

# **Burton D. Morgan Foundation**

Financial Report  
December 31, 2021

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RSM US LLP

## Independent Auditor's Report

Board of Trustees  
Burton D. Morgan Foundation

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Burton D. Morgan Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2021 and 2020, the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, and 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.

#### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

#### 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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

#### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information shown on page 19 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on page 19 is fairly stated, in all material respects, in relation to the financial statements as a whole.

*RSM US LLP*

Cleveland, Ohio  
June 21, 2022

## Burton D. Morgan Foundation

### Statements of Financial Position December 31, 2021 and 2020

|                                         | 2021                  | 2020                  |
|-----------------------------------------|-----------------------|-----------------------|
| <b>Assets</b>                           |                       |                       |
| Current assets:                         |                       |                       |
| Cash and cash equivalents               | \$ 73,571             | \$ 89,064             |
| Dividends receivable                    | 1,009,745             | 97,385                |
| Accounts receivable                     | -                     | 265                   |
| Prepaid expense and other               | 37,673                | 48,758                |
| Program related investment              | 3,314                 | -                     |
| <b>Total current assets</b>             | <b>1,124,303</b>      | <b>235,472</b>        |
| Program related investment              | -                     | 13,158                |
| Other assets                            | 178,500               | 142,500               |
| Investments:                            |                       |                       |
| Money market funds                      | 4,670,725             | 8,413,118             |
| Treasury bills                          | -                     | 3,999,314             |
| Bond funds                              | 14,099,703            | 9,761,607             |
| Equity securities                       | 59,550,277            | 49,388,514            |
| Mutual funds                            | 77,240,274            | 68,844,999            |
| Exchange traded funds                   | 15,485,596            | 14,104,249            |
| Closely-held securities                 | 330,464               | 346,465               |
| Alternative investments                 | 37,925,118            | 31,166,914            |
|                                         | <b>209,302,157</b>    | <b>186,025,180</b>    |
| Property and equipment:                 |                       |                       |
| Land                                    | 233,024               | 233,024               |
| Buildings and improvements              | 3,771,396             | 3,771,396             |
| Furniture                               | 491,306               | 453,712               |
| Computers                               | 345,614               | 306,364               |
|                                         | <b>4,841,340</b>      | <b>4,764,496</b>      |
| Accumulated depreciation                | <b>(2,200,878)</b>    | <b>(2,214,824)</b>    |
|                                         | <b>2,640,462</b>      | <b>2,549,672</b>      |
| <b>Total assets</b>                     | <b>\$ 213,245,422</b> | <b>\$ 188,965,982</b> |
| <b>Liabilities and Net Assets</b>       |                       |                       |
| Current liabilities:                    |                       |                       |
| Grants payable                          | \$ 1,100,168          | \$ 788,550            |
| Trade payables                          | 46,378                | 23,298                |
| <b>Total current liabilities</b>        | <b>1,146,546</b>      | <b>811,848</b>        |
| Long-term liabilities:                  |                       |                       |
| Grants payable, net of current portion  | 108,150               | 160,400               |
| Other long-term liabilities             | 178,500               | 142,500               |
| <b>Total long-term liabilities</b>      | <b>286,650</b>        | <b>302,900</b>        |
| Net assets:                             |                       |                       |
| Without donor restrictions              | 209,005,716           | 184,732,871           |
| With donor restrictions                 | 2,806,510             | 3,118,363             |
| <b>Total net assets</b>                 | <b>211,812,226</b>    | <b>187,851,234</b>    |
| <b>Total liabilities and net assets</b> | <b>\$ 213,245,422</b> | <b>\$ 188,965,982</b> |

See notes to financial statements.

## Burton D. Morgan Foundation

### Statement of Activities Year Ended December 31, 2021

|                                                             | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                 |
|-------------------------------------------------------------|-------------------------------|----------------------------|-----------------------|
| Operating revenue and support:                              |                               |                            |                       |
| Investment income, net of fees                              | \$ 2,744,021                  | \$ 306                     | \$ 2,744,327          |
| Rental income                                               | 100                           | -                          | 100                   |
| <b>Total operating revenue and support</b>                  | <b>2,744,121</b>              | <b>306</b>                 | <b>2,744,427</b>      |
| Net assets released from restriction                        | 312,159                       | (312,159)                  | -                     |
|                                                             | <b>3,056,280</b>              | <b>(311,853)</b>           | <b>2,744,427</b>      |
| Grantmaking expenses:                                       |                               |                            |                       |
| Grants awarded                                              | 6,720,335                     | -                          | 6,720,335             |
| Direct program expenses                                     | 715,492                       | -                          | 715,492               |
|                                                             | <b>7,435,827</b>              | <b>-</b>                   | <b>7,435,827</b>      |
| Operating expenses:                                         |                               |                            |                       |
| Salaries and related expenses                               | 1,142,447                     | -                          | 1,142,447             |
| Benefits                                                    | 163,306                       | -                          | 163,306               |
| Trustee fees                                                | 105,000                       | -                          | 105,000               |
| Excise taxes and fees                                       | 145,000                       | -                          | 145,000               |
| Occupancy                                                   | 22,954                        | -                          | 22,954                |
| Office supplies                                             | 5,978                         | -                          | 5,978                 |
| Office expenses                                             | 81,472                        | -                          | 81,472                |
| Professional fees                                           | 138,078                       | -                          | 138,078               |
| Insurance                                                   | 33,151                        | -                          | 33,151                |
| Annual report and communications                            | 15,971                        | -                          | 15,971                |
| Website                                                     | 2,900                         | -                          | 2,900                 |
| Travel and conferences                                      | 19,966                        | -                          | 19,966                |
| Nonprofit meetings and events                               | 198                           | -                          | 198                   |
| Trustee meetings                                            | 24,323                        | -                          | 24,323                |
| Repairs and maintenance                                     | 37,201                        | -                          | 37,201                |
| Dues and subscriptions                                      | 16,259                        | -                          | 16,259                |
| Depreciation                                                | 140,203                       | -                          | 140,203               |
| Miscellaneous                                               | 1,775                         | -                          | 1,775                 |
| <b>Total operating expenses</b>                             | <b>2,096,182</b>              | <b>-</b>                   | <b>2,096,182</b>      |
| <b>Total grantmaking and operating expenses</b>             | <b>9,532,009</b>              | <b>-</b>                   | <b>9,532,009</b>      |
| <b>Change in net assets from grantmaking and operations</b> | <b>(6,475,729)</b>            | <b>(311,853)</b>           | <b>(6,787,582)</b>    |
| Nonoperating revenue:                                       |                               |                            |                       |
| Realized gain on sale of investments                        | 9,051,892                     | -                          | 9,051,892             |
| Loss on disposal of fixed assets                            | (5,406)                       | -                          | (5,406)               |
| Unrealized gain on investments                              | 21,702,088                    | -                          | 21,702,088            |
| <b>Total nonoperating revenue</b>                           | <b>30,748,574</b>             | <b>-</b>                   | <b>30,748,574</b>     |
| <b>Change in net assets</b>                                 | <b>24,272,845</b>             | <b>(311,853)</b>           | <b>23,960,992</b>     |
| Beginning net assets                                        | 184,732,871                   | 3,118,363                  | 187,851,234           |
| Ending net assets                                           | <b>\$ 209,005,716</b>         | <b>\$ 2,806,510</b>        | <b>\$ 211,812,226</b> |

