

# **The Jewish Foundation of Manitoba**

Financial Statements  
**December 31, 2019**



## *Independent auditor's report*

To the Directors of The Jewish Foundation of Manitoba

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### *Our opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Jewish Foundation of Manitoba (the Foundation) as at December 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### **What we have audited**

The Foundation's financial statements comprise:

- the statement of financial position as at December 31, 2019;
- the statement of operations for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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### *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

#### **Independence**

We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

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### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants

Winnipeg, Manitoba  
May 20, 2020

# The Jewish Foundation of Manitoba

## Statement of Financial Position

As at December 31, 2019

	2019 \$	2018 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	1,800,860	2,296,243
Accounts receivable	60,611	29,847
Prepaid expenses	79,997	73,889
	<u>1,941,468</u>	<u>2,399,979</u>
<b>Other assets</b> (note 3)	7,803	7,803
<b>Investments</b> – at fair value (note 4)	134,507,798	117,249,582
<b>Real estate</b> (note 5)	334,000	334,000
<b>Capital assets</b> (note 6)	55,274	83,347
<b>Cash surrender value of life insurance</b> (note 7)	192,703	199,933
	<u>137,039,046</u>	<u>120,274,644</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	187,466	191,112
Grant commitments and distributions payable	2,817,437	2,491,242
	<u>3,004,903</u>	<u>2,682,354</u>
<b>Encroachable funds payable</b> (note 2)	5,260,073	5,523,515
	<u>8,264,976</u>	<u>8,205,869</u>
<b>Commitments</b> (note 9)		
<b>Net assets</b>		
Operating Fund	418,673	(2,199,729)
Reserve Fund	8,400,000	-
Endowment Funds	119,955,397	114,268,504
	<u>128,774,070</u>	<u>112,068,775</u>
	<u>137,039,046</u>	<u>120,274,644</u>

### Approved by the Board of Directors

\_\_\_\_\_ Director \_\_\_\_\_ Director

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

# The Jewish Foundation of Manitoba

## Statement of Operations

For the year ended December 31, 2019

	2019 \$	2018 \$
<b>Revenues</b>		
Interest	1,353,232	1,416,959
Dividends	6,318,605	7,546,687
Realized gains on disposal of investments	1,139,406	1,227,772
Realized gain on sale of real estate	-	659
Realized loss on disposal of equipment	-	(1,537)
Grant income (note 10)	24,059	32,769
Rental income and other	200	-
	<hr/>	<hr/>
	8,835,502	10,223,309
Less: Investment counsel and custodial fees	(256,819)	(227,872)
	<hr/>	<hr/>
	8,578,683	9,995,437
<b>Expenses</b>		
Direct programming and marketing activities	116,460	126,985
Less: Cost recovery	(31,196)	(26,710)
	<hr/>	<hr/>
	85,264	100,275
Administrative and operating expenses	1,549,118	1,741,367
Amortization	45,848	44,278
	<hr/>	<hr/>
	1,680,230	1,885,920
<b>Grant commitments</b>		
Designated	4,341,498	3,879,401
Undesignated	875,745	679,393
	<hr/>	<hr/>
	5,217,243	4,558,794
<b>Excess of revenues over expenses before flow-through commitments</b>	<hr/>	<hr/>
	1,681,210	3,550,723
<b>Flow-through commitments</b>		
Distributions to other organizations	1,176,511	788,499
Less: Gifts designated	(603,938)	(2,203)
Grants designated to other organizations (note 10)	(44,809)	(9,329)
	<hr/>	<hr/>
	527,764	776,967
<b>Excess of revenues over expenses and commitments for the year before the following</b>	<hr/>	<hr/>
	1,153,446	2,773,756
<b>Unrealized gain (losses) on investments and change in redemption amount of encroachable funds</b>	<hr/>	<hr/>
	9,889,015	(12,509,964)
<b>Excess (deficiency) of revenues over expenses and commitments for the year</b>	<hr/>	<hr/>
	11,042,461	(9,736,208)

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

# The Jewish Foundation of Manitoba

## Statement of Changes in Net Assets

For the year ended December 31, 2019

				2019	2018
	Operating Fund \$	Reserve Fund \$	Endowment Funds \$	Total \$	Total \$
<b>Balance – Beginning of year</b>	(2,199,729)	-	114,268,504	112,068,775	114,255,728
Excess (deficiency) of revenues over expenses and commitments for the year	11,042,461	-	-	11,042,461	(9,736,208)
Contributions	-	-	5,662,834	5,662,834	7,549,255
Interfund transfers (note 12)	(8,424,059)	8,400,000	24,059	-	-
<b>Balance – End of year</b>	418,673	8,400,000	119,955,397	128,774,070	112,068,775

