

**LINDA PACE FOUNDATION**

**Audited Consolidated Financial Statements  
(Modified Cash Basis)**

**December 31, 2020**

**ADKF, P.C.**  
*Certified Public Accountants*

**LINDA PACE FOUNDATION**  
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**December 31, 2020 and 2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Linda Pace Foundation  
San Antonio, Texas

### *Report on the Consolidated Financial Statements*

We have audited the accompanying consolidated financial statements of Linda Pace Foundation, which comprise the consolidated statements of financial position - modified cash basis as of December 31, 2020 and 2019, and the related consolidated statements of activities - modified cash basis for the years then ended, and the related notes to the consolidated 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 the modified cash basis of accounting; this includes determining the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 consolidated financial statements based on our audits. We conducted our audits in accordance with U. S. generally accepted auditing standards. 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.

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#### MAIN OFFICE:

8610 N. New Braunfels, STE 101  
San Antonio, TX 78217

Phone: 210.829.1300  
Fax: 210.829.4080

672 Ridge Hill Dr., STE B  
New Braunfels, TX 78130

Phone: 830.387.4441

616 E. Blanco, STE 300e  
Boerne, TX 78006

Phone: 830.815.1100



[WWW.ADKF.CPA](http://WWW.ADKF.CPA)

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position - modified cash basis of Linda Pace Foundation as of December 31, 2020 and 2019, and the results of its consolidated activities - modified cash basis for the years then ended in accordance with the modified cash basis of accounting described in Note A.

***Basis of Accounting***

We draw attention to Note A of the financial statements, which describes the basis of accounting. The consolidated financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

***ADKF, PC***

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ADKF, P.C.  
San Antonio, Texas  
November 11, 2021

**LINDA PACE FOUNDATION**  
**Consolidated Statements of Financial Position - Modified Cash Basis**  
**December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 71,788	\$ 203,522
Accounts receivable	620	-
Inventory	11,918	10,064
Prepaid expenses	-	63,427
Total current assets	<u>84,326</u>	<u>277,013</u>
Investment Securities	53,251,209	51,654,944
Property and Equipment:		
Furniture and equipment	<u>335,454</u>	<u>329,946</u>
Total property and equipment	335,454	329,946
Less accumulated depreciation	<u>(199,377)</u>	<u>(160,240)</u>
Net property and equipment	136,077	169,706
Exempt Purpose Assets:		
Art collection	26,641,153	26,486,300
Chrispark, net of accumulated depreciation	786,441	860,215
SPACE, net of accumulated depreciation	303,019	315,432
Pace Exhibitions, net of accumulated depreciation	15,919,516	16,525,623
Operations, net of accumulated depreciation	<u>2,588,777</u>	<u>2,651,351</u>
Total exempt purpose assets	46,238,906	46,838,921
Other Assets:		
130 Schreiner Place	67,882	67,882
160 Culebra	<u>14,085</u>	<u>14,085</u>
Total other assets	<u>81,967</u>	<u>81,967</u>
<b>Total Assets</b>	<u><u>\$ 99,792,485</u></u>	<u><u>\$ 99,022,551</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	<u>\$ 34,807</u>	<u>\$ 28,851</u>
Total current liabilities	34,807	28,851
Net Assets	<u>99,757,678</u>	<u>98,993,700</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 99,792,485</u></u>	<u><u>\$ 99,022,551</u></u>

*See notes to audited financial statements.*

**LINDA PACE FOUNDATION**  
**Consolidated Statements of Activities - Modified Cash Basis**  
**Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Support and Revenues</b>		
Transfer of estate	\$ -	\$ 661
Grant revenue - PPP loan	167,750	-
Contributed works of art	14,101	-
Other income	15,736	4,717
Investment earnings:		
Realized gains	2,178,385	155,525
Unrealized gains	284,093	6,764,977
Interest	-	27,038
Dividends	1,350,536	1,525,672
Partnership distributions	84,233	278,024
Investment manager fees and charges	(272,391)	(289,332)
Investment earnings, net	<u>3,624,856</u>	<u>8,461,904</u>
Total support and revenues	<u>3,822,443</u>	<u>8,467,282</u>
<b>Expenses</b>		
Grants to Artpace	600,000	600,000
Program fees	1,784	46,342
Trustee meeting fees and retainers	66,000	120,000
Management and general	1,284,722	1,189,120
CHRISpark operations, net	102,162	98,195
SPACE operations, net	38,280	103,594
Pace Exhibitions operations, net	860,051	812,177
LPF Operations, net	105,466	100,026
Total expenses	<u>3,058,465</u>	<u>3,069,454</u>
<b>Change in Net Assets</b>	763,978	5,397,828
Net assets at beginning of year	<u>98,993,700</u>	<u>93,595,872</u>
<b>Net Assets at Year End</b>	<u>\$ 99,757,678</u>	<u>\$ 98,993,700</u>

