Morris Animal Foundation

Financial Statements

June 30, 2020

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

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Independent Auditor's Report

Board of Directors
Morris Animal Foundation

Report on Financial Statements
We have audited the accompanying financial statements of Morris Animal 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 then ended, and the related notes to the financial statements.

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Morris Animal Foundation 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.

Board of Directors
Morris Animal Foundation

Report on Summarized Information

We have previously audited Morris Animal Foundation's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15, 2019. In our opinion, the summarized 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.

Kundinger, Corder & Engle, P.C.

November 16, 2020

Morris Animal Foundation
Statement of Financial Position
June 30, 2020
(With Summarized Information for 2019)

		2020	2019
Assets			
Cash and cash equivalents	$	7,021,296	4,094,870
Prepaid expenses and other assets		102,670	16,245
Contributions receivable (note 3)		346,694	674,231
Investments (note 4)		83,091,222	91,300,837
Property and equipment, net (note 5)		272,913	280,364
Total assets	$	90,834,795	96,366,547
Liabilities and Net Assets			
Accounts payable	$	445,935	301,124
Accrued liabilities		208,798	147,678
Grants payable (note 6)		4,979,122	5,079,846
Paycheck Protection Program loan (note 11)		788,500	-
Charitable gift annuities payable (note 7)		776,774	825,263
Total liabilities		7,199,129	6,353,911
Net assets (note 8)			
Without donor restrictions		28,349,603	29,783,178
With donor restrictions		55,286,063	60,229,458
Total net assets		83,635,666	90,012,636
Commitments (notes 4, 9 and 10)			
Total liabilities and net assets	$	90,834,795	96,366,547

See the accompanying notes to the financial statements.

Morris Animal Foundation

Statement of Activities

Year Ended June 30, 2020

(With Summarized Information for 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Revenue, Gains and Support				
Contributions	$ 7,614,448	3,548,725	11,163,173	11,926,167
Donated professional services	128,247	1,130,124	1,258,371	1,264,592
Net investment return	(2,271,493)	(3,401,162)	(5,672,655)	8,592,794
Other income	7,102	-	7,102	4,671
Change in value of gift annuities	-	(77,170)	(77,170)	(56,569)
Net assets released (note 8)	6,143,912	(6,143,912)	-	-
Total revenue, gains and support	11,622,216	(4,943,395)	6,678,821	21,731,655
Expenses				
Program services				
Scientific programs	4,842,056	-	4,842,056	4,462,590
Canine Lifetime Health Project (CLHP)	2,932,354	-	2,932,354	2,853,357
Program awareness	1,511,708	-	1,511,708	1,250,457
Total program services	9,286,118	-	9,286,118	8,566,404
Supporting services				
Management and general	1,387,998	-	1,387,998	898,205
Development and fundraising	2,381,675	-	2,381,675	1,915,745
Total supporting services	3,769,673	-	3,769,673	2,813,950
Total expenses	13,055,791	-	13,055,791	11,380,354
Change in net assets	(1,433,575)	(4,943,395)	(6,376,970)	10,351,301
Net assets, beginning of year	29,783,178	60,229,458	90,012,636	79,661,335
Net assets, end of year	$ 28,349,603	55,286,063	83,635,666	90,012,636

See the accompanying notes to the financial statements.

Morris Animal Foundation

Statement of Functional Expenses
Year Ended June 30, 2020
(With Summarized Information for 2019)

