



GRAYSON-JOCKEY CLUB RESEARCH FOUNDATION, INC.

2012 Annual Report



*Funding
the research
to let horses of
all breeds live
healthier
lives.*





Grayson-Jockey Club Research Foundation, Inc.

*Committed to the Advancement of Research
to Enhance the Safety and Health of the Horse*

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Donor Classification

Rokeby Circle	\$10,000 or more annually
Platinum Circle	\$7,500 or more annually
Gold Circle	\$5,000 or more annually
Silver Circle	\$2,000 or more annually
Patron	\$1,000 or more annually
Supporting	\$500 or more annually
Sustaining	\$200 or more annually
Annual	\$100 or more annually

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Memory of a distinguished American was honored in 1940 when the original Grayson Foundation was formed. Admiral Cary Grayson (*left*) had been best



known as the personal physician to President Woodrow Wilson, and at the time of his death, in 1938, he was chairman of the American Red Cross. He was also a racing man, whose best horses included My Own, winner of the Saratoga Cup, Saratoga Handicap, and Maryland Handicap.

On occasion, Admiral Grayson was able to combine his medical profession with his other interests. One such occasion was a spring day in 1919, when, upon Admiral Grayson's suggestion, President and Mrs. Wilson took a break from the Versailles Treaty negotiations and drove out to join Lord Derby for a day at the races at Longchamp.

(*At right Admiral Grayson with President Roosevelt.*)



Admiral Grayson owned Blue Ridge Farm in Virginia, which is continued today by grandchildren. After the death of Admiral Grayson, the \$2,500 Grayson Stakes was inaugurated at Laurel. Matt Smart, who had been training for Grayson at the time of his death, entered the winner, Houghton P. Metcalf's High Velocity. The 1 1/2-mile Grayson Stakes was run annually through 1949, and subsequent winners included Heelfly, Pilaster, and Double Brandy.

Admiral Grayson was connected to some of the formulative stages which led eventually to the establishment of the equine research foundation named for him. He was president of an organization called the Gargas Foundation, and he asked its director, Dr. Herbert Clark, to help advise the American Thoroughbred Breeders Association ("ATBA"). In the late 1930s the ATBA was exploring various ways to address the promotion of research for horses.

By 1939, a plan had been formulated whereby the ATBA would launch a campaign to raise \$100,000 and, once that amount had been pledged, the Grayson Foundation would become a reality. The Jockey Club, under direction of its chairman, William Woodward Sr., (*right*) was among the initial respondents, pledging 20 percent of the total.



The Grayson Foundation became a reality in 1940, and its initial incorporators included Woodward, while John Hay (Jock) Whitney (*below*) was the Foundation's first president. The first grant was made before the year was over, a \$1,000 donation to the University of Pennsylvania Veterinary School



to continue its work on periodic ophthalmia. In 1940, the horse and mule were still deeply involved in military defense, and the scope of the Foundation's efforts went far beyond the Thoroughbred, to all breeds, although the impetus came from leaders in Thoroughbred racing.

History

From the beginning of the Foundation, the aim was to support research at existing institutions through funding rather than carry out the research itself. A statement by Woodward read in part that the formation of the Foundation is "the result of the conviction of a large number of persons devoted to the raising and breeding of horses that there is a positive need for further research in veterinary medicine and in the breeding, raising, and handling of horses." Over nearly a half-century, the Grayson Foundation operated as a separate entity, fulfilling the purposes of its founders despite constant limitations on available funding.



For much of its history, the Foundation sought to disperse \$100,000 annually in grants to specific research projects. Its success in this goal resulted in support for a number of projects which represented steps

forward, among them being development of vaccines against Equine Viral Arteritis and herpesvirus infections, determining causes of viral abortions leading to development of the most effective vaccine yet developed, and influencing estrous cycles in mares to increase fertility.

The Jockey Club created an equine research foundation in 1984, and five years later it was merged with Grayson, to be known since then as the Grayson-Jockey Club Research Foundation, Inc. (GJCRF, the Foundation). Grayson had a half-century background in research matters, and The Jockey Club had more wherewithal financially, so in recent years the combined foundation has been able to disperse nearly \$1 million annually in grants.

During the 1990s, three gifts of remarkable generosity were instrumental in enhancing the success of the Foundation in fulfilling its mission.

In 1991, the Robert J. Kleberg and Helen C. Kleberg (*below*) Foundation donated \$2 million to Grayson-Jockey Club Research Foundation. Mr. Kleberg had studied genetics and as head



of King Ranch developed the Santa Gertrudis breed of cattle. He also was instrumental in development of the

American Quarter Horse, and the many excellent Thoroughbreds he bred included 1946 Triple Crown winner Assault.

In 1993, the Foundation received another major gift when Paul Mellon (*below*) donated the \$1 million bonus that his Kentucky Derby winner Sea Hero won in the Chrysler Triple Crown Challenge.

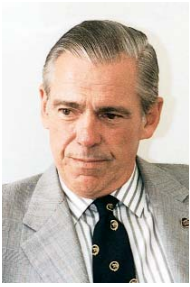
Mr. Mellon requested that double that amount be raised in response, and this endowment drive was successfully concluded during the 1995-96 fiscal year. The \$1 million was double matched, as members of The Jockey Club and other contributors donated a total of more than \$2 million.

Mr. Mellon passed away in 1999, leaving \$2.5 million to the Foundation's endowment.

In 2000, the Foundation created the Rokeby Circle as

the designation of those who contribute \$10,000 or more in a given year. Rokeby is the name of Mr. Mellon's beloved Virginia estate, where he bred the champions Mill Reef, Arts and Letters, Fort Marcy, and Key to the Mint.





The Sea Hero Triple Crown bonus, and resultant endowment drive, helped attain one of the other goals set by previous chairman John Hettinger (*left*), i.e., raising the Foundation's net assets to the \$10-million level. Under the current chairman, Dell Hancock, growth continued; net assets stood at \$19.6 million at the conclusion of 2012.

One key stimulus was the Oxley Challenge, initiated in 2004. Under the direction of Foundation board member John C. Oxley, (*right*) his family's Oxley Foundation pledged \$1 million over four years contingent on the Foundation raising a like amount in new income sources. The Foundation was successful in that match, and so received \$250,000 from the Oxley Foundation in each of the four years.



In 1999, under direction of Drs. Gary Lavin (*left below*) and Larry Bramlage (*below*), the Foundation's process of evaluating grants was reorganized. Instead of having separate committees of academicians and practicing veterinarians, a single Research Advisory Committee



("RAC") was created. The RAC includes 32 individuals representing various research specialties and veterinary practices from across North America. Each year, the committee is convened in January, having read all proposals submitted by the research community. The RAC spends three days poring over the projects and rates them top to bottom, recommending the best to the board of directors. The board then meets to determine how many projects can be funded in that year.