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

# The Jewish Foundation of Manitoba

## Statement of Cash Flows

For the year ended December 31, 2019

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	2019 \$	2018 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenues over expenses and grant commitments for the year	11,042,461	(9,736,208)
Items not affecting cash		
Amortization	45,848	44,278
Unrealized (gain) loss on investments and change in redemption amount of encroachable funds	(9,889,015)	12,509,964
Realized loss on disposal of equipment	-	1,537
Realized gain on sale of real estate	-	(659)
Realized gain on disposal of investments	(1,098,643)	(1,227,772)
Decrease (increase) in cash surrender value of life insurance policies	7,230	(2,061)
	<hr/>	<hr/>
	107,881	1,589,079
Changes in non-cash working capital items		
Accounts receivable	(30,764)	167,145
Prepaid expenses	(6,108)	1,857
Accounts payable and accrued liabilities	(3,646)	27,403
Grant commitments and distributions payable	326,195	(130,918)
	<hr/>	<hr/>
	393,558	1,654,566
<b>Investing activities</b>		
Purchase of investments	(17,346,834)	(24,164,838)
Proceeds from investments	10,812,834	9,324,317
Purchase of capital assets – net	(17,775)	(34,253)
Proceeds from the sale of real estate	-	905,659
	<hr/>	<hr/>
	(6,551,775)	(13,969,115)
<b>Financing activities</b>		
Contributions received for endowment funds	5,662,834	7,549,255
Contributions received for encroachable funds	-	4,223,515
	<hr/>	<hr/>
	5,662,834	11,772,770
<b>Net decrease in cash during the year</b>	(495,383)	(541,779)
<b>Cash – Beginning of year</b>	<hr/>	<hr/>
	2,296,243	2,838,022
<b>Cash – End of year</b>	<hr/>	<hr/>
	1,800,860	2,296,243

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



# The Jewish Foundation of Manitoba

## Notes to Financial Statements

December 31, 2019

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### 1 Organization

The Jewish Foundation of Manitoba (the Foundation) was established in 1964 by way of a private bill by the Legislature of the Province of Manitoba. The Foundation was continued by The Jewish Foundation of Manitoba Act effective June 10, 2004 (amended September 13, 2013). The mission statement of the Foundation is as follows:

“The Jewish Foundation of Manitoba, in keeping with our Jewish heritage and values, encourages and facilitates the creation and growth of endowment funds to enable the community to realize its potential. The Foundation maintains effective stewardship over all assets entrusted to it; distributes grants that reflect donors’ wishes and community priorities; and provides leadership in the Jewish and general communities.”

The Foundation is a registered charity and is classified as a public foundation for purposes of the Income Tax Act (Canada).

### 2 Summary of significant accounting policies

#### **Basis of presentation**

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and include the following significant accounting policies:

#### **Fund accounting**

##### ***Operating Fund***

The Operating Fund accounts for the Foundation’s administrative and operating expenses, distributions of grants and revenues and expenses related to the Foundation’s income earned on the investments held in the Endowment Funds’ balances.

##### ***Reserve Fund***

The Reserve Fund is an internally restricted fund, which accounts for cash and investments available to meet distribution needs during periods of adverse market conditions. The Foundation’s objective is to maintain the Reserve Fund at a level commensurate to two years distribution as calculated in accordance with the current Distribution Policy, at the beginning of the year. As at December 31, 2019, the target balance of the Reserve Fund is approximately \$8,400,000 (2018 – \$10,030,000). The Reserve Fund balance at December 31, 2019 is \$8,400,000 (2018 – \$nil).

# The Jewish Foundation of Manitoba

## Notes to Financial Statements

December 31, 2019

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### ***Endowment Funds***

Endowment Funds are externally restricted funds, which are established by gifts and donations from donors to the Foundation in perpetuity. The investment income earned by these funds is either restricted by the donor for a specific use, or for the general use of the Foundation. Investment income earned on the resources of Endowment Funds, to the extent unrestricted, is reported in the Operating Fund.

### **Interfund allocations**

A surplus in the Operating Fund, after payment of expenses, grant commitments and allocation to maintain the Reserve Fund, may be capitalized into the Endowment Funds. The amount will be determined by the Board of Directors at such time.

### **Flow-through contributions**

Flow-through contributions are donor-directed monies that “flow through” the Foundation to third party charitable organizations. In accordance with the Foundation’s policy, a portion of the gift may be directed to third party organizations and the balance is contributed as permanent capital and establishes an endowment fund in the donor’s name.