See notes to financial statements.

## Burton D. Morgan Foundation

### Statement of Activities Year Ended December 31, 2020

|                                                             | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                 |
|-------------------------------------------------------------|-------------------------------|----------------------------|-----------------------|
| Operating revenue and support:                              |                               |                            |                       |
| Investment income, net of fees                              | \$ 3,038,652                  | \$ 18,159                  | \$ 3,056,811          |
| Rental income                                               | 100                           | -                          | 100                   |
| Miscellaneous income                                        | 3,309                         | -                          | 3,309                 |
| <b>Total operating revenue and support</b>                  | <b>3,042,061</b>              | <b>18,159</b>              | <b>3,060,220</b>      |
| Net assets released from restriction                        | 423,235                       | (423,235)                  | -                     |
|                                                             | <b>3,465,296</b>              | <b>(405,076)</b>           | <b>3,060,220</b>      |
| Grantmaking expenses:                                       |                               |                            |                       |
| Grants awarded                                              | 4,798,456                     | -                          | 4,798,456             |
| Direct program expenses                                     | 509,960                       | -                          | 509,960               |
|                                                             | <b>5,308,416</b>              | <b>-</b>                   | <b>5,308,416</b>      |
| Operating expenses:                                         |                               |                            |                       |
| Salaries and related expenses                               | 1,123,701                     | -                          | 1,123,701             |
| Benefits                                                    | 158,275                       | -                          | 158,275               |
| Trustee fees                                                | 90,000                        | -                          | 90,000                |
| Excise taxes and fees                                       | 220,000                       | -                          | 220,000               |
| Occupancy                                                   | 24,681                        | -                          | 24,681                |
| Office supplies                                             | 7,502                         | -                          | 7,502                 |
| Office expenses                                             | 71,093                        | -                          | 71,093                |
| Professional fees                                           | 70,587                        | -                          | 70,587                |
| Insurance                                                   | 31,062                        | -                          | 31,062                |
| Annual report and communications                            | 5,135                         | -                          | 5,135                 |
| Website                                                     | 2,000                         | -                          | 2,000                 |
| Travel and conferences                                      | 16,640                        | -                          | 16,640                |
| Nonprofit meetings and events                               | 1,768                         | -                          | 1,768                 |
| Trustee meetings                                            | 46,330                        | -                          | 46,330                |
| Repairs and maintenance                                     | 41,481                        | -                          | 41,481                |
| Dues and subscriptions                                      | 13,805                        | -                          | 13,805                |
| Depreciation                                                | 148,332                       | -                          | 148,332               |
| Miscellaneous                                               | 431                           | -                          | 431                   |
| <b>Total operating expenses</b>                             | <b>2,072,823</b>              | <b>-</b>                   | <b>2,072,823</b>      |
| <b>Total grantmaking and operating expenses</b>             | <b>7,381,239</b>              | <b>-</b>                   | <b>7,381,239</b>      |
| <b>Change in net assets from grantmaking and operations</b> | <b>(3,915,943)</b>            | <b>(405,076)</b>           | <b>(4,321,019)</b>    |
| Nonoperating revenue:                                       |                               |                            |                       |
| Contribution                                                | 3,500                         | -                          | 3,500                 |
| Realized gain on sale of investments                        | 15,751,229                    | -                          | 15,751,229            |
| Unrealized loss on investments                              | (77,699)                      | -                          | (77,699)              |
| <b>Total nonoperating revenue</b>                           | <b>15,677,030</b>             | <b>-</b>                   | <b>15,677,030</b>     |
| <b>Change in net assets</b>                                 | <b>11,761,087</b>             | <b>(405,076)</b>           | <b>11,356,011</b>     |
| Beginning net assets                                        | 172,971,784                   | 3,523,439                  | 176,495,223           |
| Ending net assets                                           | <b>\$ 184,732,871</b>         | <b>\$ 3,118,363</b>        | <b>\$ 187,851,234</b> |

See notes to financial statements.