	Program Services				Supporting Services			
	Scientific Programs	CLHP	Program Awareness	Total	Management and General	Development	Total 2020	Total 2019
Awards and grants	$ 3,039,643	-	26,500	3,066,143	-	-	3,066,143	2,576,978
Salaries, benefits and taxes	630,275	1,330,666	991,439	2,952,380	960,078	1,492,828	5,405,286	4,183,495
Professional services	859,065	350,426	21,315	1,230,806	59,713	-	1,290,519	1,295,465
Contract services	26,312	1,084,787	30,081	1,141,180	41,216	118,263	1,300,659	1,285,981
Printing and promotion	-	975	143,868	144,843	110	320,973	465,926	430,212
Travel	10,075	10,687	21,554	42,316	7,213	67,895	117,424	120,018
Miscellaneous expense	5,546	13,028	155,001	173,575	16,983	85,245	275,803	402,102
Supplies	185,625	54,731	32,379	272,735	51,106	90,141	413,982	385,141
Conferences and meetings	34,924	7,979	21,073	63,976	66,858	8,387	139,221	209,942
Occupancy	32,764	67,128	52,444	152,336	43,044	69,435	264,815	232,847
Postage and shipping	705	2,724	7,355	10,784	1,722	95,120	107,626	107,473
Professional development	15,901	6,300	6,663	28,864	55,495	30,680	115,039	75,916
Depreciation	-	359	-	359	82,849	-	83,208	62,633
Special events	-	-	-	-	-	-	-	572
Equipment rental and maintenance	1,221	2,564	2,036	5,821	1,611	2,708	10,140	11,579
Total	$ 4,842,056	2,932,354	1,511,708	9,286,118	1,387,998	2,381,675	13,055,791	11,380,354

See the accompanying notes to the financial statements.

Morris Animal Foundation
Statement of Cash Flows
Year Ended June 30, 2020
(With Summarized Information for 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	$ (6,376,970)	10,351,301
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	83,208	62,633
Realized and unrealized (gain) loss on investments	5,556,693	(8,564,969)
Contributions restricted for endowment	(800,000)	(1,000)
Change in value of charitable gift annuitites	77,170	56,569
(Increase) decrease in operating assets		
Prepaid expenses	(86,425)	75,937
Contributions receivable	327,537	1,082,326
Increase (decrease) in operating liabilities		
Accounts payable	144,811	(139,370)
Accrued liabilities	61,120	32,434
Grants payable	(100,724)	(899,930)
Charitable gift annuities payable	(125,659)	(81,054)
Net cash provided by (used in) operating activities	(1,239,239)	1,974,877
Cash flows from investing activities		
Purchases of property and equipment	(75,757)	(77,991)
Net (purchases) sales of investments	2,652,922	(968,130)
Net cash provided by (used in) investing activities	2,577,165	(1,046,121)
Cash flows from financing activities		
Proceeds from Paycheck Protection Program loan	788,500	-
Contributions restricted for endowment	800,000	1,000
Net cash provided by financing activities	1,588,500	1,000
Net increase in cash and cash equivalents	2,926,426	929,756
Cash and cash equivalents, beginning of year	4,094,870	3,165,114
Cash and cash equivalents, end of year	$ 7,021,296	4,094,870

See the accompanying notes to the financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

Morris Animal Foundation (the Foundation) was founded as a nonprofit organization in 1948. The Foundation is a global leader in supporting scientific research that advances veterinary medicine. This research has improved the health and quality of life for dogs, cats, horses and wildlife around the world by leading to better preventions, diagnostic tools, treatment protocols and cures. The Foundation is funded by contributions and investment earnings from those contributions.

(b) Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

The Foundation is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors, and include board designated funds subject to the endowment spending policy.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

(c) Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an initial maturity of three months or less, and that are not held as part of an investment portfolio, to be cash equivalents.

(d) Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and investments, and contributions receivable. The Foundation places its cash and temporary investments with creditworthy, high-quality financial institutions. At times, a significant portion of the funds are not insured by the Federal Deposit Insurance Corporation.

(1) Summary of Significant Accounting Policies, Continued

(d) Concentrations of Credit Risk, Continued

Investments are under the guidance of the Foundation's investment committee and an independent advisor. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of the Foundation.

Credit risk with respect to contributions receivable is considered by management to be limited because they are receivable from individuals with a demonstrated history of payment, or from estates.

(e) Investments

Investments are reported at fair value. Fair value is determined as more fully described in note 1(f).