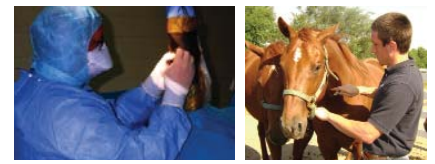
Dr. Bramlage was the original chairman of the RAC and remained in that post until he chose to step aside in 2009. He was succeeded by Dr. Paul Lunn of North Carolina State University, who remains the chairman.

In 2006, in collaboration with The Jockey Club, the Foundation coordinated and underwrote the first Welfare and Safety of the Racehorse Summit ("Summit") hosted by Keeneland. That meeting, and a second gathering of industry experts in 2008, generated a number of recommendations which the industry has embraced to a large extent. The Jockey Club's Thoroughbred Safety Committee endorsed recommendations of the Summit, and the National Thoroughbred Racing Association's race track accreditation program is based in part on those recommendations. Also, the Summit helped organize the Equine Injury Database™ which is designed to provide the industry much needed epidemiological analysis of trends, aimed at improving injury rates nationally. The third Summit was held in 2010 and the fourth in October 2012.



Since 1983, Grayson-Jockey Club has individually provided more than \$19 million to fund 287 projects at 40 universities in North America and overseas.

Funded Projects



Grayson-Jockey Club Research Foundation funded 16 projects in 2012, totaling \$843,530. The research includes eight new projects and the continuation of eight projects entering their second year.

Liposomal Gentamicin for the Treatment of E. Equi

Dr. Steve Giguere, University of Georgia

Pneumonia is the leading cause of death in foals in the United States, and GJCRF has been funding numerous projects on it in recent years. There is no vaccine yet for foal pneumonia caused by *Rhodococcus equi* and, even with the recommended treatment of macrolide and rifampin, farms tend to see a 30% death rate from cases. Moreover, *Rhodococcus equi*, the bacterium which is the leading cause of foal pneumonia, is showing resistance to the treatments. Gentamicin has been demonstrated in laboratories to be effective against *R. equi*, but because it is a water-soluble drug it is not effective in the actual patient. This project is based on the hypothesis that addition of liposomes to gentamicin will make the treatment more successful. The various stages of the project will include tests to determine not only the effectiveness of liposomal gentamicin but also any effects of repeating dosing. The impact of this study could be that it leads to a practical regime for using a powerful new drug for treating *R. equi* pneumonia.

Pulmonary Microvascular Function and EIPH

Dr. Fred Derksen, Michigan State University

Dr. Derksen has received previous GJCRF grants and continues the quest to determine the causes of Exercise Induced Pulmonary Hemorrhage (EIPH). This project will address the recent discovery that tiny blood vessels in the lungs of EIPH-affected horses are scarred, and it is believed these scarred blood vessels play a role in causing EIPH, being the source of the hemorrhage. The main purpose of the project is to investigate how these tiny blood vessels function and, importantly, whether they are the site of action of furosemide (Lasix). This knowledge will be critical to understanding whether an effective prevention or treatment of EIPH can be produced.

Vitamin D and Innate Immunity in the Horse

Dr. Mary Hondalus, University of Georgia

Foals have lower vitamin D levels than mature horses, and sick foals may have lower levels yet. This project will seek to verify the likelihood that this leaves them more susceptible to various diseases, as vitamin D has recently been revealed to be critical for protection from diseases like *R. equi* that infect macrophages. The hypothesis is that the immune system of horses are vitamin D responsive, i.e., that a pathway to the killing of harmful bacteria is connected to vitamin D. The author states that "The identification of a pathway whose stimulation enhances the innate bacteria killing capacity within the immune system would be ground breaking." This one year project will test this first hypothesis, and success would lead to a series of new treatments for enhanced intervention in disease.

Pharmacokinetics of Ceftiofur Sodium in Equine Pregnancy

Dr. Margo Macpherson, University of Florida

Foals which are born prior to the last week of normal gestation have high death rates, and the most important cause of abortion and premature delivery is bacterial placentitis (infection of the placenta). Various treatments can increase the success rates of such cases, including antibiotic treatment but this researcher's experience is that 50% of those mares still have bacteria in the uterus. This project will test the hypothesis that a different antibiotic, ceftiofur sodium, will be an improvement and will achieve effective levels in the uterine issues during pregnancy. This antibiotic has been shown to be highly effective in killing various kinds of bacteria, particularly those that cause placentitis. "With positive results from this study," states Dr. Macpherson, "we will have confidence using this drug in pregnant mares. Further, these results will move the equine community one step closer toward reducing foal losses due to placental infections."

Descriptions of research are those provided at the launch of each project. It is anticipated that every funded project will result in at least one paper published in a peer-reviewed scientific journal, a process which takes some time. Thus, there are no ad hoc interim reports presented herein.



Funded Projects

Lamellar Signaling in Supporting-Limb Laminitis

Dr. James Belknap, The Ohio State University

A recent USDA study indicates that approximately 1% of all horses in the USA suffer from laminitis at any given time, and approximately 5% of those animals die or are euthanized while many others remain crippled. Of the conditions which create laminitis, the development of the disease in the supporting limb of an already injured horse is one of the worst, since it is believed that 50% of those cases result in euthanasia. The author reports that while there are hundreds of published papers in the literature about other forms of laminitis, reports on supporting-limb laminitis are restricted to clinical reports and case studies. This project will "introduce a novel, non-painful model of supporting-limb laminitis and will allow for cutting edge bench research techniques to not only (1) test the current hypotheses on the cause of lamellar failure, but also (2) provide an unbiased technique to determine the cellular events that occur." The investigator has performed a number of laminitis projects for GJCRF and the USDA, and has a well developed set of tools and techniques including laser microdissection of frozen lamellar cells and an advanced "functional genomic" technique called RNA-Seq. By applying these techniques that have previously characterized laminitis caused by sepsis or metabolic syndrome to support limb laminitis, we will get our first understanding of what kind of drugs and treatments might prevent it. This grant was selected by the board to receive the sixth annual Elastikon™ Equine Research Award.

Stem Cell Homing After IV Regional Limb Perfusion

Dr. Alan Nixon, Cornell University

The initial fervor associated with stem cell therapies has been tempered by mediocre clinical results, states Dr. Nixon, long recognized as a key leader in the quest to maximize use of stem cells. "More can be done, including pre-differentiation, gene-directed lineage targeting, and more efficient delivery." This proposal will deliver by "local vein injection, to back-flow to bowed tendon and other disease conditions such as founder and traumatic arthritis, "Transplanted cells then exert normalizing and restorative effects . . ." The long-range goal is to provide a simplified approach to stem cell therapy. We cannot do this without verification of cell homing and impact. The project will map stem cell distribution in the tendons, ligaments, and joints of the forelimb after direct venous injection."