**Burton D. Morgan Foundation**

**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

|                                                                                            | 2021               | 2020               |
|--------------------------------------------------------------------------------------------|--------------------|--------------------|
| Cash flows from operating activities:                                                      |                    |                    |
| Change in net assets                                                                       | \$ 23,960,992      | \$ 11,356,011      |
| Adjustments to reconcile change in net assets<br>to net cash used in operating activities: |                    |                    |
| Depreciation                                                                               | 140,203            | 148,332            |
| Unrealized (gain) loss on investments                                                      | (21,702,088)       | 77,699             |
| Realized gain on investments                                                               | (9,051,892)        | (15,751,229)       |
| Noncash investment income                                                                  | (635,747)          | (534,604)          |
| Loss on disposal of fixed assets                                                           | 5,406              | -                  |
| (Increase) decrease in:                                                                    |                    |                    |
| Dividends receivable                                                                       | (912,360)          | (13,683)           |
| Accounts receivable                                                                        | 265                | 3,031              |
| Prepaid expense and other                                                                  | 11,085             | 9,236              |
| Increase (decrease) in:                                                                    |                    |                    |
| Grants payable                                                                             | 259,368            | (488,595)          |
| Trade payables                                                                             | 23,080             | (9,842)            |
| <b>Net cash used in operating activities</b>                                               | <b>(7,901,688)</b> | <b>(5,203,644)</b> |
| Cash flows from investing activities:                                                      |                    |                    |
| Repayment of program related investment                                                    | 9,844              | 34,478             |
| Proceeds from sales of investments                                                         | 46,053,323         | 55,121,196         |
| Purchase of investments                                                                    | (37,940,573)       | (49,904,690)       |
| Purchase of property and equipment                                                         | (236,399)          | (16,047)           |
| <b>Net cash provided by investing activities</b>                                           | <b>7,886,195</b>   | <b>5,234,937</b>   |
| <b>Net (decrease) increase in cash and cash equivalents</b>                                | <b>(15,493)</b>    | <b>31,293</b>      |
| Cash and cash equivalents:                                                                 |                    |                    |
| Beginning                                                                                  | 89,064             | 57,771             |
| Ending                                                                                     | \$ 73,571          | \$ 89,064          |
| Supplemental disclosure of cash flow information:                                          |                    |                    |
| Cash paid during the year for excise tax                                                   | \$ 145,000         | \$ 220,000         |
| Noncash investing activity:                                                                |                    |                    |
| Write-off of fully depreciated property and equipment                                      | \$ 148,080         | \$ -               |

See notes to financial statements.



## Burton D. Morgan Foundation

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies

**Nature and purpose of the Foundation:** Burton D. Morgan Foundation (the Foundation) is a private foundation established in 1967 by entrepreneur Burton D. Morgan. Based in Hudson, Ohio, the Foundation's mission is to champion the entrepreneurial spirit, contribute to a robust entrepreneurial ecosystem, and serve as a leader in entrepreneurship education. The Foundation's mission supports Mr. Morgan's ardent belief in the free enterprise system through grantmaking, ecosystem building, and knowledge sharing. These efforts are built around the three priority areas of Youth Entrepreneurship, Collegiate Entrepreneurship, and Adult Entrepreneurship. In 2016, the Foundation established a research institute, the Entrepreneurship Education Experiment to engage in an ever-changing array of research, collaboration, outreach, and communication based on the Foundation's work in the field and its partnerships with others. By connecting the people, ideas, and opportunities in the Northeast Ohio entrepreneurial ecosystem, the Foundation bolsters the impact and effectiveness of its grants. The Foundation primarily supports organizations in Northeast Ohio that are recognized as tax exempt under section 501(c)(3) of the Internal Revenue Code.

**Basis of presentation:** The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Foundation is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions are net assets that are free of donor-imposed restrictions.

Net assets with donor restrictions represent amounts received that have been restricted by the donor, grantor, or other outside party for a specified purpose. Net assets with donor restrictions totaled \$2,806,510 and \$3,118,363 at December 31, 2021 and 2020, respectively, and are restricted for Scalerator NEO and the Scaleup initiative. The Foundation has no net assets with donor restrictions that are restricted in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related asset is limited by donor-imposed restrictions. When a donor restriction expires, these net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**Cash and cash equivalents:** Cash and cash equivalents includes cash on hand as well as highly liquid cash deposits with an original maturity of three months or less when purchased or deposited. The Foundation maintains its cash and cash equivalents in accounts with various financial institutions, which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and management of the Foundation believes it is not exposed to any significant credit risk on its cash and cash equivalents.

**Program-related investment:** In 2014, the Foundation invested collaboratively with other foundations in a project that advances its philanthropic mission. This program-related investment is a loan outstanding for up to eight years bearing interest at 2%. The loan is treated as a qualifying distribution for tax reporting purposes. The loan is monitored to determine net realizable value based on an evaluation of recoverability that utilizes experience and may reflect periodic adjustments to terms as deemed appropriate. Program-related investments are recorded when disbursed and principal payments are recorded when received.

## Burton D. Morgan Foundation

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Property and equipment:** Property and equipment are capitalized at cost. The Foundation follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. Donated property and equipment are recorded at fair value at the date of donation. Depreciation is computed by the straight-line method over the estimated useful lives of the related assets. Asset classifications and estimated useful lives used are as follows:

|                           |            |
|---------------------------|------------|
| Building and improvements | 5-40 years |
| Furniture                 | 10 years   |
| Computers                 | 3-5 years  |

Depreciation expense was \$140,203 and \$148,332 for the years ended December 31, 2021 and 2020, respectively.

The Foundation reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the property to the future undiscounted cash flow expected to be generated by the property and any estimated proceeds from its eventual disposition. If the property is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the property exceeds the fair value of such property. There were no impairment losses recognized during the years ended December 31, 2021 and 2020.

**Investments:** In accordance with the accounting standard related to *Accounting for Certain Investments Held by Not-for-Profit Organizations*, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

**Investment income:** Investment income (including interest and dividends, net of management, consultant, and custodial fees) is included in operating revenue and support. Management, consultant, and custodial fees netted against investment income at December 31, 2021 and 2020 are \$794,356 and \$540,282, respectively.

**Grants:** Grants received are recorded as support with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. Grants made, including unconditional promises to give, are recognized as expenses in the period awarded. Conditional promises to give, whether received or made, are recognized when the pledge becomes unconditional, that is, when the conditions are substantially met.

**Income tax status:** The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is a private foundation within the meaning of section 509(a) of the Code.

The Foundation adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation, the continued tax-exempt status and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes and accounting in interim periods. At December 31, 2021 and 2020, there were no unrecognized tax benefits identified or recorded as liabilities.

## Burton D. Morgan Foundation

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**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 affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Recently issued accounting pronouncements not yet adopted:** In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this update clarify and improve presentation and disclosure of contributed nonfinancial assets. This ASU is effective for annual periods beginning after June 15, 2021 and early adoption is permitted.

The Foundation is currently evaluating the impact of the pending adoption of these new standards on its financial statements.