Investments in marketable equity and fixed income securities with readily determinable market values are reported at fair value based on quoted prices in active markets. The market values for alternative investments represent the Foundation's pro-rata interest in the net assets of each investment and are based on financial information determined and reported by investment managers or on the basis of other information evaluated periodically by management. Alternative investments are not publicly traded on national security market exchanges, are generally illiquid and may be valued differently than if readily available markets existed for such investments. Because of inherent uncertainties of valuation of alternative investments, the reported market values of such investments may differ significantly from realizable values. Management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable.

Investment return consists of the Foundation's distributive share of any interest, dividends, capital gains and losses generated from investments, as well as the change in fair value of the investments. Gains and losses attributable to investments are realized and reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the change in net assets in the statement of activities.

(f) Fair Value Measurements

Fair value is defined 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. Generally accepted accounting principles in the United States establishes a fair value hierarchy that prioritizes investments based on the assumptions market participants would use when pricing an asset. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs).

(1) Summary of Significant Accounting Policies, Continued

(f) Fair Value Measurements, Continued

The Foundation groups assets at fair value in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. In addition, the Foundation reports certain investments using the "practical expedient" method. The practical expedient allows net asset value per share or its equivalent to represent fair value for reporting purposes when the criteria for using this method are met. Investments valued using net asset value per share or its equivalent are not categorized within the hierarchy.

These levels are:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs that cannot be corroborated by observable market data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

These classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

The carrying amount reported in the statement of financial position for cash and cash equivalents, contributions receivable, accounts payable, accrued liabilities and grants payable, approximate fair value because of the immediate or short term maturities of these financial instruments.

(g) Property and Equipment

Property and equipment are stated at cost at the date of purchase or, if donated, at the approximate fair market value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets (3 to 10 years), or the lease term.

(1) Summary of Significant Accounting Policies, Continued

(g) Property and Equipment, Continued

The Foundation's policy is to capitalize all expenditures for property and equipment in excess of $3,000 and with a useful life exceeding one year, and to expense normal repairs and maintenance as incurred. Management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

(h) Contributions and Contributions Receivable

Contributions are recognized when cash, securities, and unconditional promises to give are received. 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 are substantially met.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions and grants are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Unconditional contributions receivable that are expected to be collected within one year are recorded at net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, if the discount is significant to the overall financial statements. The discounts are computed using risk-adjusted interest rates applicable to the years in which the pledges are received; discount amortization is included in contribution revenue.

The Foundation uses the direct write-off method to recognize bad debt expense on uncollectible amounts.

(i) Grant Expense

Grant expense is recognized in the period the grant is approved, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. There were no conditional grants at June 30, 2020.

Grants payable that are expected to be paid in future years have not been discounted to net present value because the discount is not significant.

(1) Summary of Significant Accounting Policies, Continued

(j) Donated Services

Donated services are recorded as contributions and corresponding expenses at their estimated fair values at the date of donation. Included in donated professional service revenue and program service expense are services donated by volunteer scientists who evaluate, select and monitor the animal health studies chosen to receive Foundation funding. The estimated value of these services in 2020 was $1,258,371.

(k) Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. The Foundation incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Foundation also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fundraising and management and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount, square-footage, or estimates of time and effort incurred by personnel.

(l) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

(m) Income Tax Status

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and contributions received qualify for the charitable contribution deduction. Income from activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. At times, certain of the Foundation's investment funds report unrelated business income which is taxable to the Foundation. The Foundation was not liable for tax on unrelated business for fiscal year 2020.

The Foundation is required to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The Foundation believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are significant to the financial statements. The Foundation's tax returns for 2017 through 2019 are subject to examination by the IRS, generally for three years after the date they were filed.

(1) Summary of Significant Accounting Policies, Continued

(n) Subsequent Events

The Foundation has evaluated subsequent events through November 16, 2020, the date the financial statements were available to be issued. Although uncertainties related to the COVID-19 pandemic are on-going at the date of issuance, it is unlikely that Foundation activities in fiscal year 2021 will be significantly impacted. Management and the Board of Directors continue to monitor the situation.