Do Non-Steroidal Anti-Inflammatory Drugs affect the Immune Response to Vaccination in Horses?

Dr. David Horohov, University of Kentucky

Non-Steroidal Anti-Inflammatory Drugs (NSAIDs) are sometimes prescribed prior to a vaccination in order to reduce the chance of an adverse reaction to that vaccination. Dr. Horohov observes that the reasoning behind this "might seem sound," but there is the concern that the NSAIDs might have the unintended consequence of actually impeding the ability of the horse's system to respond to the vaccination as intended. This project will determine the effect of NSAIDs on the ability of a horse to benefit from a commercial influenza vaccine. The results will help veterinarians and horse owners make more informed decisions regarding use of the NSAIDs when vaccinating.

Strategy Towards a Treatment for Testicular Degeneration

Dr. Regina Turner, University of Pennsylvania

In previous work funded by the Foundation, Dr. Turner determined that idiopathic testicular degeneration (ITD)---referring to the adverse effects of ageing of the testis---is a defect residing within the testis itself, rather than reflecting an external problem. That project also found that contact with young, healthy testicular tissue significantly improves the condition of the ITD-affected cells when they are cultivated together. This is a technique known as "xenografting." The next step, to be addressed in this project, is to determine if integration of young-cell populations will improve function and sperm production in the old cells. A second aim of the project is to employ "the most modern techniques" to identify all the genes whose foundations are altered in the old degenerate tissue compared to healthy tissue.

Funded Projects



CONTINUING PROJECTS FROM 2011

Determinants of Immune Protection against Babesia Equi (Piroplasmosis)

Dr. Robert H. Mealey, Washington State University

Babesia equi is a blood parasite in horses that causes piroplasmosis. The parasite is spread by ticks. Many believed piroplasmosis to be foreign to the United States, while others anticipated it was only a matter of time until it appeared in this country. Recent outbreaks in several states proved the second opinion correct and emphasize the critical need for additional means of disease prevention and control. Persistence of the disease will cause abortions and mortality. In addition to these humane considerations, the imposition of export restrictions and interstate movement restrictions would have an enormous economic impact on the entire horse industry. No vaccine currently exists, and the type of immune response such a vaccine would have to elicit has not been established. The overall goal of this proposal is to identify the immune responses necessary to protect horses against infection. The researchers will perform a comprehensive analysis of immune responses following infection, treat horses with drugs to clear the infection, and determine if the treated horses are resistant to re-infection. They will identify the types of immune responses that are important in protection. The studies will determine if treated horses develop immunity, which alone is important information and will also greatly facilitate the identification of protective vaccine targets.

Early Diagnosis of Recurrent Laryngeal Neuropathy

Dr. Jonathan Cheetham, Cornell University

Laryngeal neuropathy, or "roaring," is estimated by the author to affect 8% of race horses and a higher percentage of sport horses. This researcher over the last three years has developed two non-invasive procedures to assess the cricoarytenoid dorsalis (CAD) muscle and the nerve that supplies it. The CAD muscle is the only muscle that opens the larynx during exercise. The present proposal will validate two diagnostic tests for early detecting of roaring in horses. The ability to identify young horses which are predisposed to become roarers would enable surgical intervention to restore the nerve supply before atrophy and fibrosis of the CAD muscle occurs.

Digital Hypothermia in Laminitis: Timing and Signaling

Dr. James Belknap, The Ohio State University

The most recent figures from a study involving the USDA and State Veterinary Medical Officers project that at any given time laminitis affects eight of every 1,000 horses in the United States. Based on the American Horse Council survey that there are 9.5 million horses in the nation, that would indicate 76,000 horses being affected at any given time. Of those affected, the USDA survey found that 4.7% died or were euthanized, or about 3,572 deaths from laminitis annually. The authors of this project report that "an integrated research effort over the last decade has enhanced the current understanding of the pathophysiology of equine sepsis-related laminitis (one of numerous causes of the disease). This has mirrored progression of sepsis research in human medicine by moving from (an earlier) concept . . . to determining that a marked inflammatory injury takes place and is likely to play a prominent role in tissue injury and subsequent failure." However, there have been persistent failures of systemic therapies for organ/laminar injury in both human and equine medicine. One advantage laminitis presents is that it effects the hoof rather than visceral organs, lending itself to artificial cooling more readily. In a present project funded by the Foundation, digital hypothermia (cooling of the hoof) prior to onset of carbohydrate overload-induced equine sepsis resulted in dramatic decrease in laminar inflammatory signaling. The next goal is to find pharmaceutical therapies which can accomplish the same without the cumbersome aspects of maintaining constant hypothermia to the equine hoof (hooves).

Investigation of Cell and Growth-Factor Dependent Tenogenesis

Dr. Martin A. Vidal, University of California-Davis

The crux of this study is to test preliminary indications that a newly developed in vitro tendon/ligament culture model will prove effective at determining the optimal cell type from bone marrow, fat tissue, umbilical cord, tendons, ligaments, and muscle to use in tendon and ligament repair. The model also will allow investigators to learn the early molecular and cellular signals in tendon and ligament tissue formation. The author states that current methods of healing result in inferior scar tissue and reinjury rates ranging from 23% to 67%. Transforming growth factor (TGF) combined with platelet rich plasma will be utilized, and tests will be done on how they affect tissue growth, strength, and composition.



Funded Projects

Laminar Energy Failure in Supporting-Limb Laminitis

Dr. Andrew Van Eps, University of Queensland

A frequent and disheartening result of injury repair is that the leg opposite the one injured develops laminitis. This is known as supporting-limb laminitis and is what eventually caused Barbaro to be euthanized. Although it is a common occurrence, the mechanisms of the malady have not been established. This project is headed by a young researcher, but the co-investigators are world renowned Drs. Dean Richardson and Chris Pollitt. The project involves testing the hypothesis that supporting-limb laminitis is a result of reduced blood supply to the connection between hoof and bone (lamellar tissue). Further, that the blood supply in normal circumstances is encouraged by a regular loading and unloading of the legs and hooves (alternating which one is bearing the most weight). Injury to one leg interrupts that alternating pattern. The researchers will test the hypothesis with a state of the art, minimally invasive technique known as tissue mycrodialysis in conjunction with three dimensional computed tomography to develop effective methods of preventing or minimizing lamellar tissue energy failure.