**Subsequent events:** The Foundation has evaluated subsequent events for potential recognition and/or disclosure through June 21, 2022, the date the financial statements were available to be issued.

#### Note 2. Investments

Following is cost and fair value information for the Foundation's investments at December 31, 2021 and 2020, as determined by the financial institutions and managers that manage the Foundation's investments. Additionally, the alternative and closely-held investments include investments with fair values that have been estimated by management in absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or general partners. Because of the inherent uncertainty of the valuations, the fair values may differ significantly from values that would have been used had a ready market for these investments existed.

|                         | Years Ended December 31, |                       |                       |                       |
|-------------------------|--------------------------|-----------------------|-----------------------|-----------------------|
|                         | 2021                     |                       | 2020                  |                       |
|                         | Cost                     | Fair Value            | Cost                  | Fair Value            |
| Money market funds      | \$ 4,670,725             | \$ 4,670,725          | \$ 8,413,118          | \$ 8,413,118          |
| Treasury bills          | -                        | -                     | 3,998,804             | 3,999,314             |
| Bond funds              | 14,250,000               | 14,099,703            | 9,750,000             | 9,761,607             |
| Equity securities       | 26,705,756               | 59,550,277            | 23,404,309            | 49,388,514            |
| Mutual funds            | 56,649,151               | 77,240,274            | 55,570,406            | 68,844,999            |
| Exchange traded funds   | 4,906,925                | 15,485,596            | 5,677,489             | 14,104,249            |
| Closely-held securities | 146,353                  | 330,464               | 146,353               | 346,465               |
| Alternative investments | 30,024,028               | 37,925,118            | 28,818,145            | 31,166,914            |
|                         | <u>\$ 137,352,938</u>    | <u>\$ 209,302,157</u> | <u>\$ 135,778,624</u> | <u>\$ 186,025,180</u> |

## **Burton D. Morgan Foundation**

### **Notes to Financial Statements**

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#### **Note 2. Investments (Continued)**

The Foundation's investments and some cash equivalents are held and managed by several investment managers. Although the Foundation has a diversified investment portfolio, a substantial portion of its realization is dependent upon the various markets in which the investments are traded and the investment managers' ability to properly manage the portfolio.

#### **Note 3. Closely-Held Securities**

Closely-held securities include shares of Eleuthera Properties Ltd., received from the Estate of Burton D. Morgan in 2007. In December 2010, the Foundation approved accepting 96 rights issued by Eleuthera Properties Ltd. and exercised these rights to purchase an additional 96 shares of common stock. Total shares at both December 31, 2021 and 2020 were 816 with a fair value of \$330,464 and \$346,465, respectively.

#### **Note 4. Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income, and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1—Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2—Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3—Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

For the years ended December 31, 2021 and 2020, the application of valuation techniques applied to similar assets have been consistent.

## Burton D. Morgan Foundation

### Notes to Financial Statements

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#### Note 4. Fair Value Measurements (Continued)

The following is a description of the valuation methodologies used for instruments measured at fair value:

**Investments:** The fair value of investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The level 3 investment is a nonpublicly traded Company that owns approximately 2,800 acres of land in South Eleuthera. The Foundation holds 816 of the 222,939 ordinary shares outstanding. The investment is valued based on net asset value.

The tables below present the balances of assets measured at fair value on a recurring basis as of December 31:

|                                          | 2021                  |                       |             |                   |
|------------------------------------------|-----------------------|-----------------------|-------------|-------------------|
|                                          | Total                 | Level 1               | Level 2     | Level 3           |
| Investments:                             |                       |                       |             |                   |
| Equity securities:                       |                       |                       |             |                   |
| Domestic                                 | \$ 59,246,207         | \$ 59,246,207         | \$ -        | \$ -              |
| International                            | 304,070               | 304,070               | -           | -                 |
| Bond funds                               | 14,099,703            | 14,099,703            | -           | -                 |
| Mutual funds:                            |                       |                       |             |                   |
| Large cap                                | 36,037,979            | 36,037,979            | -           | -                 |
| Mid cap                                  | 16,910,113            | 16,910,113            | -           | -                 |
| Small cap                                | 6,424,501             | 6,424,501             | -           | -                 |
| International                            | 17,867,681            | 17,867,681            | -           | -                 |
| Exchange traded funds:                   |                       |                       |             |                   |
| Large cap growth                         | 15,485,596            | 15,485,596            | -           | -                 |
| Closely-held securities                  | 330,464               | -                     | -           | 330,464           |
|                                          | <u>166,706,314</u>    | <u>\$ 166,375,850</u> | <u>\$ -</u> | <u>\$ 330,464</u> |
| Money market funds                       | 4,670,725             |                       |             |                   |
| Investments measured at net asset value: |                       |                       |             |                   |
| Private equity funds                     | 13,728,359            |                       |             |                   |
| Natural resources fund                   | 4,165,512             |                       |             |                   |
| Direct lending fund                      | 6,509,774             |                       |             |                   |
| Arbitrage fund                           | 8,134,678             |                       |             |                   |
| Real estate funds                        | 5,386,795             |                       |             |                   |
| Total investments                        | <u>\$ 209,302,157</u> |                       |             |                   |