(o) Prior Year 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 the year ended June 30, 2019, from which the summarized information was derived.

(p) New Accounting Pronouncement

During 2020, the Foundation adopted 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*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 applicable to both contributions received and to contributions made have been implemented in the accompanying financial statements under a modified prospective basis. There was no effect on net assets in connection with the implementation of ASU 2018-08.

(2) Availability and Liquidity of Financial Assets

The following reflects the Foundation's financial assets as of June 30, 2020 that are available for general expenditure within one year:

Cash and cash equivalents	$ 7,021,296
Contributions receivable within one year	331,850
Amounts available through board resolution	
Board designated general endowment appropriation	3,100,928
Donor restricted endowment earnings appropriation	555,694
Financial assets available for general expenditure	$ 11,009,768

(2) Availability and Liquidity of Financial Assets, Continued

General expenditures include administrative, program, and fundraising expenses incurred in the conduct of the Foundation's ongoing activities. The Foundation anticipates collecting sufficient revenue to cover general expenditures not covered by the above current financial assets available largely through contributions.

The Foundation's investments are invested for long-term appreciation and current income, and approximately 63% of the portfolio has various liquidity features. The Foundation's policy is to maintain three-times the annual spending needs with investments that have quarterly liquidity or shorter. Earnings on both board designated and donor restricted endowment funds are subject to the Foundation's distribution policy. Appropriations from board designated funds can be increased or decreased at the discretion of the board.

(3) Contributions Receivable

At June 30, 2020, unconditional contributions are scheduled to be received as follows for years ending June 30:

2021	$ 331,850
2022	12,344
2023	2,500
Total	$ 346,694

Management has determined that all contributions receivable are collectible. Contributions receivable have not been discounted to net present value because the amount is insignificant.

(4) Investments

The Foundation's investment assets, which include private and publicly held investments, are dedicated to providing the financial resources needed to meet the Foundation's grant making and other charitable objectives. The Foundation's investments are held in various investment structures which may include foreign domiciled funds and pooled investments.

Marketable and private alternative investments are exposed to various risks that may cause the reported value of the Foundation's investment assets to fluctuate from period to period and result in a material change to the net assets of the Foundation. Investments in equity securities fluctuate in value in response to many factors such as the activities and financial condition of individual companies, business and industry market conditions and the general economic environment. The value of bond investments and other fixed income securities fluctuate in response to changing interest rates, credit worthiness of issuers and overall economic policies that impact market conditions.

(4) Investments, Continued

Some investment managers retained by the Foundation are permitted to use various investment strategies and techniques that are designed to achieve higher investment returns with lower volatility and low correlations to major market indices and other asset classes. Strategies and techniques, such as the use of leverage, futures and forward contracts, option agreements, and other derivative instruments, create special risks and could increase the impact of adverse security price movements on the Foundation's investment portfolio.

Investments consist of the following at June 30, 2020:

Private investments	$ 24,668,749
Real assets	3,664,424
Less-correlated strategies	8,413,882
Fixed income	10,061,685
International emerging markets	6,180,384
Non-U.S. developed equity	8,191,977
US small/mid cap	1,718,719
US large cap	12,988,367
Cash and cash equivalents	7,203,035
Total investments	$ 83,091,222

Certain of the Foundation's investments require that the Foundation commit to investing additional funds. At June 30, 2020, the Foundation had unfunded commitments totaling approximately $16,400,000.