AAV-IRAP Gene Therapy to Prevent Osteoarthritis

Dr. Laurie Goodrich, Colorado State University

Osteoarthritis is a common affliction in horses, and current methods of treatment are effective only in reducing the pain, at best. This proposal will utilize gene therapy, which is a technique in which cells can be genetically modified or "re-programmed" to produce beneficial protein that will allow cartilage to heal. The initials in the project title stand for Adenoassociated Virus and Interluken Receptor Antagonist Protein. If cells in the joint could be re-programmed to produce IRAP, the devastating effects of joint inflammation could be halted and the progress of osteoarthritis could be reversed. These researchers' preliminary work utilizing AAV-IRAP suggests that cells of joints are easily re-programmed to produce beneficial protein. The aims of this project are to define the most appropriate dose of AAV-IRAP that will result in effective levels and answer the question of whether this approach can prevent osteoarthritis in the horse.

Stem Generation of Equine Induced Pluripotent Regenerative Therapy

Dr. Lisa Fortier, Cornell University

Stem cell based therapies are among avenues being tested with the goal of tendon cell regeneration to address tendinitis. The types of stem cells used so far may improve the structure of tendon healing, but appear to have limited regenerative ability or are limited due to potential issues of immune rejection. The author explains that, "... this proposal is to generate induced pluripotent stem cells (iPS cells) from equine adult dermal fibroblasts. iPS cells are the only stem cells that are both pluripotent and autogenous, making them the most useful for clinical application. The expectation is that the results of the studies in this proposal will provide the first published description of the generation and characterization of equine iPS cells." This is part of a process of testing the overall hypothesis that equine iPS cells will enhance tendon regeneration in cases of tendinitis. Also, "the technical expertise gained in this study could be used in the future to generate autogenous iPS cells for use in equine cartilage and neuronal regeneration studies."

Hemorrhagic Anovulatory Follicle Syndrome

Dr. Eduardo Gastal, Southern Illinois University

Hemorrhagic anovulatory follicles (HAF), which prevent ovulation from occurring, are an ongoing problem and, this researcher suggests, have become more commonplace in recent decades. He conjectures that use of drugs to shorten the estrous cycle and induce ovulation might have aggravated the problem among intensely managed broodmares. This study will induce HAFs and create the opportunity to study the "systemic, intrafollicular, and cellular changes regarding hormones, growth factors, receptors, and enzymes when compared to follicles that ovulate normally." In other words, the researchers seeks to "uncover the mysteries behind the HAF syndrome."

Research Advisory Committee



The Research Advisory Committee evaluates research proposals and advises the Foundation's Board of Directors on the basis of the needs of the industry and scientific quality of each project. For the 2012 grants allocation, the committee was comprised of the following persons who served the Foundation without compensation:

CHAIRMAN

Paul Lunn, BVSC, MS, PhD MRCVS, DACVIM

Dean

College of Veterinary Medicine

North Carolina State University • Raleigh, North Carolina

Graduate - University of Liverpool, England

Jay Addison, DVM

Private Practice

Independence, Louisiana

Graduate - Louisiana State University

Kathleen M. Anderson, DVM

Private Practice

Equine Veterinary Care at Fair Hill Training Center

Elkton, Maryland

Graduate - Western CVM Saskatchewan, Canada

Doug Antczak, VMD, PhD

Dorothy Havemeyer McConville Professor of Equine Medicine

Baker Institute for Animal Health,

Cornell University • Ithaca, New York

Graduate - University of Cambridge

Jim Belknap, DVM, PhD, DACVS

Professor, Equine Surgery

The Ohio State University • Columbus, Ohio

Graduate - Colorado State University

Anthony Blikslager, DVM, PhD, ACVS

Professor, Equine Surgery

North Carolina State University • Raleigh, North Carolina

Graduate - Virginia-Maryland Regional CVM

Steve Brinsko, DVM, MS, PhD, DACT

Professor, College of Veterinary Medicine & Biomedical Sciences

Texas A & M University • College Station, Texas

Graduate - University of Florida

Thomas Chambers, DVM, PhD

Associate Professor and Head, OIE Reference Laboratory

University of Kentucky -Gluck Center • Lexington, Kentucky

Graduate - Notre Dame University

Carol Clark, DVM, DACVIM

Private Practice

Peterson & Smith Equine • Ocala, Florida

Graduate - Texas A & M University

Vanessa Cook, VetMB, MS, PhD, DACVS, DACVECC

Associate Professor

Michigan State University • East Lansing, Michigan

Graduate - University of Cambridge

Barry David, DVM, DACVIM

Private Practice

Equine Medical Center of Ocala • Ocala, Florida

Graduate - Colorado State University

Julia Felipe, DVM, MS, PhD

Professor, Large Animal Medicine

Cornell University • Ithaca, New York

Graduate - UNESP, Campus Botucatu, Brazil

Laurie Goodrich, DVM, PhD, ACVS

Associate Professor in Equine Surgery and Lameness

Colorado State University • Fort Collins, Colorado

Graduate - University of Illinois

Mary Hondalus, DVM, PhD

Assistant Professor

University of Georgia • Athens, Georgia

Graduate - Michigan State University

John Hubbell, DVM, MS, ACVA

Professor of Anesthesia

The Ohio State University • Columbus, Ohio

Graduate - The Ohio State University

L. Chip Johnson, DVM

Private Practice

Florida and New Jersey

Graduate - Oklahoma State University

Kim Kuhlmann, DVM

Private Practice

Belmont, California

Graduate - Colorado State University



Research Advisory Committee

A. Gary Lavin, VMD

Private Practice
Goshen, Kentucky
Graduate - University of Pennsylvania

Mandi Lopez, DVM, MS, PhD, DACVS

Director, Lab for Equine & Comparative Orthopedic Research
Louisiana State University • Baton Rouge, Louisiana
Graduate - University of California, Davis

Robert MacKay, BVSC, PhD, DACVIM

Professor, Department of Large Animal Clinical Sciences
University of Florida • Gainesville, Florida
Graduate - Massey University, New Zealand

Katherine Cole MacGillivray, VMD, DACVIM

Internist
Hagyard Equine Medical Institute • Lexington, Kentucky
Graduate - University of Pennsylvania

Paul Morley, DVM, PhD, DACVIM

Professor, College of Veterinary Medicine
Colorado State University • Fort Collins, Colorado
Graduate - Washington State University

Dean Nealy, VMD, PhD, DACT

Director, Equine Reproductive Unit
Mid-Atlantic Equine • Lambertville, New Jersey
Graduate - University of Pennsylvania

Dale Paccamonti, DVM, MS, DACT

Professor & Head of the Department
School of Veterinary Medicine
Louisiana State University • Baton Rouge, Louisiana
Graduate - Michigan State University

