FOREVER YOUNG FOUNDATION, INC.

Financial Statements
and
Independent Auditors' Report

Year Ended December 31, 2019

HBME

CERTIFIED PUBLIC ACCOUNTANTS

FOREVER YOUNG FOUNDATION, INC.

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COMMITTED. EXPERIENCED. TRUSTED

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Forever Young Foundation, Inc.

We have audited the accompanying financial statements of Forever Young Foundation, Inc. (the Foundation) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 consolidated 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 audits 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 Foundation'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 Forever Young Foundation, Inc. as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

HBME, LLC

December 19, 2020

FOREVER YOUNG FOUNDATION, INC.
Statement of Financial Position
December 31, 2019

ASSETS	
Current assets:	
Cash and cash equivalents	$ 1,940,735
Investments (notes 1,3)	525,575
Note receivable, current portion (note 5)	70,000
Related party note receivable, current portion (note 5)	13,395
Contributions receivable	114,180
Total current assets	2,663,885
Non-current assets:	
Fixed assets, net	150,000
Note receivable, net of discount (note 5)	1,287,971
Related party note receivable (note 5)	269,822
Total non-current assets	1,707,793
Total assets	$ 4,371,678
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	$ 2,606
Accrued expenses	3,266
Total current liabilities	5,872
Non-current liabilities	-
Total liabilities	5,872
Net assets:	
Without donor restrictions	
Unrestricted	2,849,428
With donor restrictions	
Time-restricted for future periods	1,516,378
Total net assets	4,365,806
Total liabilities and net assets	$ 4,371,678

The accompanying notes are an integral part of these financial statements.

FOREVER YOUNG FOUNDATION, INC.
Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND OTHER REVENUES			
Public support:			
Event revenue, net of direct donor benefits of $108,000 (note 2)	$ 1,245,761	$ 114,180	$ 1,359,941
Contributions:			
Cash	1,674,843	73,682	1,748,525
In-kind (note 1)	323,020	-	323,020
Total public support	3,243,624	187,862	3,431,486
Other revenues:			
Net investment return (notes 1,3)	190,087	-	190,087
Total public support and other revenue	3,433,711	187,862	3,621,573
Net assets released from restrictions	73,682	(73,682)	-
EXPENSES			
Program services:	3,074,337	-	3,074,337
Total program services	3,074,337	-	3,074,337
Supporting services:			
General and administrative	148,395	-	148,395
Marketing and development	151,216	-	151,216
Total supporting services	299,611	-	299,611
Total expenses	3,373,948	-	3,373,948
Change in net assets	133,445	114,180	247,625
Net assets, beginning of year (as restated)	2,715,983	1,402,198	4,118,181
Net assets, end of year	$ 2,849,428	$ 1,516,378	$ 4,365,806

The accompanying notes are an integral part of these financial statements.

FOREVER YOUNG FOUNDATION, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services	Supporting Services: General and Administrative	Supporting Services: Marketing and Development	Supporting Services: Total Supportive Services	Total Expenses
PERSONNEL EXPENSES					
Salaries and wages	$ 249,968	$ 94,334	$ 29,506	$ 123,840	$ 373,808
TOTAL PERSONNEL EXPENSES	249,968	94,334	29,506	123,840	373,808
OTHER EXPENSES					
Grant awards to others	2,412,484	-	-	-	2,412,484
Fundraising events	323,020	-	218,542	218,542	541,562
Conference and marketing	22,028	6,556	3,704	10,260	32,288
Taxes	17,409	4,420	2,093	6,513	23,922
Travel	4,717	13,043	2,148	15,191	19,908
Office supplies	11,798	5,234	-	5,234	17,032
Legal and accounting	-	5,278	-	5,278	5,278
Professional fees	17,631	-	379	379	18,010
Insurance	4,000	2,285	1,173	3,458	7,458
Meetings and entertainment	-	5,341	663	6,004	6,004
Bank charges	-	7,086	-	7,086	7,086
Supplies	817	3,339	55	3,394	4,211
Sports memorabilia	7,734	-	-	-	7,734
Telephone services	2,731	1,479	953	2,432	5,163
TOTAL OTHER EXPENSES	2,824,369	54,061	229,710	283,771	3,108,140
TOTAL EXPENSES	3,074,337	148,395	259,216	407,611	3,481,948
Less expenses included with revenues on the statement of activities:					
Cost of direct benefits to donors	-	-	(108,000)	(108,000)	(108,000)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION ON THE STATEMENT OF ACTIVITIES	$ 3,074,337	$ 148,395	$ 151,216	$ 299,611	$ 3,373,948

The accompanying notes are an integral part of these financial statements.