The following table summarizes the valuation of the Foundation's investments by the fair value hierarchy levels as of June 30, 2020:

	Fair Value	Assets Measured at NAV (a)	Level 1	Level 2	Level 3
Private investments	$ 24,668,749	24,668,749	-	-	-
Real assets	3,664,424	3,609,338	55,086	-	-
Less-correlated strategies	8,413,882	8,413,882	-	-	-
Fixed income	10,061,685	3,564,553	6,497,132	-	-
International emerging markets	6,180,384	6,180,384	-	-	-
Non-US developed equity	8,191,977	3,046,562	5,145,415	-	-
U.S. small/mid cap	1,718,719	1,666,646	52,073	-	-
U.S. large cap	12,988,367	8,898,104	4,090,263	-	-
Cash and cash equivalents	7,203,035	-	7,203,035	-	-
Total investments	$ 83,091,222	60,048,218	23,043,004	-	-

(a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient, which is a reasonable estimate of fair value, have not been classified in the fair value hierarchy. The fair value amounts presented in the above table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

(4) Investments, Continued

All Level 1 investments have been valued using a market approach. All other investments are valued at net asset value per share (or its equivalent) as permitted under the practical expedient rule. There were no changes in valuation techniques during the current year.

The following table summarizes the significant information related to investments valued at net asset value per share (or its equivalent) as of June 30, 2020:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private investments (a)	$ 24,668,749	12,370,818	None to quarterly	90 days
Real assets (b)	$ 3,609,338	1,687,663	None to quarterly	N/A
Less-correlated (c)	$ 8,413,882	2,322,497	Monthly to semi-annually	60-180 days
Int'l emerging markets (d)	$ 6,180,384	–	Monthly to quarterly	10-60 days
Fixed income (e)	$ 3,564,553	–	None to quarterly	90 days
U.S. equity funds (f)	$ 10,564,750	–	Monthly to quarterly	30-60 days
Non-U.S. developed Equity (g)	$ 3,046,562	–	Monthly to quarterly	15-90 days

(a) This category consists of twenty-four private investment funds, all of which are illiquid. Approximately 61% of this category is comprised of Morgan Creek Partners funds totaling $15,146,825. The majority of the funds specialize in fund of fund investments that invest primarily in energy and natural resources, buyouts, venture capital and real estate. Approximately 7% of this category is in a partnership that targets managers whose investment strategies include growth equity, cross-over, multi-stage venture, seed stage and early stage investing. Another 7% of this category consists of a fund that invests in companies that derive at least 50% of their revenue from the natural resource industry. Approximately 7% of this category is in a partnership fund that specializes in lower middle market buyout focused on the defense, aerospace and maritime industries. The remaining 18% is invested in various funds with various investment strategies. All of the funds in this category are valued using net asset value per share.

(4) Investments, Continued

(b) This category consists of five funds, most of which are illiquid. Approximately 24% of this category consists of a fund-of-funds that seeks to invest in buyout funds, venture capital, real estate, and energy funds. Approximately 21% of this category consists of a fund that invests primarily in select global aircraft and aviation related hard and soft assets. Approximately 25% is invested in a fund that focuses on event-driven and distressed investment strategies. Approximately 10% is invested in a global equity long/short institutional fund which seeks managers with a fundamentally different risk/return profile than what is offered by the market. The remaining 20% is invested in a fund that seeks investments with the opportunity to create or capture value across three types of real estate transactions: corporate platforms, loans and securities, and direct assets. The fair value of all funds in this category has been estimated using net asset value per share.

(c) This category consists of seven funds with varying liquidity features. Approximately 39% of this category consists of a multi-manager fund of funds that deploys its assets to accounts managed by sub-advisors who invest principally in global equity markets by employing a long/short investment strategy. Approximately 26% of this category is in a fund that invests across a wide variety of market caps with large and mid-cap positions comprising the bulk of the portfolio. The fund takes offsetting long and short positions in comparable securities which typically have an economic relationship to each other. Approximately 17% of this category consists of a market-neutral, long/short equities fund investing in equity securities listed on global exchanges. Another 17% is invested in a partnership that seeks to generate meaningful, uncorrelated returns by exploiting structural inefficiencies and short-term pricing anomalies in global equity index volatility markets. The remaining 1% consists of two partnerships with no liquidity and varying investment strategies. The fair value of all funds in this category has been estimated using net asset value per share.