Scott Palmer, VMD, DABVPCEP

Owner
New Jersey Equine Clinic • Clarksburg, New Jersey
Graduate - University of Pennsylvania

Stephen Reed, DACVIM

Head of Equine Medicine & Surgery- Rood & Riddle;
Emeritus Professor, The Ohio State University and
Adjunct Professor, Gluck Center, University of Kentucky
Rood & Riddle • Lexington, Kentucky
Graduate - The Ohio State University

Dean Richardson, DVM, DACVS

Charles W. Raker Professor of Equine Surgery
Chief, Large Animal Surgery
New Bolton Center
University of Pennsylvania • Kennett Square, Pennsylvania
Graduate - The Ohio State University

Thomas Riddle, DVM

Owner
Rood and Riddle Equine Hospital • Lexington, Kentucky
Graduate - University of Georgia

Liz Santschi, DVM, DACVS

Associate Professor-Clinical
The Ohio State University • Columbus, Ohio
Graduate - University of Illinois

Hugh Townsend, DVM

Professor, Department of Veterinary Microbiology and Professor,
Large Animal Medicine
University of Saskatchewan • Saskatoon, Saskatchewan Canada
Graduate - University of Saskatchewan

Ed Voss, DVM, PhD

Private Practice
Chandler, Arizona
Graduate - Kansas State University

Joie Watson, DVM, PhD

Associate Professor and
Chair Department of Medicine and Epidemiology
University of California, Davis • Davis, California
Graduate - University of California, Davis

CONSULTANT

Johnny Mac Smith, DVM

Founding Partner
Peterson & Smith Equine Hospital • Ocala, Florida
Graduate - Auburn University

Review of Activities in 2012



GRANT AWARDS

Grayson-Jockey Club Research Foundation provided \$843,530 to fund 16 projects approved by the board of directors in 2012.

The projects included Dr. James Belknap's work at The Ohio State University, entitled Laminar Signaling in Supporting-Limb Laminitis. This project was designated by the board as recipient of the Elastikon™ Equine Research Award for 2012. The project was supported in part by a donation to the Foundation from Johnson & Johnson's Consumer Products Division, manufacturer of Elastikon™ tape and other equine products.

The 2012 Storm Cat Career Development Award went to Dr. Alice Stack of Michigan State University. Dr. Stack worked with Dr. Fred Derksen Pulmonary Microvascular Function and Exercise Induced Pulmonary Hemorrhage. This was the seventh annual Storm Cat Career Development Award, which provides \$15,000 annually to give support to a potential career equine research candidate. The award is named in honor of the stallion Storm Cat and is underwritten by Foundation board member Lucy Young Hamilton, whose family stood the stallion at Overbrook Farm in Kentucky.

WELFARE AND SAFETY OF THE RACEHORSE SUMMIT

The fourth Welfare and Safety of the Racehorse Summit ("WSS," the "Summit") was held in 2012, following previous Summits in 2006, 2008, and 2010. The Summits are underwritten by Grayson-Jockey Club Research Foundation and The Jockey Club and hosted by Keeneland. The Summits have facilitated discussion for implantation of strategies to improve various aspects of safety and soundness, and its standing committees continue to meet even in years in which there is no Summit. Among the points expressed by presenters during the two-day Summit:

- Dr. Mick Petersen, who oversees the Racing Surfaces Testing Laboratory, emphasized that regular testing and proactive investment are necessary to improve racetrack safety. He said that the lab has worked with 40 racetracks and tested surface samples from 70 racing and training surfaces both domestically and internationally. Petersen also cited statistics from the Equine Injury Database that show that synthetic surfaces were safer than turf and turf was safer than dirt, although the best dirt track is almost as safe as a synthetic track.



- Matt Iuliano, the executive vice president and executive director of The Jockey Club, provided a summary of The Jockey Club's Reformed Racing Medication Rules and the organization's efforts seeking endorsements from industry organizations in addition to the American Quarter Horse Association, the Thoroughbred Owners and Breeders Association and the Thoroughbred Racing Associations. The goal of the reformed rules is to create a uniform national medication rule book. Iuliano noted the wide range of regulatory approaches with frequently used therapeutic medications.

- Dr. Tim Parkin, an epidemiologist from the University of Glasgow and a consultant to the Equine Injury Database (created in the wake of the first summit), updated the audience on the database. He said the database now contains more than 40,000 reports and that 89 racetracks and the National Steeplechase Association participate, representing 93 percent of flat racing days and 100 percent of steeplechase races. Parkin also touched on an at-risk program in development that would identify horses that may be at higher risk for injury before a race. He said the intent was not to pull horses out of races but to look further at some of them that may be "at risk."



Review of Activities in 2012

- Dr. Wayne McIlwraith of Colorado State University addressed the use of corticosteroids and discussed the various benefits and side effects of different products. He also referenced a recently presented study at Melbourne University: looking at horses with pre-existing conditions, horses treated with corticosteroids face a five times greater risk of injury than untreated horses.
- Joe Gorajec, the longtime executive director of the Indiana Horse Racing Commission, addressed the topic of continuing education for trainers. He stressed that vital scientific presentations like those made at the Summit “should not lie dormant in a cubby hole in cyberspace.” He said that mandatory continuing education “is not only doable but worth doing.”
- Mike Ziegler, executive director of the NTRA Safety and Integrity Alliance and the Thoroughbred Aftercare Alliance Foundation, Inc. (TAA), said that the recent announcement about broad-based funding of the TAA proves that “the industry is working together to solve its aftercare issues.” In the same session, Kristin Leshney, legal associate for The Jockey Club, announced that The Jockey Club would continue its well-received Thoroughbred Incentive Program in 2013. The program rewards retired Thoroughbred racehorses that now compete in horse shows.

For the fourth year, the Foundation published stallion statistics as shaped by the Summit’s Durability Committee. The statistics rank commercial sires on the bases of their offspring’s average number of career starts and percentage of foals which reach the races.

FUND RAISING

The Foundation again benefited from the generosity and loyalty of its donor base while continue it outreach to new sources of donations. Unrestricted contributions and membership dues for core-mission research totaled \$769,112.

Under the direction of Mrs. Nancy Kelly, vice president of development, several successful fund raising events were held in New York State during 2012. In June, the Belmont Stakes Charity Celebration was held in a unique setting, Rubin Museum of Art, a New York City institution which features art from Indian, China, Tibet, Nepal, Bhutan, etc. The electronic violinist Sarah Charness entertained the audience. The Belmont Celebration benefited the Foundation and also the New York Racing Association Backstretch Employee Service Team (B.E.S.T.) The Elizabeth Locke Jewels Trunk Show to Benefit Equine Research was held in August in Saratoga Springs. Also benefiting the Foundation was the Annual NYRA Charity Golf Tournament at the Saratoga National Golf Club. In addition, Mrs. Lori Hall, co-owner of 2011 Belmont Stakes winner Ruler On Ice, arranged a unique event to benefit the Foundation. Mrs. Hall’s Tea in the Garden was held at the James New York in Soho at David Burke Garden. Burke is a well-known New York City chef/restaurateur, and the famous hat designer Kokin earmarked a portion of sales at the event to the Foundation.