**Burton D. Morgan Foundation**

**Notes to Financial Statements**

**Note 4. Fair Value Measurements (Continued)**

|                                          | 2020                  |                       |             |                   |
|------------------------------------------|-----------------------|-----------------------|-------------|-------------------|
|                                          | Total                 | Level 1               | Level 2     | Level 3           |
| Investments:                             |                       |                       |             |                   |
| U.S. Treasuries:                         |                       |                       |             |                   |
| Treasury bills                           | \$ 3,999,314          | \$ 3,999,314          | \$ -        | \$ -              |
| Equity securities:                       |                       |                       |             |                   |
| Domestic                                 | 48,935,553            | 48,935,553            | -           | -                 |
| International                            | 452,961               | 452,961               | -           | -                 |
| Bond funds                               | 9,761,607             | 9,761,607             | -           | -                 |
| Mutual funds:                            |                       |                       |             |                   |
| Large cap                                | 29,437,661            | 29,437,661            | -           | -                 |
| Mid cap                                  | 13,744,225            | 13,744,225            | -           | -                 |
| Small cap                                | 7,546,988             | 7,546,988             | -           | -                 |
| International                            | 8,852,395             | 8,852,395             | -           | -                 |
| World allocation                         | 9,263,730             | 9,263,730             | -           | -                 |
| Exchange traded funds:                   |                       |                       |             |                   |
| Large cap growth                         | 14,104,249            | 14,104,249            | -           | -                 |
| Closely-held securities                  | 346,465               | -                     | -           | 346,465           |
|                                          | <u>146,445,148</u>    | <u>\$ 146,098,683</u> | <u>\$ -</u> | <u>\$ 346,465</u> |
| Money market funds                       | 8,413,118             |                       |             |                   |
| Investments measured at net asset value: |                       |                       |             |                   |
| Private equity funds                     | 9,286,764             |                       |             |                   |
| Natural resources fund                   | 3,398,867             |                       |             |                   |
| Direct lending fund                      | 5,937,706             |                       |             |                   |
| Arbitrage fund                           | 7,486,964             |                       |             |                   |
| Real estate funds                        | 5,056,613             |                       |             |                   |
| Total investments                        | <u>\$ 186,025,180</u> |                       |             |                   |

There were no purchases of Level 3 assets during the years ended December 31, 2021 and 2020.

## Burton D. Morgan Foundation

### Notes to Financial Statements

#### Note 4. Fair Value Measurements (Continued)

The following table discloses the nature and risks of investments recorded at net asset value using the practical expedient as of December 31:

|                                       | Fair Value at<br>December 31, 2021 | Unfunded<br>Commitments | Redemption<br>Frequency | Redemption<br>Notice Period |
|---------------------------------------|------------------------------------|-------------------------|-------------------------|-----------------------------|
| Private equity funds <sup>(a)</sup>   | 13,728,359                         | \$ 1,174,475            | N/A                     | N/A                         |
| Natural resources fund <sup>(b)</sup> | 4,165,512                          | 347,500                 | N/A                     | N/A                         |
| Direct lending funds <sup>(c)</sup>   | 6,509,774                          | 23,338,678              | N/A                     | N/A                         |
| Arbitrage fund <sup>(d)</sup>         | 8,134,678                          | -                       | Monthly                 | 45 days                     |
| Core real estate fund <sup>(e)</sup>  | 5,366,795                          | -                       | Quarterly               | 45 days                     |
| Real estate fund <sup>(f)</sup>       | 20,000                             | -                       | N/A                     | N/A                         |
|                                       | <u>\$ 37,925,118</u>               | <u>\$ 24,860,653</u>    |                         |                             |

  

|                                       | Fair Value at<br>December 31, 2020 | Unfunded<br>Commitments | Redemption<br>Frequency | Redemption<br>Notice Period |
|---------------------------------------|------------------------------------|-------------------------|-------------------------|-----------------------------|
| Private equity funds <sup>(a)</sup>   | \$ 9,286,764                       | \$ 2,133,948            | N/A                     | N/A                         |
| Natural resources fund <sup>(b)</sup> | 3,398,867                          | 410,000                 | N/A                     | N/A                         |
| Direct lending fund <sup>(c)</sup>    | 5,937,706                          | 3,875,530               | N/A                     | N/A                         |
| Arbitrage fund <sup>(d)</sup>         | 7,486,964                          | -                       | Monthly                 | 45 days                     |
| Core real estate fund <sup>(e)</sup>  | 5,020,702                          | -                       | Quarterly               | 45 days                     |
| Real estate fund <sup>(f)</sup>       | 35,911                             | -                       | N/A                     | N/A                         |
|                                       | <u>\$ 31,166,914</u>               | <u>\$ 6,419,478</u>     |                         |                             |

(a) Private equity funds consist of investments in limited partnerships with managers who invest in privately structured transactions. The Foundation expects to receive interest, dividends, and proceeds from the sale of underlying investments during the life of the private equity funds. The average life of a private equity fund is generally ten years but may be extended by the general partner, normally with the consent of a majority of the limited partners in the fund, for up to three years, to permit an orderly dissolution of the fund. Private equity funds are generally illiquid in nature and may not be redeemed during the life of the fund.

(b) The natural resources fund is a limited partnership that invests primarily in investment funds, which in turn, make oil, gas, and other natural resource-related investments with the objective of obtaining long-term growth of capital. The fund is illiquid in nature and may not be redeemed during the life of the fund.

(c) The direct lending funds are limited partnerships that make investments in tailored, primarily senior secured capital solutions to U.S. lower middle market companies with the objective of principal protection and capital preservation while maintaining strong free cash flow and interest coverage. The funds are illiquid in nature and may not be redeemed during the life of the funds.

(d) The arbitrage fund is a limited partnership single strategy event-driven fund centering on investing in securities of companies facing a major corporate event. It focuses primarily on companies involved in mergers or acquisitions. Redemptions may be made monthly upon submitting a 45-day written notice.

## Burton D. Morgan Foundation

### Notes to Financial Statements

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#### Note 4. Fair Value Measurements (Continued)

- (e) The core property fund is a limited partnership that invests primarily in stabilized investments in the education, healthcare, and storage sectors of the commercial real estate market to provide a combination of strong current income and long-term growth and appreciation. Redemptions may be made quarterly upon submitting a 45-day written notice.
- (f) The real estate fund is a limited partnership organized for the purpose of acquiring, developing, owning, and selling income producing timberlands. The fund is in its liquidation period and anticipates selling its remaining investments in 2022.