### **Encroachable funds**

Encroachable Funds are monies that are beneficially owned by two organizations; the income and capital held in trust by the Foundation for the benefit of those organizations. These monies are separately identified, maintained, and accounted for as an obligation of the Foundation as they are callable by the organizations at the fair value of the respective contribution at each quarter end. In the event the Foundation is unable to satisfy and pay its general obligation, then the organizations shall be entitled to priority claim in respect of the principal and any applicable income accruing.

### **Revenue recognition**

The Foundation follows the deferral method of accounting for contributions.

External endowment contributions, which primarily include donations of cash, marketable securities and bequests, are added directly to the net assets of the appropriate funds within the Endowment Funds when the funds are received.

Investment income on Endowment Funds balances including interest, dividends, and realized and unrealized capital gains, is recognized as revenue in the Operating Fund when earned, as appropriate.

Grant income is recognized as revenue in the Operating Fund when received.

### **Donated artwork**

Donated artwork is recorded at the appraised fair value at the time the donation is made.

# The Jewish Foundation of Manitoba

## Notes to Financial Statements

December 31, 2019

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### Capital assets

Purchased capital assets are initially recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided for using the following methods and annual rates:

Computer and office equipment	straight-line over 3 years
Computer software	straight-line over 2 years
Donor development software	straight-line over 10 years
Leaseholds	straight-line over term of the lease

### Cash surrender value of life insurance

The Foundation's investments in life insurance are recorded at the cash surrender value which represents the net recoverable value should they be cashed. The cash surrender values of life insurance policies where the Foundation is the beneficial owner of the policy, are recorded as assets and contributions to the Endowment Funds. The net change in cash surrender value for the year is included in other income. Proceeds from the realization of life insurance policies are allocated to the Endowment Funds.

### Grant commitments

Grant commitments are recorded in the year of approval. For multi-year grant commitments, the current portion, as determined by the Foundation, is accrued in the financial statements in the current year with the balance of the commitment disclosed in note 9.

### Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

### Financial instruments

#### a) Measurement of financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments and life insurance policies, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and accounts receivable.

# The Jewish Foundation of Manitoba

## Notes to Financial Statements

December 31, 2019

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Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, grant commitments and distributions payable. Encroachable funds payable are redeemable at the option of the beneficially owned organization and are recorded at the amount payable on demand.

### b) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of operations. When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the statement of operations up to the amount of the previously recognized impairment.

### 3 Other assets

	2019	2018
	\$	\$
Donated artwork	7,803	7,803

### 4 Investments

	2019		2018	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Fixed income	42,072,121	42,897,599	42,054,390	44,286,454
Equity	82,361,824	84,608,634	71,810,621	81,718,136
Real Estate	4,812,697	4,400,273	3,384,571	3,269,273
Infrastructure	5,261,156	5,000,000	-	-
	<u>134,507,798</u>	<u>136,906,506</u>	<u>117,249,582</u>	<u>129,273,863</u>

The significant financial risks to which the Foundation is exposed are interest rate risk, foreign currency risk, liquidity risk and other price risk.

#### Interest rate risk

Interest rate risk refers to the consequences of interest rate changes in the Foundation's cash flows, financial position and interest revenue. This risk arises from differences in the timing and amount of cash flows related to the Foundation's assets. The value of the Foundation's assets is affected by short-term changes in prevailing market interest rates.

# **The Jewish Foundation of Manitoba**

## Notes to Financial Statements

**December 31, 2019**

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### **Foreign currency risk**

Foreign currency risk arises from the Foundation's holdings of foreign securities. The amount of foreign securities held at December 31, 2019 is set out below. The Foundation does not engage in hedging transactions to reduce its exposure to foreign currency fluctuations.

### **Liquidity risk**

Liquidity risk is the risk of being unable to meet cash requirements or fund obligations as they come due. The Foundation manages its liquidity risk by constantly monitoring forecasted and actual cash flows, financial liability maturities, and by holding assets that can be readily converted into cash. Trade accounts payable and accrued liabilities are generally paid within 30 days. Grant commitments are disclosed in note 9.

