

The Howard & Georgeanna Jones Foundation for Reproductive Medicine

Financial Statements

Year Ended June 30, 2020 with Comparative Totals for 2019

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Independent Auditors' Report

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

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, 2020, and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2020, 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, 2020, 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 \$385,602 at June 30, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dixon Hughes Goodman LLP

Norfolk, Virginia
December 3, 2020

The Howard & Georgeanna Jones Foundation for Reproductive Medicine
Statement of Financial Position
June 30, 2020 with Comparative Totals for 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 29,755	\$ 18,139
Investments	1,631,444	1,794,305
Property and equipment, net	<u>1,326</u>	<u>1,127</u>
	<u>\$ 1,662,525</u>	<u>\$ 1,813,571</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,948	\$ 4,654
Note payable	27,876	\$ -
Grants payable	<u>-</u>	<u>86,500</u>
Total liabilities	<u>30,824</u>	<u>91,154</u>
Net assets:		
Net assets without donor restrictions	441,314	429,039
Net assets with donor restrictions	<u>1,190,387</u>	<u>1,293,378</u>
Total net assets	<u>1,631,701</u>	<u>1,722,417</u>
	<u>\$ 1,662,525</u>	<u>\$ 1,813,571</u>

See accompanying notes.

The Howard & Georgeanna Jones Foundation for Reproductive Medicine
Statement of Activities
Year Ended June 30, 2020 with Comparative Totals for 2019

	2020			Summarized 2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support, revenue and other changes:				
Contributions	\$ 103,651	\$ -	\$ 103,651	\$ 75,929
Interest and dividend income	1,958	63,068	65,026	63,258
Realized and unrealized investment losses	(3,784)	(67,762)	(71,546)	(43,898)
Net assets released from restrictions	11,797	(11,797)	-	-
Total support and revenue	113,622	(16,491)	97,131	95,289
Expenses:				
Program services	95,502	-	95,502	114,495
Fundraising	21,704	-	21,704	24,991
Administrative expenses	70,641	-	70,641	75,201
Total expenses	187,847	-	187,847	214,687
Change in net assets	(74,225)	(16,491)	(90,716)	(119,398)
Net assets, beginning of year	429,039	1,293,378	1,722,417	1,841,815
Transfers	86,500	(86,500)	-	-
Net assets, end of year	\$ 441,314	\$ 1,190,387	\$ 1,631,701	\$ 1,722,417

See accompanying notes.

The Howard & Georgeanna Jones Foundation for Reproductive Medicine
Statement of Functional Expenses
Year Ended June 30, 2020 with Comparative Totals for 2019

	<u>Program Services</u>	<u>Fundraising</u>	<u>Administrative Expenses</u>	<u>Total 2020</u>	<u>Summarized Total 2019</u>
Staff salaries and benefits	\$ 77,387	\$ 17,858	\$ 23,811	\$ 119,056	\$ 135,276
General expenses	11,523	3,240	14,330	29,093	35,972
Professional fees	-	-	22,967	22,967	19,291
Supplies	3,335	105	2,914	6,354	10,529
Contractual services	-	-	5,366	5,366	5,004
Insurance	3,257	501	1,253	5,011	4,336
Research funding	-	-	-	-	3,791
Website enhancements	-	-	-	-	488
	<u>\$ 95,502</u>	<u>\$ 21,704</u>	<u>\$ 70,641</u>	<u>\$ 187,847</u>	<u>\$ 214,687</u>

See accompanying notes.

The Howard & Georgeanna Jones Foundation for Reproductive Medicine
Statement of Cash Flows
Year Ended June 30, 2020 with Comparative Totals for 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Contributions received	\$ 103,651	\$ 75,929
Payments for program services	(183,708)	(209,371)
Payments for supporting services	(91,648)	(99,846)
Net cash used by operating activities	<u>(171,705)</u>	<u>(233,288)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(896)	-
Sales and maturities of investments	156,341	172,829
Net cash provided by investing activities	<u>155,445</u>	<u>172,829</u>
Cash flows from financing activities:		
Proceeds from note payable	27,876	-
Net cash provided by financing activities	<u>27,876</u>	<u>-</u>
Net change in cash and cash equivalents	11,616	(60,459)
Cash and cash equivalents, beginning of year	<u>18,139</u>	<u>78,598</u>
Cash and cash equivalents, end of year	<u>\$ 29,755</u>	<u>\$ 18,139</u>
Reconciliation of change in net assets to net cash used by operating activities:		
Change in net assets	\$ (90,716)	\$ (119,398)
Adjustments to reconcile to net cash used by operating activities:		
Realized and unrealized losses	71,546	43,898
Depreciation	697	346
Interest and dividend income reinvested	(65,026)	(63,258)
Changes in:		
Accounts payable and accrued expenses	(1,706)	(1)
Grants payable	(86,500)	(94,875)
Net cash used by operating activities	<u>\$ (171,705)</u>	<u>\$ (233,288)</u>

See accompanying notes.