#### Note 5. Grants

Grant activity for the year ending December 31 is as follows:

|                             | 2021                                   |                     |                     |                                        |
|-----------------------------|----------------------------------------|---------------------|---------------------|----------------------------------------|
|                             | Grants Payable<br>December 31,<br>2020 | Grants<br>Awarded   | Grants<br>Paid      | Grants Payable<br>December 31,<br>2021 |
| Youth Entrepreneurship      | \$ 563,000                             | \$ 817,742          | \$ 1,220,342        | \$ 160,400                             |
| Collegiate Entrepreneurship | 39,750                                 | 2,953,674           | 2,098,006           | 895,418                                |
| Adult Entrepreneurship      | 346,200                                | 1,829,769           | 2,023,469           | 152,500                                |
| Hudson Community            | -                                      | 202,650             | 202,650             | -                                      |
| Other                       | -                                      | 916,500             | 916,500             | -                                      |
|                             | <u>\$ 948,950</u>                      | <u>\$ 6,720,335</u> | <u>\$ 6,460,967</u> | <u>\$ 1,208,318</u>                    |

  

|                             | 2020                                   |                     |                     |                                        |
|-----------------------------|----------------------------------------|---------------------|---------------------|----------------------------------------|
|                             | Grants Payable<br>December 31,<br>2019 | Grants<br>Awarded   | Grants<br>Paid      | Grants Payable<br>December 31,<br>2020 |
| Youth Entrepreneurship      | \$ 388,300                             | \$ 1,307,650        | \$ 1,132,950        | \$ 563,000                             |
| Collegiate Entrepreneurship | 681,745                                | 526,236             | 1,168,231           | 39,750                                 |
| Adult Entrepreneurship      | 367,500                                | 1,222,150           | 1,243,450           | 346,200                                |
| Hudson Community            | -                                      | 71,300              | 71,300              | -                                      |
| Other                       | -                                      | 1,671,120           | 1,671,120           | -                                      |
|                             | <u>\$ 1,437,545</u>                    | <u>\$ 4,798,456</u> | <u>\$ 5,287,051</u> | <u>\$ 948,950</u>                      |

As of December 31, 2021 and 2020, grants payable of \$108,150 and \$160,400 are expected to be paid in more than one year, and are shown as long-term liabilities on the statement of financial position, respectively. As of December 31, 2021 and 2020, grants payable of \$1,100,168 and \$788,550 are expected to be paid in the following year and are shown as current liabilities on the statement of financial position, respectively.



## Burton D. Morgan Foundation

### Notes to Financial Statements

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#### Note 6. Promises to Give

The Foundation has outstanding commitments totaling \$239,489 and \$1,088,804 for conditional grants at December 31, 2021 and 2020, respectively. The grant payments are conditioned upon the recipient organizations meeting stipulated criteria. As such, they are not recorded in the financial statements of the Foundation.

#### Note 7. Lease Agreements

**Rental expense:** In May 2019, the Foundation executed a 42-month vehicle lease agreement requiring monthly payments of \$543.

In December 2015, the Foundation executed a postage machine lease for a term of 39 months requiring quarterly payments of \$135. The lease was renewed in February 2019 for a term of 36 months requiring quarterly payments of \$144. Subsequent to year end, the lease was renewed, and can be cancelled at any time with a \$90 cancellation fee.

In November 2016 the Foundation executed a 63-month Xerox WorkCentre lease agreement requiring minimum monthly payments plus per page fees. The monthly payment amounts effective November 2021 and 2020 were \$339 and \$326 per month, respectively. During 2021, the lease was renewed on a month-to-month basis.

Minimum future rental payments under these operating leases as of December 31, 2021, are as follows:

|      |                 |
|------|-----------------|
| 2022 | <u>\$ 6,395</u> |
|------|-----------------|

Lease expense was \$11,689 and \$11,335 for the years ended December 31, 2021 and 2020, respectively.

**Rental income:** The Foundation has a below market rate lease with the Hudson Community Foundation which began in December 2007 and has a term of 15 years, expiring November 30, 2022. Annual rental payments for this space are \$100. Management expects to renew this lease before the year ended December 31, 2022.

Minimum future rental receipts under these operating leases as of December 31, 2020, are as follows:

|      |               |
|------|---------------|
| 2022 | <u>\$ 100</u> |
|------|---------------|

Rental income was \$100 for the years ended December 31, 2021 and 2020.

#### Note 8. Federal Excise Taxes

In accordance with the applicable provisions of the Tax Reform Act of 1969, the Foundation is subject to an excise tax on net investment income, including realized gains, as defined in the Act. The Foundation incurred \$145,000 and \$220,000 in excise tax expense for the years ended December 31, 2021 and 2020, respectively.

In addition, the Tax Reform Act requires that certain minimum distributions be made in accordance with a specified formula. As of December 31, 2021 and 2020, the Foundation was in compliance with the minimum distribution requirements.

## Burton D. Morgan Foundation

### Notes to Financial Statements

#### Note 9. Retirement Plans

The Foundation sponsors a defined contribution retirement plan which is qualified under section 401(k) of the Internal Revenue Code. This plan covers all employees of the Foundation who are actively employed. Contributions to the plan are based on attainment of age 21 and completion of six months of service. The Foundation provides up to a 6% matching contribution to all eligible employees. The amount of employee match expense was \$59,520 and \$59,688 for the years ended December 31, 2021 and 2020, respectively.

Effective July 1, 2015, the Foundation also sponsors a nonqualified deferred compensation plan created pursuant to Internal Revenue Code Section 457(b). This plan covers certain management employees, and the Foundation has designated certain investments held to fund its obligation under the agreements. In January 2017, the Board of Trustees authorized an employer discretionary matching contribution of up to 50% of each participant's contributions to the 457(b) plan, up to an annual limit of \$10,000 per participant. The employee's contributions under the 457(b) plan totaled \$24,000 for both years ended December 31, 2021 and 2020. Employer discretionary matching contributions totaled \$12,000 for both years ended December 31, 2021 and 2020. The assets of this plan are the legal assets of the Foundation until they are distributed to the participants; therefore, the plan assets and a corresponding liability are reported in the statements of financial position. The balance of the 457(b) deferred compensation investments and corresponding liability was \$178,500 and \$142,500 at December 31, 2021 and 2020, respectively.