(d) This category consists of two funds. Approximately 67% is invested in a fund that invests primarily in both long and short Asia-related equity investments with the objective of achieving long-term significant capital gain while maintaining low correlation with relevant indices. Approximately 33% of this category is invested in a fund that invests in emerging markets in Asia, Latin America, Eastern Europe, the Middle East, and Africa using a long-only strategy. The fair value of the funds in this category has been estimated using net asset value per share.

(e) This category consists of two funds with varying liquidity features. Approximately 73% of this category consists of a fund that invests primarily in public and private non-investment grade and non-rated debt securities. The remaining 27% consists of a fund that invests primarily in senior secured corporate debt instruments based mainly in North America. The fair value of the funds in this category has been estimated using net asset value per share.

(4) Investments, Continued

(f) This category consists of five funds with varying liquidity features. Approximately 23% is invested in a fund dedicated to exploiting opportunity in industries driven by technological innovation, specifically in the technology, d-commerce, internet media, traditional media, alternative energy and telecom industries. Approximately 16% is invested in U.S. and non-U.S. long equity positions, short equity positions, and select fixed income positions with the objective of earning long-term rates of return with an emphasis on capital preservation. Approximately 16% of this category invests primarily in equity securities with the objective of achieving above-average, long-term capital appreciation. Approximately 23% of this category invests primarily in equity securities with an emphasis on mid- to large- capitalization companies. Approximately 22% of this category invests primarily in U.S. and non-U.S. equity securities publicly traded on U.S. exchanges using a quantitative, long-biased investment strategy. The fair value of the funds in this category have been estimated using net asset value per share.

(g) This category consists of two funds. Approximately 59% is a long/short global equity hedge fund specifically focusing on Europe, but also North America and Asia. The second fund comprises 41% of the total and consists of a partnership that invests primarily in international small cap stocks. The fair value of the funds in this category has been estimated using net asset value per share.

(5) Property and Equipment

Property and equipment consists of the following at June 30, 2020:

Office furniture and equipment	$ 301,418
Computer hardware and software	265,171
Leasehold improvements	44,889
	611,478
Accumulated depreciation	(338,565)
Property and equipment, net	$ 272,913

(6) Grants Payable

Unconditional grants which have been approved but not paid are due as follows for years ending June 30:

2021	$ 3,481,392
2022	925,398
2023	343,020
2024	154,312
2025	75,000
Total grants payable	$ 4,979,122

(7) Charitable Gift Annuities Payable

Charitable gift annuities are arrangements between a donor and the Foundation in which the donor contributes assets to the Foundation in exchange for a promise for the Foundation to pay the donor a fixed amount for a specified period of time. Assets received have been recognized at fair value, and an annuity payment liability of $776,774 at June 30, 2020 has been recognized at the present value of the future cash flows projected to be paid. The liability has been calculated by discounting the future cash flows using rates obtained from the Internal Revenue Code mortality tables and the applicable federal rate. Included in the investment balance in the accompanying statement of financial position are annuity reserves totaling $1,662,421 to cover the annuity payment liability.

(8) Net Assets

Net assets without donor restrictions are as follows at June 30, 2020:

Undesignated	$ 5,733,982
Board designated endowment	22,615,621
Total net assets without donor restrictions	$ 28,349,603

The board designated endowment funds are subject to the endowment spending policy as described below.

Net assets with donor restrictions consist of the following at June 30, 2020:

Specific purpose or time	
Canine health and research	$ 6,109,210
Veterinary student scholars program	152,935
Feline health and research	122,594
Wildlife and special species health and research	1,307,996
Purpose or time restrictions	7,692,735
Donor restricted endowments	
Perpetual endowments	46,192,074
Term endowments and unappropriated earnings on perpetual endowments	1,401,254
Donor restricted endowments	47,593,328
Total net assets with donor restrictions	$ 55,286,063

During the year ended June 30, 2020, net assets totaling $6,143,912 were released from restriction due to the passage of time, incurring expenditures in accordance with donor restrictions, or appropriation of endowment earnings or funds for expenditure in accordance with the terms of the endowment agreements.