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 2019, 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.

Adoption of new accounting standards

During 2020, the Foundation adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance as described below and (2) determining whether a contribution is conditional. The Foundation adopted this new standard effective July 1, 2019, the first day of the Foundation's year using the modified prospective approach.

In May 2014, the FASB issued ASU No. 2014-09: Revenue from Contracts with Customers (Topic 606). ASU 2014-09 and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP, excluding nonreciprocal contribution transactions describe above and some other specific exclusions such as Leases (Topic 840) and Investments (Topic 320). The ASU No. 2014-09 also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation adopted this new standard effective July 1, 2019, the first day of the Foundation's year using the modified retrospective approach.

The adoption of these standards did not result in a material difference from the previous policy and therefore, the Foundation's beginning net assets have not been adjusted to reflect any adjustments.

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.

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

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). Purpose restricted net assets also includes net assets restricted to support Eastern Virginia Medical School (EVMS) and the Jones Institute negotiated in 2009 when the Foundation disassociated with EVMS (see Note 11). 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 (see Note 11).

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 \$7,391 and \$6,495 at June 30, 2020 and 2019, and accumulated depreciation was \$6,065 and \$5,368 at June 30, 2020 and 2019, respectively.

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

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

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, 2020 and 2019.

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 attribution 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 EVMS 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, 2020 and 2019, 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, 2020, 80% (2019 - 82%) 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 \$1,238,910 was invested in two mutual funds at June 30, 2020. Approximately \$1,390,000 was invested in two mutual funds at June 30, 2019.

Contributions for 2020 and 2019 included contributions from the top three donors of \$60,000 and \$45,920, representing 58% and 60% of total contributions, respectively. Of this amount, \$60,000 and \$40,500, or 58% and 53%, respectively, were contributed by Foundation Board members, which are related parties.

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.

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.

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

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>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 29,755	\$ 18,139
Investments	<u>1,631,444</u>	<u>1,794,305</u>
Total financial assets	<u>1,661,199</u>	<u>1,812,444</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>1,190,387</u>	1,293,378
Board designated net assets	<u>344,086</u>	<u>387,763</u>
Total unavailable assets	<u>1,534,473</u>	<u>1,681,141</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 126,726</u>	<u>\$ 131,303</u>

See Note 12 for donor release of restricted funds subsequent to year end.

4. Investments

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>\$ 1,645,842</u>	<u>\$ 1,631,444</u>	<u>\$ 25,676</u>

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

Investments at fair market value at June 30, 2019 were as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Cash and certificates of deposits	\$ 13,429	\$ 13,429	\$ -
Private equity investment (Note 5)	400,000	387,245	(12,755)
Mutual fund, fixed income	<u>1,370,040</u>	<u>1,393,631</u>	<u>23,591</u>
	<u>\$ 1,783,469</u>	<u>\$ 1,794,305</u>	<u>\$ (10,836)</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, 2020 and 2019 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 \$385,602 and \$387,245 at June 30, 2020 and 2019, 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.
- Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

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, 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>

The following table presents the financial instruments carried at fair value as of June 30, 2019, 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	\$ 1,393,631	\$ -	\$ -	\$ 1,393,631
Private equity investment	<u>-</u>	<u>-</u>	<u>387,245</u>	<u>387,245</u>
	<u>\$ 1,393,631</u>	<u>\$ -</u>	<u>\$ 387,245</u>	<u>\$ 1,780,876</u>

Fair value for Level 3 primarily consists of a private equity investment detailed in Note 4. The Foundation's President and Chairman of 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 executive director 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.

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

The following table summarizes the changes to Level 3 instruments, which include the ownership interest in the Partnership, for the years ending June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Fair value, beginning of year	\$ 387,245	\$ 393,736
Realized losses	<u>(1,643)</u>	<u>(6,491)</u>
Fair value, end of year	<u>\$ 385,602</u>	<u>\$ 387,245</u>
Amount of realized losses related to Level 3 financial instruments held at June 30, 2020 and 2019 included in the statements of activities	<u>\$ (1,643)</u>	<u>\$ (6,491)</u>

7. Intentions to Give

The Foundation has received indications of gifts in the form of charitable trusts which are revocable during the donors' lifetime. Due to the uncertain nature of these intentions, the Foundation has not recognized an asset or contribution revenue for these gifts. The estimated total known intentions to give aggregate approximately \$338,500 and \$393,000 at June 30, 2020 and 2019, respectively.

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, 2020 and 2019. The Foundation terminated the 401(k) plan on February 10, 2020.

9. Grants Payable

Grants authorized but unpaid at year-end are reported as liabilities. All grants authorized were paid during the year ended June 30, 2020.