#### Note 10. Functional Classification of Expenses

Expenses classified by natural classification, for the years ended December 31, are summarized as follows:

|                                  | 2021                   |                       |                                       |                   |                              |                           |                     |
|----------------------------------|------------------------|-----------------------|---------------------------------------|-------------------|------------------------------|---------------------------|---------------------|
|                                  | Program Services       |                       |                                       |                   | Total<br>Program<br>Services | Management<br>and General | Total<br>Expenses   |
|                                  | General<br>Grantmaking | Scaleup<br>Initiative | Collegiate<br>Ecosystem<br>Assessment | YIPPEE            |                              |                           |                     |
| Grants awarded                   | \$ 6,690,335           | \$ -                  | \$ -                                  | \$ 30,000         | \$ 6,720,335                 | \$ -                      | \$ 6,720,335        |
| Direct program expenses          | 5,189                  | 459,777               | 105,216                               | 145,310           | 715,492                      | -                         | 715,492             |
| Salaries and related expenses    | 908,561                | 12,497                | 52,527                                | 31,778            | 1,005,363                    | 137,084                   | 1,142,447           |
| Benefits                         | 130,305                | 1,093                 | 6,776                                 | 5,472             | 143,646                      | 19,660                    | 163,306             |
| Trustee fees                     | 52,500                 | -                     | -                                     | -                 | 52,500                       | 52,500                    | 105,000             |
| Excise taxes and fees            | 125,991                | -                     | -                                     | -                 | 125,991                      | 19,009                    | 145,000             |
| Occupancy                        | 19,945                 | -                     | -                                     | -                 | 19,945                       | 3,009                     | 22,954              |
| Office supplies                  | 5,194                  | -                     | -                                     | -                 | 5,194                        | 784                       | 5,978               |
| Office expenses                  | 70,791                 | -                     | -                                     | -                 | 70,791                       | 10,681                    | 81,472              |
| Professional fees                | 54,632                 | -                     | -                                     | -                 | 54,632                       | 83,446                    | 138,078             |
| Insurance                        | 28,805                 | -                     | -                                     | -                 | 28,805                       | 4,346                     | 33,151              |
| Annual report and communications | 13,877                 | -                     | -                                     | -                 | 13,877                       | 2,094                     | 15,971              |
| Website                          | 2,520                  | -                     | -                                     | -                 | 2,520                        | 380                       | 2,900               |
| Travel and conferences           | 17,348                 | -                     | -                                     | -                 | 17,348                       | 2,618                     | 19,966              |
| Nonprofit meetings and events    | 198                    | -                     | -                                     | -                 | 198                          | -                         | 198                 |
| Trustee meetings                 | 21,134                 | -                     | -                                     | -                 | 21,134                       | 3,189                     | 24,323              |
| Repairs and maintenance          | 32,324                 | -                     | -                                     | -                 | 32,324                       | 4,877                     | 37,201              |
| Dues and subscriptions           | 14,127                 | -                     | -                                     | -                 | 14,127                       | 2,132                     | 16,259              |
| Depreciation                     | 121,822                | -                     | -                                     | -                 | 121,822                      | 18,381                    | 140,203             |
| Miscellaneous                    | 1,542                  | -                     | -                                     | -                 | 1,542                        | 233                       | 1,775               |
|                                  | <u>\$ 8,317,140</u>    | <u>\$ 473,367</u>     | <u>\$ 164,519</u>                     | <u>\$ 212,560</u> | <u>\$ 9,167,586</u>          | <u>\$ 364,423</u>         | <u>\$ 9,532,009</u> |

## Burton D. Morgan Foundation

### Notes to Financial Statements

#### Note 10. Functional Classification of Expenses (Continued)

|                                  | 2020                   |                       |                                       |                              |                           |                     |
|----------------------------------|------------------------|-----------------------|---------------------------------------|------------------------------|---------------------------|---------------------|
|                                  | Program Services       |                       |                                       | Total<br>Program<br>Services | Management<br>and General | Total<br>Expenses   |
|                                  | General<br>Grantmaking | Scaleup<br>Initiative | Collegiate<br>Ecosystem<br>Assessment |                              |                           |                     |
| Grants awarded                   | \$ 4,798,456           | \$ -                  | \$ -                                  | \$ 4,798,456                 | \$ -                      | \$ 4,798,456        |
| Direct program expenses          | 4,789                  | 461,671               | 43,500                                | 509,960                      | -                         | 509,960             |
| Salaries and related expenses    | 937,436                | 39,060                | -                                     | 976,496                      | 147,205                   | 1,123,701           |
| Benefits                         | 135,167                | 2,374                 | -                                     | 137,541                      | 20,734                    | 158,275             |
| Trustee fees                     | 45,000                 | -                     | -                                     | 45,000                       | 45,000                    | 90,000              |
| Excise taxes and fees            | 191,180                | -                     | -                                     | 191,180                      | 28,820                    | 220,000             |
| Occupancy                        | 21,448                 | -                     | -                                     | 21,448                       | 3,233                     | 24,681              |
| Office supplies                  | 6,519                  | -                     | -                                     | 6,519                        | 983                       | 7,502               |
| Office expenses                  | 61,780                 | -                     | -                                     | 61,780                       | 9,313                     | 71,093              |
| Professional fees                | 61,340                 | -                     | -                                     | 61,340                       | 9,247                     | 70,587              |
| Insurance                        | 26,993                 | -                     | -                                     | 26,993                       | 4,069                     | 31,062              |
| Annual report and communications | 4,462                  | -                     | -                                     | 4,462                        | 673                       | 5,135               |
| Website                          | 1,738                  | -                     | -                                     | 1,738                        | 262                       | 2,000               |
| Travel and conferences           | 14,460                 | -                     | -                                     | 14,460                       | 2,180                     | 16,640              |
| Nonprofit meetings and events    | 1,536                  | -                     | -                                     | 1,536                        | 232                       | 1,768               |
| Trustee meetings                 | 40,261                 | -                     | -                                     | 40,261                       | 6,069                     | 46,330              |
| Repairs and maintenance          | 36,047                 | -                     | -                                     | 36,047                       | 5,434                     | 41,481              |
| Dues and subscriptions           | 11,997                 | -                     | -                                     | 11,997                       | 1,808                     | 13,805              |
| Depreciation                     | 128,901                | -                     | -                                     | 128,901                      | 19,431                    | 148,332             |
| Miscellaneous                    | 374                    | -                     | -                                     | 374                          | 57                        | 431                 |
|                                  | <u>\$ 6,529,884</u>    | <u>\$ 503,105</u>     | <u>\$ 43,500</u>                      | <u>\$ 7,076,489</u>          | <u>\$ 304,750</u>         | <u>\$ 7,381,239</u> |

The financial statements report certain categories of expense that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. These expenses are allocated on the basis of best estimates of time and effort.

