Burton D. Morgan Foundation

Financial Report
December 31, 2016

Contents

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RSM US LLP

Independent Auditor's Report

Board of Trustees
Burton D. Morgan Foundation
Hudson, Ohio

Report on the Financial Statements
We have audited the accompanying financial statements of Burton D. Morgan Foundation (the Foundation) which comprise the statements of financial position as of December 31, 2016 and 2015 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 of 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 Burton D. Morgan Foundation as of December 31, 2016 and 2015 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.

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Other Matter
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Cleveland, Ohio
June 7, 2017

Burton D. Morgan Foundation

Statements of Financial Position
December 31, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	**$ 76,828**	$ 43,859
Dividends receivable	**109,158**	100,059
Grants receivable	**250,250**	-
Prepaid expense and other	**37,513**	73,550
Total current assets	**473,749**	217,468
Program related investment	**100,000**	61,300
Other assets	**17,000**	5,000
Investments:		
Money market funds	**7,205,299**	13,734,852
Treasury bills	**1,998,397**	-
Bond funds	**3,992,125**	-
Equity securities	**70,689,032**	68,757,903
Mutual funds	**24,552,891**	23,291,300
Exchange traded funds	**30,663,940**	29,220,404
Closely-held securities	**414,331**	414,331
Alternative investments	**9,756,210**	10,250,453
	149,272,225	145,669,243
Property and equipment:		
Land	**233,024**	233,024
Buildings and improvements	**3,764,788**	3,770,019
Furniture	**424,098**	405,013
Computers	**266,551**	228,230
	4,688,461	4,636,286
Accumulated depreciation	**(1,656,808)**	(1,507,342)
	3,031,653	3,128,944
Total assets	**$ 152,894,627**	$ 149,081,955
Liabilities and Net Assets		
Current liabilities:		
Grants payable - current	**$ 1,045,750**	$ 1,502,877
Trade payables	**42,881**	24,322
Total current liabilities	**1,088,631**	1,527,199
Grants payable - long-term	**484,000**	11,350
Other long-term liabilities	**17,000**	5,000
Net assets:		
Unrestricted	**151,030,351**	147,538,406
Temporarily restricted	**274,645**	-
Total net assets	**151,304,996**	147,538,406
Total liabilities and net assets	**$ 152,894,627**	$ 149,081,955

See notes to financial statements.

Burton D. Morgan Foundation

Statement of Activities
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Operating revenue and support:			
Investment income, net of fees	$ 2,081,181	$ -	$ 2,081,181
Rental income	100		100
Grants	300	357,500	357,800
Total operating revenue and support	2,081,581	357,500	2,439,081
Net assets released from restriction	82,855	(82,855)	-
	2,164,436	274,645	2,439,081
Grantmaking expenses:			
Grants awarded	7,188,860		7,188,860
Direct program expenses	215,630		215,630
	7,404,490		7,404,490
Operating expenses:			
Salaries and related expenses	1,035,703		1,035,703
Benefits	133,992		133,992
Trustee fees	90,000		90,000
Excise taxes and fees	88,000		88,000
Occupancy	29,661		29,661
Office supplies	13,916		13,916
Office expenses	39,598		39,598
Professional fees	105,903		105,903
Insurance	27,667		27,667
Annual report and communications	50,293		50,293
Website	22,744		22,744
Travel and conferences	44,155		44,155
Nonprofit meetings and events	3,501		3,501
Trustee meetings	31,464		31,464
Repairs and maintenance	35,983		35,983
Dues and subscriptions	6,816		6,816
Depreciation	158,333		158,333
Miscellaneous	23,449		23,449
Total operating expenses	1,941,178		1,941,178
Total grantmaking and operating expenses	9,345,668		9,345,668
Change in net assets from grantmaking and operations	(7,181,232)	274,645	(6,906,587)
Non-operating revenue and losses:			
Realized gain on sale of investments	4,360,170		4,360,170
Unrealized gain on investments	6,324,955		6,324,955
Loss on disposal of fixed assets	(11,948)		(11,948)
Total non-operating revenue and losses	10,673,177		10,673,177
Change in net assets	3,491,945	274,645	3,766,590
Beginning net assets	147,538,406	-	147,538,406
Ending net assets	$ 151,030,351	$ 274,645	$ 151,304,996

See notes to financial statements.