10. Note Payable

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. One provision of the CARES Act is the establishment of the Paycheck Protection Program (PPP) under the Small Business Administration's 7(a) program. The PPP provides small businesses and eligible nonprofit organizations with funds to pay up to 24 weeks of payroll costs including benefits. These funds can also be used to pay interest on mortgages, rent, and utilities. If certain criteria are met, small businesses receiving PPP loans may have all or a portion of the loans forgiven, effectively converting the outstanding balance and accrued interest to a grant. Any portion of PPP loans not forgiven have a term of two years and bear interest at 1.0%, with repayments deferred for ten months. In May 2020, the Foundation received a PPP loan of \$27,876 with monthly payments beginning August 2021, and the final repayment due April 2022. It is uncertain at this time what portion of the PPP loan may be forgiven, if any.

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

11. Net Assets

The Foundation disassociated from EVMS on May 12, 2009. Based on the separation agreement, all previously contributed assets were to be separated from other assets in the Foundation, and held, invested, managed, and administered for the sole purpose of supporting reproductive medical research at the Jones Institute for Reproductive Medicine of Eastern Virginia Medical School, and therefore considered donor-restricted net assets.

Net assets with donor restrictions as of May 12, 2009 less any expenditures since that time are listed below as "EVMS". These funds must be used in support of EVMS.

Net assets with donor restrictions received after May 12, 2009 are listed below as "Non-EVMS". Restrictions on the "Non-EVMS" funds are based on the original donor agreement.

Serono Laboratories, Inc. contributed \$1,000,000 in 1992 to the Jones Institute Foundation for the establishment of an endowed chair at the Eastern Virginia Medical School in the name of Howard and Georgeanna Jones. This agreement stipulates that 95% of the capital earnings be used to support the chair's direct and indirect expenses at EVMS. The remaining 5% is to be added to principal.

The Shirley Kheel Memorial Fund was established by a donor in 1994 for the establishment of an endowed mini-symposium in memory of Shirley Kheel. In June 2012 the donor requested that 95% of capital earnings of this fund be used to support educational purposes and the remaining 5% be added to principal.

At June 30, 2020 and 2019, the Foundation's net assets consisted of the following:

	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions:		
Operating	\$ 97,228	\$ 41,276
Quasi endowment, board designated	397,608	453,718
Shirley Kheel Family Fund, board designated	32,483	20,050
Jones Rounds, board designated	<u>(86,005)</u>	<u>(86,005)</u>
Total net assets without donor restrictions	<u>\$ 441,314</u>	<u>\$ 429,039</u>
Net assets with donor restrictions:		
Purpose restricted, Non-EVMS		
Serono Laboratories, Inc.	\$ (57,009)	\$ 40,346
Jones-Andrews Scholarship Fund	3,173	4,659
Shirley Kheel Memorial Fund	<u>15,351</u>	<u>16,518</u>
Purpose restricted, Non-EVMS total	<u>(38,485)</u>	<u>61,523</u>
Purpose restricted, EVMS:		
Jones-Andrews Scholarship Fund	115,200	115,200
Shirley Kheel Memorial Fund	<u>15,210</u>	<u>17,560</u>
Purpose restricted, EVMS total	<u>130,410</u>	<u>132,760</u>
Perpetually restricted:		
Serono Laboratories, Inc.	1,046,640	1,047,223
Shirley Kheel Memorial Fund	<u>51,822</u>	<u>51,872</u>
Total perpetually restricted	<u>1,098,462</u>	<u>1,099,095</u>
Total net assets with donor restrictions	<u>\$ 1,190,387</u>	<u>\$ 1,293,378</u>

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

12. 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.
- 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, 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>

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A summary of the activity in endowment fund for the year ended June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 448,593	\$ 1,168,483	\$ 1,617,076
Contributions	5,125	-	5,125
Transfer from endowment to net assets without donor restrictions	-	(10,000)	(10,000)
Investment return:			
Investment income	10,387	44,579	54,966
Net depreciation (realized and unrealized loss)	(17,547)	(20,387)	(37,934)
Appropriation of expenditure	<u>(2,076)</u>	<u>(9,156)</u>	<u>(11,232)</u>
Endowment net assets, end of year	<u>\$ 444,482</u>	<u>\$ 1,173,519</u>	<u>\$ 1,618,001</u>

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, 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>

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The endowment net assets at June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Serono Laboratories, Inc.*	\$ -	\$ 1,087,568	\$ 1,087,568
Shirley Kheel Memorial Fund	-	85,951	85,951
Quasi endowment, board designated	<u>444,482</u>	<u>-</u>	<u>444,482</u>
	<u>\$ 444,482</u>	<u>\$ 1,173,519</u>	<u>\$ 1,618,001</u>

*As of 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 endowed balance of \$989,631. Of the amount released by Serono Laboratories, Inc., EVMS and the Foundation, \$395,016 was restricted for other programs within the EVMS Jones Institute administered by the Foundation. The remaining portion was reclassified to net assets without donor restrictions.

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 December 3, 2020, the date the financial statements were available to be issued.