*See notes to audited financial statements.*

**LINDA PACE FOUNDATION**  
**Consolidated Statements of Functional Expenses - Modified Cash Basis**  
**Years Ended December 31, 2020 and 2019**

	<b>2020</b>		
	<u>Program</u>	<u>General and Administrative</u>	<u>Total</u>
Exhibitions & programs	\$ 37,244	\$ -	\$ 37,244
Collection care	5,743	-	5,743
Ruby City operations	240,135	(5,720)	234,415
Chrispark operations	25,130	2,725	27,855
Studio operations	23,577	300	23,877
LPF operations	42,565	325	42,890
Personnel & processing	645,903	251,056	896,959
PR, marketing & web	51,533	-	51,533
Commercial insurance	78,698	13,971	92,669
Depreciation	608,233	7,827	616,060
Tax return & audit fees	-	39,415	39,415
Supplies & admin expenses	37,330	59,820	97,150
Trustee fees & expense	-	70,442	70,442
Grants	635,000	-	635,000
Donation	187,213	-	187,213
	<u>2,618,304</u>	<u>440,161</u>	<u>3,058,465</u>
Total expenses	<u>2,618,304</u>	<u>440,161</u>	<u>3,058,465</u>

	<b>2019</b>		
	<u>Program</u>	<u>General and Administrative</u>	<u>Total</u>
Exhibitions & programs	\$ 417,866	\$ -	\$ 417,866
Collection care	41,990	-	41,990
Ruby City operations	243,513	6,473	249,986
Chrispark operations	15,216	7,418	22,634
Studio operations	44,949	575	45,524
LPF operations	37,740	45	37,785
Personnel & processing	385,555	159,968	545,523
PR, marketing & web	138,290	-	138,290
Commercial insurance	74,007	12,933	86,940
Depreciation	471,837	6,918	478,755
Tax return & audit fees	-	49,781	49,781
Supplies & admin expenses	104,418	115,059	219,477
Trustee fees & expense	-	134,903	134,903
Grants	600,000	-	600,000
	<u>2,575,381</u>	<u>494,073</u>	<u>3,069,454</u>
Total expenses	<u>2,575,381</u>	<u>494,073</u>	<u>3,069,454</u>

*See notes to audited financial statements.*

**LINDA PACE FOUNDATION**  
**Notes to Audited Consolidated Financial Statements**  
**December 31, 2020 and 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization and Nature of Activities:* The Linda Pace Foundation (“Foundation”) is a non-profit organization established by Linda Pace in April 2003 to manage her art collection and to promote the production and display of contemporary art in Texas and beyond through grants and other support. The Foundation is committed to the charitable vision of its founder. Guided by the donor’s conviction that contemporary art is essential to a dynamic society, the Foundation fosters the creation, presentation, and understanding of innovative expression through contemporary art. Consequently, certain investments report their fair value as of September 30 (the last available fair value) when the fair value as of December 31<sup>st</sup> is not readily accessible. Donated art work is not capitalized if the fair value is unavailable, but will be capitalized at the point in time an appraisal is obtained.

These financial statements include the operations of Linda Pace Foundation, as well as its four wholly-owned subsidiaries, all of which are single-member limited liability companies (LLCs).

*Chrispark, LLC:* Owns and operates a one-acre public park located at 111 Camp Street, just south of downtown, in San Antonio, Texas. The park features lush foliage, inviting walkways, areas of repose and encounters with contemporary art. The park opened in 2005 and celebrates the life of Linda’s son, Chris, with examples of nature’s beauty and artistic moments.