(8) Net Assets, Continued

Endowment Funds

The Foundation's endowment net assets consist of the following at June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total Endowments
Board designated endowments	$ 22,615,621	–	22,615,621
Term endowments and unappropriated earnings on perpetual endowments	–	1,401,254	1,401,254
Perpetual endowments	–	46,192,074	46,192,074
Total endowment net assets	$ 22,615,621	47,593,328	70,208,949

Perpetual endowments consist of sixteen donor restricted funds subject to the terms of the endowment agreements. Net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the perpetual endowment funds consist of (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, unless the donor specifies that the corpus of the endowment fund can be appropriated for expenditure in accordance with the Foundation's spending policy.

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

(1) The duration and preservation of the fund
(2) The purpose of the Foundation and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other Foundation resources
(7) The investment policies of the Foundation

(8) Net Assets, Continued

Following are the changes in the endowment net assets for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total Endowments
Endowment net assets, June 30, 2019	$ 23,659,625	52,055,085	75,714,710
Investment return	(1,962,114)	(3,355,030)	(5,317,144)
Contributions	7,742,695	960,325	8,703,020
Appropriated for expenditure	(6,824,585)	(2,067,052)	(8,891,637)
Endowment net assets, June 30, 2020	$ 22,615,621	47,593,328	70,208,949

Return Objectives and Risk Parameters
The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a reasonable, predictable, stable and sustainable level of distribution that supports current needs while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to preserve the real purchasing power and seek stable real total returns over the long-term while maintaining adequate current liquidity and cash flow to meet operating needs and with an emphasis on preservation of principal.

Strategies Employed for Achieving Objectives
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). While preservation of capital is important, the Foundation also believes that varying degrees of investment risk are generally rewarded with compensating returns.

Spending Policy and How the Investment Objectives Relate to Distribution Policy
Distributions from the endowment funds are based on 4% or 5% of the twelve quarter trailing average of each separate endowment fund, depending on donor instructions. It is the expectation that on average, over the long term, the overall draw will be generally lower than 5% of the assets of the investment pool.

(9) Retirement Plan

The Foundation provides a tax sheltered annuity plan (the Plan) for all eligible employees. Employees are able to make elective deferrals beginning on their date of hire, and are eligible for matching contributions after 90 days of service. Participants may elect to defer up to 100% of their compensation, not to exceed a certain dollar limit set by law. The Foundation makes matching contributions equal to 100% of the participant’s elective deferral, up to 6% of the participant’s compensation. All contributions to the Plan vest immediately. Employer contributions in 2020 were $230,333.

(10) Commitments

Office Lease

The Foundation leases its office space and certain equipment under non-cancelable operating lease agreements. The equipment and office leases expire in July 2019 and December 2024, respectively. Future minimum lease payments required under the lease agreements are as follows for years ending June 30:

2021	$ 269,051
2022	274,983
2023	268,447
2024	265,474
2025	158,114
Total	$ 1,236,069

Rent expense in 2020 was $256,762.

Canine Lifetime Health Project

The Foundation launched the Canine Lifetime Health Project (CLHP) in 2011 to identify genetic, environmental and nutritional risk factors leading to the development of cancer and other health conditions in dogs. The project enrolls golden retrievers and follows them for up to 13 years. The Foundation expects to spend roughly $32 million on CLHP-related costs over the life of the project.

(11) Paycheck Protection Program Loan

In April 2020, the Foundation received a $788,500 loan under the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP) authorized under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). Under the program, this loan may be partially or fully forgiven if certain eligibility requirements are met, including that 60% of the loan must be spent on payroll. The loan is being treated as a refundable advance of a conditional contribution until such time that the loan has been explicitly forgiven by the SBA. At such time that the loan is forgiven, the conditions will be considered met and the Foundation will recognize contribution revenue in the amount of the loan forgiveness.

In the case that the loan is not forgiven in its entirety, the outstanding balance is payable in equal amounts required to fully amortize the principal amount outstanding on the note by the maturity date of April 13, 2022. The loan is unsecured, and interest is charged at 1% per annum.