In October, Chairman Dell Hancock and a special committee organized a new event, Celebration of the Horse in Lexington, KY. In addition to fund raising through ticket sales, sponsorships, and auction items, this event benefited from the second annual \$30,000 sponsorship from Great American Insurance.



Report of Independent Auditors



Board of Directors
Grayson-Jockey Club Research Foundation, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Grayson-Jockey Club Research Foundation, Inc., which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years 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 audits. 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 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 Grayson-Jockey Club Research Foundation, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Crowe Horwath LLP

Crowe Horwath LLP

New York, New York
May 13, 2013



Statements of Financial Position

	DECEMBER 31,	
	2012	2011
ASSETS		
Cash and cash equivalents	\$ 1,527,101	\$ 538,686
Investments at fair value	17,993,011	17,574,248
Contributions receivable	76,397	24,590
Other receivables	18,111	33,182
Prepaid expenses	5,108	4,357
Inventory	816	1,426
Fixed assets, net	18,351	689
	<u>\$ 19,638,895</u>	<u>\$ 18,177,178</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 64,662	\$ 49,421
Net Assets		
Unrestricted	11,595,468	10,744,055
Temporarily restricted	2,069,480	1,474,417
Permanently restricted	5,909,285	5,909,285
Total net assets	<u>19,574,233</u>	<u>18,127,757</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,638,895</u>	<u>\$ 18,177,178</u>

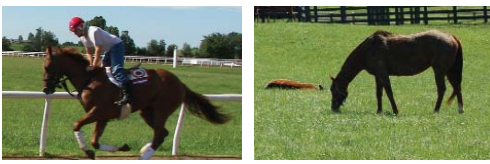
See accompanying notes to financial statements.

Statement of Activities



	YEAR ENDED DECEMBER 31, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Contributions and membership dues	\$ 769,112	\$ 25,000	\$ -	\$ 794,112
Proceeds from fund raisers, net of direct benefit costs of \$136,581	198,378	-	-	198,378
Investment income	204,548	144,220	-	348,768
Net realized and unrealized gains from investments	901,185	620,063	-	1,521,248
Other	207	-	-	207
Net assets released from restrictions	194,220	(194,220)	-	-
Total revenue	2,267,650	595,063	-	2,862,713
EXPENDITURES				
Grants	843,530	-	-	843,530
Professional fees	405,666	-	-	405,666
Travel and meetings	65,322	-	-	65,322
Investment fees	41,916	-	-	41,916
Seminars and summits	12,500	-	-	12,500
General and administrative expenses	47,303	-	-	47,303
Total expenditures	1,416,237	-	-	1,416,237
CHANGE IN NET ASSETS	851,413	595,063	-	1,446,476
NET ASSETS, BEGINNING OF PERIOD	10,744,055	1,474,417	5,909,285	18,127,757
NET ASSETS, END OF PERIOD	\$ 11,595,468	\$ 2,069,480	\$ 5,909,285	\$ 19,574,233

See accompanying notes to financial statements.



Statement of Activities

YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Contributions and membership dues	\$ 652,122	\$ 40,000	\$ -	\$ 692,122
Proceeds from fund raisers, net of direct benefit costs of \$147,013	141,560	-	-	141,560
Investment income	187,813	131,312	-	319,125
Net realized and unrealized losses from investments	(657,905)	(478,270)	-	(1,136,175)
Other	81,902	-	-	81,902
Net assets released from restrictions	171,312	(171,312)	-	-
Total revenue	576,804	(478,270)	-	98,534
EXPENDITURES				
Grants	848,934	-	-	848,934
Professional fees	382,262	-	-	382,262
Travel and meetings	65,516	-	-	65,516
Investment fees	43,072	-	-	43,072
Seminars and summits	5,354	-	-	5,354
General and administrative expenses	53,827	-	-	53,827
Total expenditures	1,398,965	-	-	1,398,965
CHANGE IN NET ASSETS	(822,161)	(478,270)	-	(1,300,431)
NET ASSETS, BEGINNING OF PERIOD	11,566,216	1,952,687	5,909,285	19,428,188
NET ASSETS, END OF PERIOD	\$ 10,744,055	\$ 1,474,417	\$ 5,909,285	\$ 18,127,757

See accompanying notes to financial statements.

Statements of Cash Flows



	<u>YEARS ENDED DECEMBER 31,</u>	
	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ 1,446,476	\$ (1,300,431)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	3,969	589
Net realized and unrealized (gains) losses from investments	(1,521,248)	1,136,175
Changes in assets and liabilities		
Contributions receivable	(51,807)	28,395
Other receivables	15,071	14,021
Prepaid expenses	(751)	2,343
Inventory	610	464
Accounts payable and accrued liabilities	15,241	(16,357)
Net cash used in operating activities	<u>(92,439)</u>	<u>(134,801)</u>
Cash flows from investing activities		
Additions to fixed assets	(21,631)	-
Proceeds from sales of securities	7,325,047	7,938,597
Purchases of securities	<u>(6,222,562)</u>	<u>(7,894,209)</u>
Net cash provided by investing activities	<u>1,080,854</u>	<u>44,388</u>
Net change in cash and cash equivalents	988,415	(90,413)
Cash and cash equivalents, beginning of period	<u>538,686</u>	<u>629,099</u>
Cash and cash equivalents, end of period	<u><u>\$ 1,527,101</u></u>	<u><u>\$ 538,686</u></u>

See accompanying notes to financial statements.



Notes to Financial Statements

NOTE 1 - ORGANIZATION

On August 3, 1989, Grayson Foundation merged with The Jockey Club Research Foundation to create the Grayson-Jockey Club Research Foundation, Inc. (the "Foundation"). The purpose of this organization is to further research and education in the equine industry. The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from state and local income taxes.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Net assets

The accounts of the Foundation are maintained on the basis of unrestricted, temporarily restricted and permanently restricted net assets. Unrestricted net assets are available to support research programs approved by the Board of Directors (the "Board") and to fund general operations. Temporarily restricted net assets relate to donations that have been either pledged but not yet received and/or subject to donor restrictions as well as related gains and losses of the endowment fund. Permanently restricted net assets are subject to donor restrictions and require that the principal remain invested in perpetuity and the income earned therefrom be available in temporarily restricted net assets to fund research programs and general operations.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that impact the reported amounts of assets and liabilities and the 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.