*Pace Space, LLC (SPACE):* Provides a gallery that exhibits the collection of the late philanthropist and artist Linda Pace, as well as related contemporary art exhibitions on an ongoing basis, and is free and open to the public. The gallery also hosts talks with artists. The entrance to SPACE is through Chrispark.

*Pace Exhibitions, LLC (a.k.a. Ruby City):* Includes exhibition space to house the late art patron’s 800-work contemporary art collection. The exhibition hall construction was completed in 2019. The two-story structure and has been integrated into the Foundation campus at Camp and South Flores streets. Sir David Adjaye, a world-renowned British architect, was the project designer. Ruby City will be free and open to the public. It is also the new home of the Foundation’s administration offices.

*LPF Operations, LLC (Operations):* Owns the real property used as a fine arts storage facility.

*Basis of Presentation:* The accompanying financial statements have been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Investments are stated at fair market value. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Contributions of works of art received without a fair value are not valued until the next appraisal period. As a private foundation, all net assets are considered *with donor restriction*.

*Sources of Revenue:* The Foundation received an annual contribution from the Pace 2005 Charitable Lead Annuity Trust (CLAT) through 2018 when the trust closed. \$661 was received in 2019 by the Trust and distributed to the Foundation. Other sources of revenue are primarily investment related.

*Cash:* Cash consists of cash on-hand and money market funds.



**LINDA PACE FOUNDATION**  
**Notes to Audited Consolidated Financial Statements**  
**December 31, 2020 and 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

*Investment Securities:* The Foundation reports its investment securities at fair market value, with a majority of the investments determining their fair value as of December 31; however, certain of the investments report their fair value as of September 30, and the fair value is not significantly different from the December 31 value. See Note C.

*Property and Equipment:* Property and equipment is stated at historical cost or estimated fair value at date of donation. Expenditures for betterments that materially extend the useful life of an asset are capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the related asset (generally three to five years for furniture, equipment and vehicles, and 15 to 30 years for buildings and improvements). Depreciation expense totaled \$39,137 in 2020 and \$34,589 in 2019.

*Chrispark, LLC:* Chrispark, LLC is stated at its actual cost of development and increased for capitalized costs incurred since that time. Depreciation on park improvements is provided over the estimated useful lives of the related assets. Accumulated depreciation totaled approximately \$794,000 at December 31, 2020 and \$719,000 at December 31, 2019.

*Pace Space, LLC:* Pace Space, LLC is stated at its actual cost of development and increased for capitalized costs incurred since that time. Depreciation on improvements is provided over the estimated useful lives of the related assets. Accumulated depreciation totaled approximately \$112,000 at December 31, 2020 and \$99,000 at December 31, 2019.

*Pace Exhibitions, LLC:* Pace Exhibitions, LLC is stated at its actual cost of development and increased for capitalized costs incurred since that time. Depreciation on exhibition hall improvements is provided over the estimated useful lives of the related assets. Accumulated depreciation totaled approximately \$719,000 at December 31, 2020 and \$294,000 at December 31, 2019.

*Operations, LLC:* Operations, LLC is stated at its actual cost of development and increased for capitalized costs incurred since that time. Depreciation on fine arts storage facility improvements is provided over the estimated useful lives of the related assets. Accumulated depreciation totaled approximately \$161,000 at December 31, 2020 and \$98,000 at December 31, 2019.

*Art Collection:* The Foundation's art collection is appraised about every 5 years. In 2012 the art collection was adjusted upward by \$16,056,433 to its reappraised estimated fair market value as provided by Christie's Appraisal's, Inc. on October 22, 2012. In 2017 Christie's provided an appraisal of multiple fine art pieces within the art collection and the Foundation recognized an increase in fair value of \$3,520,325. Purchases of additional works of art are capitalized at cost. Donated art work is capitalized at the time of donation if fair value is available, if not donated art work is valued at the time of the appraisal.

*Income Taxes:* Linda Pace Foundation is a non-profit organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. The Foundation is a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. Donors of money and/or property are entitled to the maximum charitable contribution deduction allowed by law. The Foundation is not subject to Texas margin tax. Management is not aware of any tax positions that would have a significant impact on its financial position. Its tax returns for the last four years remain subject to examination. The Foundation paid excise taxes of \$10,000 in 2019 and \$25,000 in 2018.