FOREVER YOUNG FOUNDATION, INC.
Statement of Cash Flows
For the Year Ended December 31, 2019

Cash flows from operating activities:	
Change in net assets	$ 247,625
Adjustments to reconcile channge in net assets to net cash	
used by operating activities:	
Unrealized gains on investments	(58,716)
Discount on note receivable	(73,682)
Change in operating assets and liabilities:	
Contributions receivable	(114,180)
Accrued expenses	(10,857)
Accounts payable	(7,532)
Net cash used by operating activities	(17,342)
Cash flows from investing activities:	
Repayment on note receivable	70,000
Repayment on related party note receivable	12,245
Purchase of marketable securities	4,392
Proceeds from sale of marketable securities	(24,936)
Net cash provided by investing activities	61,701
Cash flows from financing activities	-
Net increase in cash and cash equivalents	44,359
Cash and cash equivalents, beginning of year	1,894,056
Cash and cash equivalents, end of year	$ 1,938,415

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Founded in 1993 by NFL legend Steve Young, the Forever Young Foundation® (the Foundation) is a non-profit 501(c)(3) organization. The Foundation serves children who face significant physical, emotional and financial challenges by providing academic, athletic, and therapeutic opportunities unavailable to them. The Foundation has determined the best way to accomplish its mission is through the development and support of charitable organizations with a proven track record in delivering these services.

The following is a summary of the significant accounting and reporting policies of the Foundation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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, gains and other support and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less, which are neither held nor restricted by donors for long-term purposes, to be cash equivalents.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the Statement of Financial Position. Net investment return is reported in the Statement of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Realized gains and losses, determined using the first-in, first-out (FIFO) method, are included in earnings; unrealized holding gains and losses are reported as other income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

Pledge contributions received from donors are recorded as unconditional promises to give, that are to be collected within one year, at net realizable value. Amounts expected to be collected in future years are initially recorded at fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In subsequent years, contributions receivable are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The amortization of the discounts is included in contribution revenue in the *Statement of Activities*.

An allowance for uncollectible pledges receivable is provided when it is believed that receivable balances may not be collected in full. It is Foundation's policy to write off receivables against the allowance when management determines the receivable will not be collected. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and individual analysis of receivable balances each period.

Fixed Assets (including Works of Art)

Furniture and equipment over $5,000 are recorded at cost or, if donated, at fair value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives ranging from three to five years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the Statement of Activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. As of December 31, 2019, all depreciable fixed assets were fully depreciated. No depreciation expense was recorded in the year ended December 31, 2019.

The Foundation received, in a prior fiscal year, a donated work of art, at an appraised value at the time of donation of $150,000. Works of art are not depreciated; but are subject to impairment analysis. At December 31, 2019, no impairment of this asset was deemed necessary.

Net Assets

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

- **Net Assets without Donor Restrictions** – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions or where the donor-imposed restrictions have expired or been satisfied.

- **Net Assets with Donor Restrictions** – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When applicable, gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the *Statements of Activities* as net assets released from restrictions.

Revenue and Revenue Recognition

Revenue is recognized when earned. Events are conducted throughout the year to raise support for program services of the Foundation. Contributions and pledges received or receivable are recognized as income in the current year as either net assets without donor restrictions or net assets with donor restrictions. Pledges are recorded in the *Statement of Financial Position* as contributions receivable and allowances are provided for amounts estimated to be uncollectible. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

The Foundation conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at actual cost to the Foundation. The direct costs of the special events, which ultimately benefit the donor rather than the Foundation, are recorded as costs of direct donor benefits.

Other contributions of cash and other assets are reported at fair value at the date the written promise to give is received. Conditional promises to give or indications of intentions to give are not reported until the condition(s) are met. Restricted gifts are recorded as revenue when cash is received or a written promise is given by a donor.

Changes in Accounting Principles

In May 2014, FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. Subsequently, FASB created Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, and Subtopic 340-40, *Other Assets and Deferred Costs— Contracts with Customers*. In 2019, the Foundation adopted this Standard, which requires a principle-based approach for determining revenue recognition. An entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, in accordance with the core principle by applying the following steps: 1) Identify the contract(s) with a customer; 2) Identify the performance obligations in the contract; 3) Determine the transaction price; 4) Allocate the transaction price to the performance obligations in the contract; and 5) Recognize revenue when (or as) the entity satisfies a performance obligation.