Cash and cash equivalents

Cash and cash equivalents consist of short term, highly liquid investments which are readily convertible into cash and have original maturities of three months or less when purchased. The Foundation maintains amounts on deposit with various financial institutions, which may, at times, exceed Federally insured limits. The Foundation periodically evaluates the creditworthiness of those institutions, and the Foundation has not experienced any losses on such deposits.

Investments

Investments are reported at fair value. The fair value of such investments is based on quoted market prices.

Fixed assets

Fixed assets are comprised of office and computer equipment. Depreciation is calculated using the straight-line method over the estimated useful life of the assets ranging from three to five years.

Revenue recognition

Contributions are recorded when an unconditional promise to give is made by the donor. As of December 31, 2012 and 2011, contributions receivable as reported on the Statements of Financial Position are all due within one year.

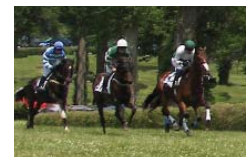
Grants

Grants are recorded on an accrual basis, which is generally when the funds are disbursed.

Professional services

The management and staff of the Foundation are employees of The Jockey Club and their related salaries and fringe benefits are billed to the Foundation pursuant to agreements between the parties. These costs totaled \$356,317 and \$338,048 in 2012 and 2011, respectively, and are included in Professional fees in the accompanying

Notes to Financial Statements



Statements of Activities. Additionally, certain administrative services (e.g., accounting and certain office space in New York) are provided by The Jockey Club. These services are not reflected in the accompanying Financial Statements since such amounts would not be material.

Income taxes

Accounting principles generally accepted in the United States of America prescribes recognition thresholds and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Tax benefits will be recognized only if the tax position is more likely than not sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more likely than not test, no tax benefit will be recorded. For the years ended December 31, 2012 and 2011, no income tax liability has been recognized related to uncertain tax provisions in the accompanying Financial Statements.

If an uncertain tax position was recognized, the Foundation would accrue interest and penalties associated with the uncertain tax position. For the Foundation's major tax jurisdictions, the 2009, 2010, and 2011 tax years remain subject to examination. The Foundation does not expect significant changes in unrecognized tax benefits in the next twelve months.

Reclassifications

Certain 2011 amounts in Note 4 have been reclassified to conform to the current period presentation with no impact on the change in net assets or net assets in total.

Accounting pronouncements

The adoption of recently effective accounting standards did not have a material effect on the Foundation's Financial Statements nor does the Foundation believe that any other recently issued, but not yet effective, accounting standards will have a material effect on the Foundation's Statement of Financial Position or Statement of Activities when adopted.

NOTE 3 - INVESTMENTS

Investments at fair value consist of the following:

	2012	2011
Mutual funds	\$ 10,398,807	\$ 8,882,123
Equities	2,909,812	2,723,032
Fixed income - corporate	2,091,933	2,587,908
Fixed income - US government and federal agency	2,592,459	3,381,185
	<u>\$ 17,993,011</u>	<u>\$ 17,574,248</u>

Interest and dividend earnings on these investments were \$348,394 and \$318,055 in 2012 and 2011, respectively. Net realized and unrealized gains (losses) from investments reported in the accompanying Statements of Activities totaled \$1,521,248 and (\$1,136,175) in 2012 and 2011, respectively.

NOTE 4 - FAIR VALUE MEASUREMENTS

ASC 820-10 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investments. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market observability and a lesser degree of judgment used in measuring fair value.



Notes to Financial Statements

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I - Quoted prices are available in active markets for identical investments as of the reporting date.

Level II - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level III - Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. Fair value for these investments is determined using valuation methodologies that consider a range of factors, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. The inputs into the determination of fair value require significant judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed.

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 that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The following tables summarize the valuation of the Foundation's investments by the ASC 820-10 fair value hierarchy as of December 31, 2012 and 2011:

	2012			
	Total	Level I	Level II	Level III
Mutual funds				
US equities	\$ 4,417,022	\$ 4,417,022	\$ -	\$ -
Diversified	2,980,770	2,980,770	-	-
Global	2,003,702	2,003,702	-	-
High yield	997,313	997,313	-	-
Equities	2,909,812	2,909,812	-	-
Fixed income				
Corporate	2,091,933	-	2,091,933	-
US government and federal agency obligations	2,592,459	-	2,592,459	-
	<u>\$ 17,993,011</u>	<u>\$ 13,308,619</u>	<u>\$ 4,684,392</u>	<u>\$ -</u>

Notes to Financial Statements



	2011			
	Total	Level I	Level II	Level III
Mutual funds				
US equities	\$ 3,757,448	\$ 3,757,448	\$ -	\$ -
Diversified	2,545,010	2,545,010	-	-
Global	1,685,210	1,685,210	-	-
High yield	894,455	894,455	-	-
Equities	2,723,032	2,723,032	-	-
Fixed income				
Corporate	2,587,908	-	2,587,908	-
US government and federal agency obligations	3,381,185	-	3,381,185	-
	<u>\$ 17,574,248</u>	<u>\$ 11,605,155</u>	<u>\$ 5,969,093</u>	<u>\$ -</u>

In 2012, equities included in mutual funds or separate accounts totaling \$12,311,307 were diversified among the following asset classes: 35.9% domestic growth, 19.6% domestic value, 20.3% global growth, and 24.2% small/mid caps. In 2011, similar equities totaling \$10,710,701 were diversified among the following asset classes: 35.1% domestic growth, 22.1% domestic value, 19.1% global growth, and 23.7% small/mid caps.

There were no transfers between Level I and Level II during 2012 or 2011.

The fair values of mutual fund and U.S. equity investments are determined by obtaining quoted prices on nationally recognized securities (Level I inputs).

Corporate bonds are valued using a market approach based on yields currently available on comparable securities issuers with similar credit ratings (Level II inputs).

The fair values of U.S. government notes and federal agency obligations are obtained using a market approach from readily available pricing sources for comparable instruments (Level II inputs).