The subsidiaries are all single member LLCs, and their operations are included within the federal tax return of Foundation.

**LINDA PACE FOUNDATION**  
**Notes to Audited Consolidated Financial Statements**  
**December 31, 2020 and 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

*Functional Expenses:* The costs of providing services and other activities are summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited. Expenses are allocated on a basis of time and effort (such as salaries and benefits) as well as square footage (such as depreciation, office and occupancy) or other reasonable basis.

*Benefit Plan:* The Foundation has adopted a 401(k) plan which covers full-time employees. Participants may contribute to the Plan amounts as allowed by the Internal Revenue Code. The Foundation may make a matching contribution as determined by its Board of Trustees. The Foundation's matching contribution to the Plan totaled \$36,985 in 2020 and \$29,406 in 2019.

*Concentrations of Credit Risk:* Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of its investment securities. The Foundation utilizes the services of nationally recognized investment managers to facilitate the management of its investments and to mitigate its risk. The Foundation Trustees review the investment portfolio position on a monthly basis.

*Subsequent Events:* Subsequent events have been evaluated by management through the date of the independent auditor's report. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

*New Accounting Pronouncements:* These financial statements are prepared on the modified cash basis of accounting; accordingly, new accounting pronouncements generally only impact footnote disclosures and not the Foundation's statement of financial position or activities.

*Use of Estimates:* The preparation of financial statements in conformity with the modified cash basis of accounting 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 revenue and expenses during the reporting period. Actual results could differ from these estimates.

**NOTE B – FOUNDATION INVESTMENT MANAGER AND INVESTMENT SECURITIES**

UBS Financial Services, Inc., Goldman Sachs & Co., Adams Street Partners and KKR & Co, LP (formerly known as Kohlberg Kravis & Roberts) are the Foundation's investment managers. The investment managers are responsible for the physical custody of assets and make investment decisions subject to review by the Trustees.

The Foundation's By-Laws require that its Board consist of not less than three nor more than five Trustees. The Trustees of the Foundation as of December 31, 2020 are as follows:

Kathryn Kanjo

Laura Wright

Isaac Julien

**LINDA PACE FOUNDATION**  
**Notes to Audited Consolidated Financial Statements**  
**December 31, 2020 and 2019**

**NOTE C - FAIR VALUE MEASUREMENTS**

The Foundation follows Professional Standards related to “Fair Value Measurements,” which defines fair value, establishes a framework for using fair value to measure assets and liabilities, and expands disclosures about fair value measurements. The Standards established a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs are inputs that reflect assumptions of what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of the inputs, as follows:

- Level 1: Quoted prices are available in active markets for identical assets or liabilities;
- Level 2: Quoted prices in active markets for similar assets and liabilities that are observable for the asset or liability; or
- Level 3: Unobservable pricing inputs that are generally less observable from objective sources, such as discounted cash flow models or valuations.

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

*Description of Valuation Techniques Applied:* For investment securities traded on an exchange, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions. These actively traded investments included municipal securities, equities, and bonds.

The following tables set forth, by level within the fair value hierarchy, the Foundation’s investment securities and non-financial assets measured at fair value:

<u>December 31, 2020:</u>	<b>Fair Value Measurements Using</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,568,752	\$ -	\$ -	\$ 2,568,752
Equities and bonds:				
Common stocks	17,216,491	-	-	17,216,491
Other equities	15,651,475	-	-	15,651,475
Mutual funds	8,176,679	-	-	8,176,679
Investments at fair value	<u>\$ 43,613,397</u>	<u>\$ -</u>	<u>\$ -</u>	43,613,397
Investments measured at NAV				<u>9,637,812</u>
Total Investments				<u>\$ 53,251,209</u>
<u>Non-Financial Assets:</u>				
Art collection			<u>\$ 26,641,153</u>	<u>\$ 26,641,153</u>