Management has determined that its current revenue recognition methodology is in line with the discussed above, and therefore, has not amended these financial statements for the year ended December 31, 2019.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in Accounting Principles (Continued)

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Management has implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Donated Services and In-Kind Contributions

Donated materials, use of facilities, and services are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are only recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration, and fundraising for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under U.S. GAAP.

Functional Allocation of Expenses

The costs of programs and supporting services have been summarized on a functional basis in the *Statement of Activities*. All direct costs are charged to the functional area to which they pertain. Indirect costs are charged to programs and supporting services based on estimates made by management taking into account the nature of the expense and how it relates to the functional area. General and administrative costs include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Income Taxes

The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Foundation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS for the year ended December 31, 2019.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The Foundation is no longer subject to tax examinations by taxing authorities for years prior to 2016.

Advertising Costs

The Foundation uses advertising to promote its programs among the audiences it serves and to encourage contributions. The costs of advertising are expensed as incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments and Concentration of Credit Risk

The Foundation manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Foundation's mission.

Investments are made by diversified investment managers whose performance is monitored by management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Fair Value Measurements

The Foundation reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity.

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market- corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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.

Valuation methods used for assets measured at fair value are as follows:

- Mutual funds are valued at the reported net asset value of shares held.
- Equity securities and exchange-traded funds are valued at the closing price reported on the active market on which the individual funds are traded.

These valuation methods may produce a fair value that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date. Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position and Statement of Activities.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	$ 1,940,735
Investments	525,575
Note receivable	70,000
Related party note receivable	13,395
Contributions receivable	114,180
	$ 2,663,885

3. MARKETABLE SECURITIES

Cost and fair value of marketable securities at December 31, 2019 are as follows:

Cost	$ 517,855
Gross unrealized gains	7,720
Total assets	$ 525,575

The change in net unrealized holding gain on securities available for sale in the amount of $56,396 has been recorded as other income for the year ended December 31, 2019, under the caption *Net Investment Return*.

4. FIXED ASSETS

Property and equipment consisted of the following as of December 31, 2019:

Works of art (non-depreciable)	$ 150,000
Computer and office equipment	14,582
Total fixed assets, at cost	164,582
Less: accumulated depreciation	(14,582)
Total fixed assets, net	$ 150,000

As of December 31, 2018, all depreciable assets were fully deprecated; therefore, no depreciation expense was recorded during the year ended December 31, 2019.

5. NOTES RECEIVABLE

Donated Note Receivable

The Foundation received a promissory note with a face value of $1,400,000 during the year ended December 31, 2011. The note was recorded as an in-kind donation during 2011. The Foundation receives monthly interest-only payments on the note at a fixed 5% until maturity, approximating $1,487,500. A balloon payment of $1,400,000 will be paid at maturity. The note matures in 2032 and is secured by real estate of equal or greater value. The Foundation is the only secured lien holder on the real estate.

This note, including monthly interest earnings, was recorded at a discount (net present value) using a 5% discount rate over the 20-year life of the note as follows (as of the date of donation):

Total monthly interest payments (through 2032)	$ 1,475,832
Balloon payment of principal at maturity (December 2032)	1,400,000
Total undiscounted payments	2,875,832
Net present value of payment stream, at 5% (in 2011)	(1,402,198)
Discount on note (amortized as contribution revenue over 240 months)	$ 1,473,634

The discount calculation was not recorded until 2019, in error, resulting in a prior period adjustment. Net Assets at January 1, 2019 was decreased $45,711, as a result of this adjustment, and, the revenue calculated at the donation date of $1,402,198 was recorded as *time-restricted for a future period*, which are presented in the Statement of Financial Position as *Net Assets with Donor Restrictions*.

