u>	<u>\$ 441,314</u>
Net assets with donor restrictions:		
Purpose restricted		
Mason C. and Sabine G. Andrews Fund	\$ 353,310	\$ -
Research Fund	304,678	(57,009)
Jones Rounds	210,002	-
Jones-Andrews Scholarship Fund	128,022	118,373
Shirley Kheel Memorial Fund	40,008	30,561
Purpose restricted, total	<u>1,036,020</u>	<u>91,925</u>
Perpetually restricted:		
Serono Laboratories, Inc.	-	1,046,640
Shirley Kheel Memorial Fund	97,299	51,822
Total perpetually restricted	<u>97,299</u>	<u>1,098,462</u>
Total net assets with donor restrictions	<u>\$ 1,133,319</u>	<u>\$ 1,190,387</u>

11. Endowment Funds

The Foundation's endowment consists of various funds which are included in investments. These funds are donor-restricted and board designated endowment funds and were established for a variety of purposes. As required by generally accepted accounting principles (GAAP), net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation have interpreted the Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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 organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- 1) The duration and preservation of the fund.
- 2) The purpose of the donor-restricted endowment fund.
- 3) General economic conditions.
- 4) The possible effect of inflation and deflation.

The Howard & Georgeanna Jones Foundation for Reproductive Medicine
Notes to Financial Statements

- 5) The expected total return from income and appreciation of investments.
- 6) Other resources of the Foundation.
- 7) The investment policies of the Foundation.

A summary of the activity in endowment fund for the year ended June 30, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 397,608	\$ 1,072,014	\$ 1,469,622
Contributions	-	12,500	12,500
Transferred from net assets without donor restrictions to endowment, at donor request	-	32,483	32,483
Transfer from endowment to net assets both with and without donor restrictions, with donor permission	-	(989,631)	(989,631)
Investment return:			
Investment income	9,895	2,974	12,869
Net appreciation (realized and unrealized gain)	25,194	7,656	32,850
Appropriation of expenditure	<u>(2,479)</u>	<u>(689)</u>	<u>(3,168)</u>
Endowment net assets, end of year	<u>\$ 430,218</u>	<u>\$ 137,307</u>	<u>\$ 567,525</u>

A summary of the activity in endowment fund for the year ended June 30, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 444,482	\$ 1,173,519	\$ 1,618,001
Transfer from endowment to net assets without donor restrictions - operating	(44,980)	(86,500)	(131,480)
Investment return:			
Investment income	1,710	56,694	58,404
Net depreciation (realized and unrealized loss)	(3,269)	(60,887)	(64,156)
Appropriation of expenditure	<u>(335)</u>	<u>(10,812)</u>	<u>(11,147)</u>
Endowment net assets, end of year	<u>\$ 397,608</u>	<u>\$ 1,072,014</u>	<u>\$ 1,469,622</u>

The Howard & Georgeanna Jones Foundation for Reproductive Medicine
Notes to Financial Statements

The Foundation has adopted investment policies for endowment assets that attempt to provide a predictable stream 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 and board designated endowed funds.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The board approves the next year's authorized spending from the endowment with the budget approval process.

The endowment net assets at June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Shirley Kheel Memorial Fund	\$ -	\$ 137,307	\$ 137,307
Quasi endowment, board designated	<u>430,218</u>	<u>-</u>	<u>430,218</u>
	<u>\$ 430,218</u>	<u>\$ 137,307</u>	<u>\$ 567,525</u>

The endowment net assets at June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Serono Laboratories, Inc.	\$ -	\$ 989,631	\$ 989,631
Shirley Kheel Memorial Fund	-	82,383	82,383
Quasi endowment, board designated	<u>397,608</u>	<u>-</u>	<u>397,608</u>
	<u>\$ 397,608</u>	<u>\$ 1,072,014</u>	<u>\$ 1,469,622</u>

On July 1, 2020, the Foundation obtained authorization from Serono Laboratories, Inc., with agreement by Eastern Virginia Medical School (EVMS) leadership, to effectively release the donor restrictions on the Serono Laboratories, Inc. endowment. Of the \$1,046,640 released by Serono Laboratories, Inc., EVMS and the Foundation, \$210,000 was reclassified to restricted for the Jones Rounds, \$275,270 was reclassified to restricted for the EVMS Jones Institute and was subsequently released from restriction in the same year, and \$286,100 was reclassified to restricted for research. The remaining portion was reclassified to net assets without donor restrictions.

12. Related Party Transactions

As discussed further in Note 11, the Foundation transferred \$210,000 of net assets out of the Foundation's permanent endowment with permission from the original donor. The \$210,000 of net assets is restricted to be spent on funding the development of the Jones Rounds educational program to address complex issues at the intersection of reproductive medicine, law and ethics at the Georgetown Law Center's O'Neill Institute for National & Global Health Law. The senior scholar developing the Jones Rounds educational program is a member of the Organization's Board of Directors.

13. COVID-19

In March 2020, the World Health Organization declared the outbreak and spread of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak has had far reaching and unpredictable impacts on the global economy, supply chains, financial markets, and global business operations of a variety of industries. Governments have taken substantial action to contain the spread of the virus including mandating social distancing, suspension of certain gatherings, and shuttering of certain nonessential businesses. The COVID-19 pandemic has disrupted the operational and financial performance of the Foundation and there is significant uncertainty in the nature and degree of its continued effects on the Foundation over time. The extent to which it will impact the Foundation going forward will depend on a variety of factors including the duration and continued spread of the outbreak, impact on donors, employees and vendors, as well as governmental, regulatory and private sector responses. Further, the pandemic may have a significant impact on management's accounting estimates and assumptions.

14. Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 22, 2021, the date the financial statements were available to be issued.