**LINDA PACE FOUNDATION**  
**Notes to Audited Consolidated Financial Statements**  
**December 31, 2020 and 2019**

**NOTE C - FAIR VALUE MEASUREMENTS – Continued**

<u>December 31, 2019:</u>	<b>Fair Value Measurements Using</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 3,243,067	\$ -	\$ -	\$ 3,243,067
Equities and bonds:				
Common stocks	11,367,722	-	-	11,367,722
Other equities	22,012,236	-	-	22,012,236
Mutual funds	7,181,467	-	-	7,181,467
Investments at fair value	<u>\$ 43,804,492</u>	<u>\$ -</u>	<u>\$ -</u>	43,804,492
Investments measured at NAV				<u>7,850,452</u>
Total Investments				<u>\$ 51,654,944</u>
<u>Non-Financial Assets:</u>				
Art collection			<u>\$ 26,486,300</u>	<u>\$ 26,486,300</u>

The following table summarizes investments measured at fair value based on net asset value (NAVs) per share:

<u>December 31, 2020:</u>	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency (if currently eligible)</b>	<b>Redemption Notice Period</b>
Private equity funds	\$ 5,716,813	\$ 259,587	Not eligible, Monthly Quarterly	N/A, None 45-90 days
Hedge funds	<u>3,920,999</u>	-		
	<u>\$ 9,637,812</u>			
<u>December 31, 2019:</u>				
Private equity funds	\$ 3,982,778	\$ 259,897	Not eligible, Monthly Quarterly	N/A, None 45-90 days
Hedge funds	<u>3,867,674</u>	-		
	<u>\$ 7,850,452</u>			

**LINDA PACE FOUNDATION**  
**Notes to Audited Consolidated Financial Statements**  
**December 31, 2020 and 2019**

**NOTE C - FAIR VALUE MEASUREMENTS – Continued**

*Non-Financial Assets:* Fair value measurements are required for non-financial assets and liabilities that are measured and/or disclosed on a non-recurring basis. The Foundation’s art collection is included in this category. The following table sets forth a reconciliation of changes in the fair value of non-financial assets classified as Level 3 in the fair value hierarchy:

	<u>Art Collection</u>
Balance as of December 31, 2018	\$ 26,148,855
Change in valuation	-
Purchases	337,445
Sales	-
Depreciation charged	<u>-</u>
Balance as of December 31, 2019	26,486,300
Change in valuation	-
Purchases	154,853
Sales	-
Depreciation charged	<u>-</u>
Balance as of December 31, 2020	<u><u>\$ 26,641,153</u></u>

**NOTE D – OPERATING LEASES**

The Foundation does not have any significant leases.

**NOTE E – PAYCHECK PROTECTION PROGRAM**

The Foundation received funding under the Paycheck Protection Program (PPP) as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), administered by the U.S. Small Business Administration (SBA). Under the terms of the note, the Foundation received total proceeds of \$167,750. The proceeds were used for qualifying payroll and other permitted costs; accordingly, the Foundation management reported the funding as PPP grant revenue in 2020.

Management is currently completing the forgiveness application to formally have the funding forgiven by the SBA. Should forgiveness not be received, the grant will be repaid.

**LINDA PACE FOUNDATION**  
**Notes to Audited Consolidated Financial Statements**  
**December 31, 2020 and 2019**

**NOTE F – CONTRIBUTED NONFINANCIAL ASSETS**

The Foundation received two donated works of art during 2020. The donor did not provide the Foundation with a fair market value and the Foundation was unable to obtain an appraisal in 2020. The Foundation paid shipping costs for the art which is recorded as part of the Art Collection and the fair market value will be recognized when management obtains the next fair market reevaluation.

**NOTE G – LAND DONATION TO OTHERS**

Pace Exhibitions donated 0.610 acres of land to the San Antonio River Authority (SARA) for the San Pedro Creek Improvement Project. SARA agreed to pay Pace Exhibitions \$20,000 for reimbursement of design and legal costs incurred. Total book value of donated land is \$187,213 and is recorded under management and general expenses in the consolidating statement of activities.

**NOTE H – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

Accounting Standards Update 2016-14 requires management to discuss its financial resources that are available as of year-end and which may be utilized for operations over the next 12 month period. The Foundation has financial assets as reflected on its Statement of Financial Position. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for expenditures.

**NOTE I – SUBSEQUENT EVENTS**

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which could impact our operations. Any potential financial impact is unknown at this time.