5. NOTES RECEIVABLE (CONTINUED)

Related Party Note Receivable

The Foundation received a promissory note with a face value of $300,500 during August 2018, with a related party. The note calls for the Foundation to receive monthly payments of $2,500, including interest (fixed at 6.00%), until maturity in December 2033. The note is secured by real estate of equal or greater value, for which the Foundation is the only secured lien holder on the real estate. As of December 31, 2019, the remaining balance was $283,217.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of cash, accounts, and notes receivable as of December 31, 2019 that are available for the following purposes:

Subject to expenditure for specified purpose	$ -
Subject to the passage of time:	
Donated note receivable	$ 1,402,198
Contributions receivable	114,180
Total net assets with donor restrictions	$ 1,516,378

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2019:

Expiration of time restrictions:	
Interest receivable collected	$ 73,682
Satisfaction of purpose restrictions	-
Total net assets released from restrictions	$ 73,682

7. EVENTS

The Foundation sponsors four events each year. Many individuals and community organizations contribute prizes, awards, and facility use for these events, which are not reflected in these financial statements. During the year ended December 31, 2019, the following revenue and expenses for each event occurred:

	Event Revenue	Event Expense	Net Revenue
Bay Area Classic	$ 541,870	$ 83,705	$ 458,165
Desert Classic	228,378	43,804	184,574
Mountain Classic	283,505	44,365	239,140
Ski Classic	414,188	5,314	408,874
	$ 1,467,941	$ 177,188	1,290,753
General event expenses			149,354
Net revenue from events			$ 1,141,399

8. GRANTS EXPENSE

The Foundation contributes funds to various organizations throughout the year, as part of its core programs. These cash contributions are recorded as program service expenses when given.

9. FAIR VALUE MEASUREMENTS AND DISCLOSURES

The following table presents assets measured at fair value on a recurring basis at December 31, 2019:

	Total	Level 1	Level 2	Level 3
Operating investments				
Equities:				
Mutual funds - ETFs	$ 276,511	$ 276,511	$ -	$ -
Fixed income:				
Mutual funds - ETFs	249,064	249,064	-	-
Total operating investments	525,575	525,575	-	-
Held as cash equivalents:				
Money market mutual funds	52,221	52,221	-	-
Total assets measured at fair value	$ 577,796	$ 577,796	$ -	$ -

Fair value of financial instruments – The carrying value of Foundation's significant financial instruments, including cash and cash equivalents, pledges receivable, other short-term assets, investments and liabilities approximates fair value as of December 31, 2019.

10. INVESTMENTS

The Foundation's investments are carried at their fair value, based on the quoted market prices of the securities at December 31, 2019. Net realized and unrealized gains and losses on investments are included in *net investment return*. For purposes of determining realized gains and losses, the cost of securities sold is based on specific identification.

Net investment return for the year ended December 31, 2019 consisted of the following:

Interest and dividends	$ 120,163
Net unrealized gain (loss)	58,716
Net realized gain	11,208
Net investment return	$ 190,087

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that market fluctuations in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

11. IN-KIND DONATIONS

During the year ended December 31, 2019, the Foundation received $323,020 in non-cash donations of items that were auctioned off or used as gifts and prizes for recipients at various fundraising events. Amounts have been recognized as revenues and expenses in the accompanying financial statements for the fair value of the donated items.

12. CONCENTRATIONS

The Foundation maintains cash and cash equivalents balances in financial institution accounts, which at times may exceed the federally insured limits of $250,000 set by the Federal Deposit Insurance Corporation. The Foundation has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on these balances.

13. SUBSEQUENT EVENTS

Government-declared Pandemic

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID- 19) as a pandemic which continues to spread throughout the United States. In March 2020, the State of Arizona declared a health emergency and issued an order to close all nonessential businesses until further notice. As a not-for-profit benefitting the community, The Foundation is deemed to be an essential business. Nonetheless, out of concern for our workers and pursuant to the government order, management reduced the scope of its operations and where possible, certain workers are telecommuting from their homes. While the Foundation expects this matter to negatively impact its results of operations, cash flows and financial position, the related impact cannot be reasonably estimated at this time.

Paycheck protection program

In April 2020, the Foundation received loan proceeds in the amount of $63,600 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 24-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Foundation intends to use the proceeds for purposes consistent with the PPP. The Foundation received notice from the Small Business Association that the entire balance was completely forgiven in January 2021.

13. SUBSEQUENT EVENTS (CONTINUED)

Modification of Donated Note Receivable

In November 2020, management of the Foundation agreed to a modification of the interest rate of the note receivable that was donated in fiscal year 2011, from 5.00% to 4.00%. This reduction is effective beginning on November 6, 2020. No other changes to the agreement were made. Annual interest income is anticipated to decrease by $14,000.

Management has evaluated subsequent events through December 19, 2020, the date the financial statements were available to be issued.