Burton D. Morgan Foundation

Statement of Activities
Year Ended December 31, 2015

	Unrestricted
Operating revenue and support:	
Investment income, net of fees	$ 2,327,275
Rental income	100
Total operating revenue and support	2,327,375
Grantmaking expenses:	
Grants awarded	5,207,189
Direct program expenses	67,528
	5,274,717
Operating expenses:	
Salaries and related expenses	966,320
Benefits	120,185
Trustee fees	90,000
Excise taxes and fees	72,000
Occupancy	33,394
Office supplies	17,358
Office expenses	41,981
Professional fees	40,550
Insurance	26,098
Annual report and communications	61,548
Website	775
Travel and conferences	46,441
Nonprofit meetings and events	1,895
Trustee meetings	37,140
Repairs and maintenance	37,885
Dues and subscriptions	4,908
Depreciation	155,319
Miscellaneous	8,039
Total operating expenses	1,761,836
Total grantmaking and operating expenses	7,036,553
Change in net assets from grantmaking and operations	(4,709,178)
Non-operating revenue and losses:	
Realized gain on sale of investments	4,601,940
Unrealized loss on investments	(7,894,520)
Total non-operating revenue and losses	(3,292,580)
Change in net assets	(8,001,758)
Beginning net assets	155,540,164
Ending net assets	$ 147,538,406

See notes to financial statements.

Burton D. Morgan Foundation

Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	**$ 3,766,590**	$ (8,001,758)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	**158,333**	155,319
Unrealized (gain) loss on investments	**(6,324,955)**	7,894,520
Net realized gain on investments	**(4,360,170)**	(4,601,940)
Loss on disposal of fixed assets	**11,948**	-
Noncash investment expense (earnings)	**245,830**	(44,122)
(Increase) decrease in:		
Dividends receivable	**(9,099)**	(1,933)
Grants receivable	**(250,250)**	-
Prepaid expense and other	**36,037**	(46,073)
Increase (decrease) in:		
Grants payable	**15,523**	(1,139,470)
Trade payables	**18,559**	(24,410)
Net cash used in operating activities	**(6,691,654)**	(5,809,867)
Cash flows from investing activities:		
Purchase of program related investment	**(38,700)**	(31,300)
Proceeds from sales of investments	**32,430,699**	30,892,075
Purchase of investments	**(25,594,386)**	(24,905,108)
Purchase of fixed assets	**(72,990)**	(246,518)
Net cash provided by investing activities	**6,724,623**	5,709,149
Net increase (decrease) in cash and cash equivalents	**32,969**	(100,718)
Cash and cash equivalents:		
Beginning	**43,859**	144,577
Ending	**$ 76,828**	$ 43,859
Supplemental disclosure of cash flow information:		
Cash paid during the year for excise tax	**$ 50,000**	$ 110,000
Non-cash investing activity:		
Write off of fully depreciated property and equipment	**$ 4,324**	$ 3,467

See notes to financial statements.

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. Through targeted grantmaking focused on entrepreneurship and entrepreneurship education for all ages, the Foundation has helped to build and strengthen the entrepreneurial ecosystem in Northeast Ohio. The Foundation recently established a research institute, the Entrepreneurship Education Experiment (the Institute), 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. A key element of the Institute is Burton D. Morgan Fellowship, a program that engages entrepreneurship scholars in exploring new frontiers in entrepreneurship education. 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 accounting: The financial statements of the Foundation are prepared on the accrual basis of accounting.

Financial statement presentation: The accompanying financial statements of the Foundation have been prepared, in all material respects, as recommended by the American Institute of Certified Public Accountants' (AICPA) Audit and Accounting Guide, *Not-for-Profit Organizations*. The audit guide includes the requirements of the accounting standards applicable to the *Financial Statements of Not-For-Profit Organizations.* In accordance with these standards, the financial statements have been prepared based upon three categories of net assets, as follows:

Unrestricted net assets represent the operations of the Foundation.

Temporarily restricted net assets represent amounts received that have been restricted by the donor, grantor, or other outside party for a specified purpose.

Permanently restricted net assets represent amounts received for which the principal must be preserved; only the income is available for use as directed by the Board of Trustees. The Foundation has no permanently restricted net assets as of December 31, 2016 and 2015.

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.

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 $158,333 and $155,319 for the years ended December 31, 2016 and 2015, respectively.

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, 2016 and 2015 are $407,799 and $437,770, respectively.

Grants: Grants received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Grants which are donor-restricted are reported as temporarily restricted support and are reclassified to unrestricted net assets upon expiration of the 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 percent 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, 2016 and December 31, 2015, there were no unrecognized tax benefits identified or recorded as liabilities. The Foundation is not subject to tax examinations by tax authorities for years ending 2013 and prior.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

Recent accounting pronouncements: In May 2015, the FASB issued Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement* (Topic 820): *Disclosures for Investments in Certain Entities That Calculate Net Asset Value (NAV) per Share (or Its Equivalent).* This ASU removes the requirement to categorize, within the fair value hierarchy, investments for which fair values are measured at NAV using the practical expedient. Removing those investments from the fair value hierarchy not only eliminates the diversity in practice in how investments measured at NAV (or its equivalent) with future redemption dates are classified but also ensures that all investments categorized in the fair value hierarchy are classified using a consistent approach. This statement is effective for fiscal years beginning after December 15, 2016.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities.* The objective of this statement is to improve the current net asset classification requirements and information presented in financial statements and notes about an entity's liquidity, financial performance and cash flows. The statement is effective for fiscal years beginning after December 15, 2017.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August, 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018.