# The Jewish Foundation of Manitoba

## Notes to Financial Statements

December 31, 2019

### Other price risk

Other price risk exists where a significant portion of the portfolio is invested in securities, which have similar characteristics or have similar variations relating to economic or political conditions. The portfolio includes the following concentrations:

	2019		2018	
	%	Fair value \$	%	Fair value \$
Fixed income				
Canadian				
Federal	9.79	13,164,223	11.70	13,722,468
Provincial	10.33	13,894,917	11.30	13,245,640
Corporate	8.46	11,375,719	9.90	11,608,853
Municipal	0.58	781,491	0.67	789,501
Other	0.07	89,872	-	-
Israel – government	2.05	2,765,899	2.29	2,687,928
	31.28	42,072,121	35.86	42,054,390
Equity				
Canada	15.75	21,188,193	17.60	20,633,625
United States	19.95	26,833,835	18.77	22,007,791
International	25.53	34,339,796	24.88	29,169,205
	61.23	82,361,824	61.25	42,641,416
Real Estate				
Canada	3.58	4,812,697	2.89	3,384,571
Infrastructure	3.91	5,261,156	-	-
	100.0	134,507,798	100.0	88,080,377

### 5 Real estate

	2019 \$	2018 \$
The Faye-Parks Micay House	334,000	334,000

# The Jewish Foundation of Manitoba

## Notes to Financial Statements

December 31, 2019

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### 6 Capital assets

			2019	2018
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Computer and office equipment	41,021	24,211	16,810	18,370
Computer software	24,929	22,665	2,264	10,201
Donor development software	34,550	16,663	17,887	21,341
Leaseholds	159,907	141,594	18,313	33,435
	260,407	205,133	55,274	83,347

### 7 Life insurance policies

	2019	2018
	\$	\$
Cash surrender value of beneficial ownership policies – beginning of year	199,933	197,872
Cash surrender value increment – net	(7,230)	2,061
Cash surrender value of beneficial ownership policies – end of year	192,703	199,933

Proceeds receivable upon the realization of these policies will be approximately \$5,211,922 (2018 – \$5,183,000).

### 8 Government remittances

Government remittances consist of amounts (such as sales taxes and payroll withholding taxes) required to be paid to government authorities and are recognized when the amounts come due. In respect of government remittances, \$nil (2018 – \$nil) is included within accounts payable and accrued liabilities.

### 9 Commitments

- During 2013, the Foundation made a commitment to the Canadian Museum of Human Rights to provide \$50,000 over an eight-year period starting in 2015.
- During 2017, the Foundation made a commitment to the United Way to provide \$125,000 over a five-year period starting in 2017.

# The Jewish Foundation of Manitoba

## Notes to Financial Statements

December 31, 2019

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- The Foundation has an agreement with the Jewish Community Campus of Winnipeg to license 2,684 square feet of office space, which expires August 31, 2021. For the remainder of the agreement, the estimated commitment is approximately \$56,000 per annum.
- During 2019, the Foundation made a commitment to Chesed Shel Emes to provide \$180,000 over a five-year period starting in 2019.
- During 2019, the Foundation made a commitment to B'nai Brith Camp to provide \$200,000 over a three-year period starting in 2019.
- During 2019, the Foundation made a commitment to Cancercare Manitoba to provide \$30,000 over a three-year period starting in 2019.

### 10 The Jewish Foundation of Manitoba USA, Inc.

During 2004, the Foundation established a charitable organization in the United States to facilitate tax-deductible contributions from residents of the United States. On January 20, 2004, the Jewish Foundation of Manitoba USA, Inc. (the Organization) was incorporated in the State of Illinois. The Organization is exempt from Federal income tax under Section 501 (c) (3) of the Internal Revenue Code. The Foundation maintains the exclusive right to appoint the Organization's Board of Directors.

The Organization is deemed a "Supporting Organization" for the sole purpose of supporting the charitable purpose of the Foundation under Section 509 (a) (3) of the Internal Revenue Code. A Supporting Organization operates as a "public charity" under the Internal Revenue Code. Contributions to a public charity are deductible up to 50% (30% non-cash) of a taxpayer's Adjusted Gross Income (AGI).

It is the policy of the Organization to distribute all contributions received during the year to the Foundation in the form of a grant. During 2019, the Organization received contributions in the amount of \$68,868 (2018 – \$42,098) which was distributed to the Foundation as a grant. Of this amount, \$24,059 (2018 – \$32,769) was allocated to the Endowment Funds, \$44,809 (2018 – \$9,329) was distributed or shall be distributed to other organizations as a flow-through commitment.

### 11 Residuary interests

The Foundation has a residuary interest in various estates or trusts, which continue to be administered by executors and trustees and for which no values have been recorded in these financial statements.

### 12 Interfund transfers

- In 2019, interfund transfers of \$8,400,000 and \$24,059 were made from the Operating Fund to the Reserve Fund and the Endowment Funds, respectively.
- In 2018, interfund transfers of \$4,382,476 and \$4,037,524 were made from the Reserve Fund to the Operating Fund and the Endowment Funds, respectively.



# **The Jewish Foundation of Manitoba**

## Notes to Financial Statements

**December 31, 2019**

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### **13 Subsequent event**

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the extent of business disruption to the Foundation’s operations and the related financial impact cannot be reasonably estimated at this time.