NOTE 5 - ENDOWMENTS

The Foundation's permanently restricted net assets consist of donor restricted investments to be held indefinitely, with the income therefrom expendable to support the purpose of the Foundation and its operations. As required by applicable standards, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net assets composition by type of fund as of December 31, 2012 and 2011:

	2012		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowments	<u>\$ 2,069,480</u>	<u>\$ 5,909,285</u>	<u>\$ 7,978,765</u>



Notes to Financial Statements

	2011		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowments	\$ 1,449,417	\$ 5,909,285	\$ 7,358,702

Changes in endowment net assets for the years ended December 31, 2012 and 2011:

	2012		
	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$ 1,449,417	\$ 5,909,285	\$ 7,358,702
Investment return			
Investment income	144,220	-	144,220
Net realized and unrealized gains from investments	620,063	-	620,063
Total investment return	764,283	-	764,283
Appropriation of assets for expenditure	(144,220)	-	(144,220)
Net assets, end of year	\$ 2,069,480	\$ 5,909,285	\$ 7,978,765

	2011		
	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$ 1,927,687	\$ 5,909,285	\$ 7,836,972
Investment loss			
Investment income	131,312	-	131,312
Net realized and unrealized losses from investments	(478,270)	-	(478,270)
Net investment loss	(346,958)	-	(346,958)
Appropriation of assets for expenditure	(131,312)	-	(131,312)
Net assets, end of year	\$ 1,449,417	\$ 5,909,285	\$ 7,358,702

Interpretation of UPMIFA

The Foundation follows the State of New York's version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and has interpreted UPMIFA as requiring the preservation of the fair value of the original and subsequent gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

Notes to Financial Statements



As a result of this interpretation, the Foundation classifies as permanently restricted net assets

- (a) the original value of the principal designated as an endowment,
- (b) the original value of the principal of subsequent gifts to the endowment, and
- (c) the accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard prudence prescribed by UPMIFA. 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 purposes of the organization 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 resources of the Foundation
7. The investment policies of the Foundation

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide predictable streams of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as Board-designated funds. Under this policy, as approved by the Board, the Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Strategies Employed for Achieving Objectives

The purpose of the endowment fund is to facilitate donors' desires to make substantial long-term gifts to the Foundation to develop a new and significant source of revenue for the Foundation. In so doing, the endowment fund will provide a secure, long-term source of funds to (a) carry out the Foundation's purpose of furthering research and education in the equine industry or, (b) support the operational expenses of the Foundation as deemed appropriate.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The distribution rate is based upon withdrawing the investment income for spending each year and allowing capital appreciation to be reinvested in the fund. For the years ended December 31, 2012 and 2011, \$144,220 and \$131,312, respectively, of investment income from the endowment fund was spent and none of the capital appreciation was spent. The spending is determined by the Foundation's management, who may elect to make no distributions from the fund in any given year.

Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual donation. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. There were no such delinquencies as of December 31, 2012 and 2011.



Notes to Financial Statements

NOTE 6 - FUNCTIONAL CLASSIFICATION OF EXPENSES

For the years ended December 31, 2012 and 2011, the Foundation incurred \$1,416,237 and \$1,398,965 in expenses, respectively, as reported in the accompanying Statements of Activities. Those expenses by their functional classifications are as follows:

	2012			Total
	Program Services	Fundraising Services	Management & General	
Grants	\$ 843,530	\$ -	\$ -	\$ 843,530
Professional fees	141,847	222,186	41,633	405,666
Travel and meetings	51,531	12,616	1,176	65,322
Investment fees	-	-	41,916	41,916
Printing	695	6,113	139	6,947
Seminars and summits	12,500	-	-	12,500
Members reception	-	6,458	-	6,458
Fundraising events	-	700	-	700
Other	518	10,479	22,202	33,199
	<u>\$ 1,050,619</u>	<u>\$ 258,552</u>	<u>\$ 107,066</u>	<u>\$ 1,416,237</u>

	2011			Total
	Program Services	Fundraising Services	Management & General	
Grants	\$ 848,934	\$ -	\$ -	\$ 848,934
Professional fees	134,568	206,826	40,868	382,262
Travel and meetings	54,167	9,724	1,625	65,516
Investment fees	-	-	43,072	43,072
Printing	1,872	16,477	374	18,723
Seminars and summits	5,354	-	-	5,354
Members reception	-	5,656	-	5,656
Fundraising events	-	474	-	474
Other	660	8,797	19,517	28,974
	<u>\$ 1,045,555</u>	<u>\$ 247,954</u>	<u>\$ 105,456</u>	<u>\$ 1,398,965</u>

NOTE 7 - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through the date the accompanying Financial Statements were available to be issued, which was May 13, 2013. No subsequent events have been identified that are required to be accounted for or disclosed.

Donors



ROKEBY

In honor of the generosity to the Foundation by the late Paul Mellon, Grayson-Jockey Club designates inclusion in the Rokeby Circle for those donors at the \$10,000-plus level within the year. The honor is named for Rokeby Farm, Mr. Mellon's estate in Virginia.

His Highness Prince Khalid Abdullah
Joseph Allen
William M. Backer
Ramona & Lee Bass
Alexander G. Campbell Jr.
Mr. & Mrs. Dennis Dammerman
Darley Stud Management LLC
Del Mar Thoroughbred Club
Adele B. Dilschneider
Donald R. & Irene Dizney
Elizabeth Locke Jewels
Mr. & Mrs. William Farish
Mr. & Mrs. William Farish Jr.
Mr. & Mrs. Bertram R. Firestone
Dr. Susan Galandiuk
Gary Broad Foundation
Mr. & Mrs. John K. Goodman
Great American Insurance
Lucy Y. Hamilton
Clay Hancock

Dell Hancock
Mr. & Mrs. Seth W. Hancock
Ian Highet, TIC Stables
Johnson & Johnson Consumer
Products Company
Mrs. S. K. Johnston Jr.
Ronald Kirk
Dr. & Mrs. Gary Lavin
Jacqueline B. Mars
Mary Seamans Trust
Kenneth McPeck
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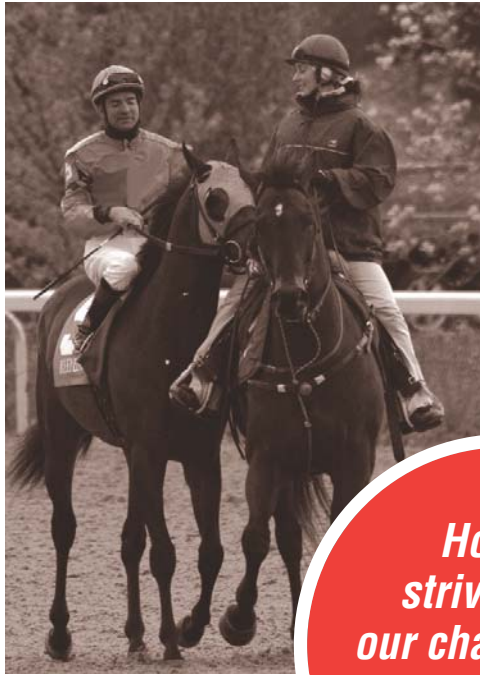


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