## Burton D. Morgan Foundation

### Notes to Financial Statements

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#### Note 11. Liquidity and Availability

The following reflects the Foundation's financial assets as of December 31, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

|                                                                                  | 2021                  | 2020                  |
|----------------------------------------------------------------------------------|-----------------------|-----------------------|
| Financial assets at year end:                                                    |                       |                       |
| Cash and cash equivalents                                                        | \$ 73,571             | \$ 89,064             |
| Receivables                                                                      | 1,009,745             | 97,650                |
| Program related investment                                                       | -                     | 13,158                |
| Investments                                                                      | 209,302,157           | 186,025,180           |
| Other assets                                                                     | 178,500               | 142,500               |
| Total financial assets                                                           | <u>210,563,973</u>    | <u>186,367,552</u>    |
| Less amounts not available to be used for general expenditure within one year:   |                       |                       |
| Investments in nonliquid securities                                              | 38,255,582            | 31,513,379            |
| Net assets with donor restrictions, subject to expenditure for specified purpose | 2,806,510             | 3,118,363             |
| Program related investment due after one year                                    | -                     | 3,314                 |
| Other assets                                                                     | 178,500               | 142,500               |
| Financial assets not available to be used within one year                        | <u>41,240,592</u>     | <u>34,777,556</u>     |
| Financial assets available to meet general expenditures within one year          | <u>\$ 169,323,381</u> | <u>\$ 151,589,996</u> |

The Foundation regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. Its asset allocation guidelines provide for a range of 3% to 13% in 2021 and 0% to 20% in 2020 for cash and cash equivalents which include: U.S. Government and Agency Securities, U.S. Government security denominated money market funds, Prime Money Market Funds, Ultra-short bond funds, and short-term laddered treasury securities. As of December 31, 2021 and 2020, the Foundation was in compliance with these guidelines.

#### Note 12. Commitments

At December 31, 2021, the Foundation had unfunded commitments of \$24,860,653 to make additional capital investments in limited partnerships. Subsequent to year end, the Foundation funded \$2,861,473 of these commitments.

#### Note 13. Subsequent Events

In 2022, the Foundation awarded grants of approximately \$3,057,600. Grants of \$2,468,000 are to be paid out in 2022, and the remainder is to be paid out in 2023.

#### Note 14. Pandemic

On March 11, 2020, the United States government declared a national state of emergency for an unknown period of time due to a novel coronavirus outbreak (COVID-19). The spread of COVID-19, a strain of the coronavirus, appears to be altering the behavior of businesses and people in a manner that is having negative effects on local, regional, and global economies. The continued spread of COVID-19, may impact the local, regional, and national economies and accordingly may impact the Foundation, but at this point the impacts are uncertain.

## **Supplementary Information**

**Burton D. Morgan Foundation**

**Supplementary Statements of Activities  
Years Ended December 31, 2021 and 2020**

|                                                             | 2021                  | 2020                  |
|-------------------------------------------------------------|-----------------------|-----------------------|
| Operating revenue and support:                              |                       |                       |
| Investment income, net of fees                              | \$ 2,744,327          | \$ 3,056,811          |
| Rental income                                               | 100                   | 100                   |
| Miscellaneous income                                        | -                     | 3,309                 |
| <b>Total operating revenue and support</b>                  | <b>2,744,427</b>      | <b>3,060,220</b>      |
| Grantmaking expenses:                                       |                       |                       |
| Grants awarded                                              | 6,720,335             | 4,798,456             |
| Direct program expenses                                     | 715,492               | 509,960               |
|                                                             | <b>7,435,827</b>      | <b>5,308,416</b>      |
| Operating expenses:                                         |                       |                       |
| Salaries and related expenses                               | 1,142,447             | 1,123,701             |
| Benefits                                                    | 163,306               | 158,275               |
| Trustee fees                                                | 105,000               | 90,000                |
| Excise taxes and fees                                       | 145,000               | 220,000               |
| Occupancy                                                   | 22,954                | 24,681                |
| Office supplies                                             | 5,978                 | 7,502                 |
| Office expenses                                             | 81,472                | 71,093                |
| Professional fees                                           | 138,078               | 70,587                |
| Insurance                                                   | 33,151                | 31,062                |
| Annual report and communications                            | 15,971                | 5,135                 |
| Website                                                     | 2,900                 | 2,000                 |
| Travel and conferences                                      | 19,966                | 16,640                |
| Nonprofit meetings and events                               | 198                   | 1,768                 |
| Trustee meetings                                            | 24,323                | 46,330                |
| Repairs and maintenance                                     | 37,201                | 41,481                |
| Dues and subscriptions                                      | 16,259                | 13,805                |
| Depreciation                                                | 140,203               | 148,332               |
| Miscellaneous                                               | 1,775                 | 431                   |
| <b>Total operating expenses</b>                             | <b>2,096,182</b>      | <b>2,072,823</b>      |
| <b>Total grantmaking and operating expenses</b>             | <b>9,532,009</b>      | <b>7,381,239</b>      |
| <b>Change in net assets from grantmaking and operations</b> | <b>(6,787,582)</b>    | <b>(4,321,019)</b>    |
| Nonoperating revenue and losses:                            |                       |                       |
| Contributions                                               | -                     | 3,500                 |
| Realized gain on sale of investments                        | 9,051,892             | 15,751,229            |
| Loss on disposal of fixed assets                            | (5,406)               | -                     |
| Unrealized gain (loss) on investments                       | 21,702,088            | (77,699)              |
| <b>Total nonoperating revenue and losses</b>                | <b>30,748,574</b>     | <b>15,677,030</b>     |
| <b>Change in net assets</b>                                 | <b>23,960,992</b>     | <b>11,356,011</b>     |
| Beginning net assets                                        | 187,851,234           | 176,495,223           |
| Ending net assets                                           | <b>\$ 211,812,226</b> | <b>\$ 187,851,234</b> |