In February 2016, the FASB issued 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, 2019. 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.

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

Subsequent events: The Foundation has evaluated subsequent events for potential recognition and/or disclosure through June 7, 2017, 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, 2016 and 2015, 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,			
	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Money market funds	$ 7,205,299	$ 7,205,299	$ 13,734,852	$ 13,734,852
Treasury bills	1,996,952	1,998,397	-	-
Bond funds	4,000,000	3,992,125	-	-
Equity securities	39,704,429	70,689,032	41,557,587	68,757,903
Mutual funds	25,519,565	24,552,891	24,747,392	23,291,300
Exchange traded funds	19,857,242	30,663,940	20,795,239	29,220,404
Closely-held securities	146,353	414,331	146,353	414,331
Alternative investments	7,503,309	9,756,210	7,640,196	10,250,453
	$ 105,933,149	$ 149,272,225	$ 108,621,619	$ 145,669,243

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, 2016 and 2015 were 816 with a fair value of $414,331.

Note 4. Fair Value Measurements

The 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.

Note 4. Fair Value Measurements (Continued)

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. Investments that are included in this category generally include equity and debt positions in private companies and general and limited partnership interests in corporate private equity and real estate funds and funds of hedge funds. The fair value ordinarily represents the Foundation's proportionate share of these funds' net asset value determined in accordance with their valuation policies and as reported by their management at the time of the Foundation's valuation. Generally, the fair value of the Foundation's investments in these funds represents the amount that the Foundation could reasonably expect to receive if the Foundation's investment was redeemed at the time of valuation, based on information reasonably available at the time the valuation is made and that the Foundation believes to be reliable.

For the years ended December 31, 2016 and 2015, the application of valuation techniques applied to similar assets and liabilities has been consistent.

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.

Note 4. Fair Value Measurements (Continued)

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

	2016			
	Total	Level 1	Level 2	Level 3
Investments:				
U.S. Treasuries:				
Treasury bills	$ 1,998,397	$ 1,998,397	$ -	$ -
Equity securities:				
Domestic	69,308,514	69,308,514	-	-
International	1,380,518	1,380,518	-	-
Bond Funds	3,992,125	3,992,125	-	-
Mutual funds:				
Small cap	4,902,190	4,902,190	-	-
International	5,754,813	5,754,813	-	-
World allocation	13,895,888	13,895,888	-	-
Exchange traded funds:				
Dividend	12,303,186	12,303,186	-	-
Large cap growth	18,360,754	18,360,754	-	-
Closely held securities	414,331	-	-	414,331
Alternative investments:				
Private equity	5,875,943	-	-	5,875,943
Natural resources fund	3,485,983	-	-	3,485,983
Real estate	394,284	-	-	394,284
	142,066,926	$ 131,896,385	$ -	$ 10,170,541
Money market funds	7,205,299			
Total investments	$ 149,272,225			

Note 4. Fair Value Disclosures (Continued)

	2015			
	Total	Level 1	Level 2	Level 3
Investments:				
Equity securities:				
Domestic	$ 66,212,123	$ 66,212,123	$ -	$ -
International	2,545,780	2,545,780	-	-
Mutual funds:				
Small cap	5,243,388	5,243,388	-	-
International	4,392,476	4,392,476	-	-
World allocation	13,655,436	13,655,436	-	-
Exchange traded funds:				
Dividend	12,381,537	12,381,537	-	-
Large cap growth	16,838,867	16,838,867	-	-
Closely held securities	414,331	-	-	414,331
Alternative investments:				
Private equity	7,550,342	-	-	7,550,342
Natural resources fund	1,792,394	-	-	1,792,394
Real estate	907,717	-	-	907,717
	131,934,391	$ 121,269,607	$ -	$ 10,664,784
Money market funds	13,734,852			
Total investments	$ 145,669,243			

The changes in the fair value of Level 3 assets are summarized as follows:

	Investments
Balance, January 1, 2015	$ 12,416,230
Total gains and losses included in change in net assets:	
Return of capital	(2,691,354)
Capital contributions	1,290,372
Net realized and unrealized loss on investments	(426,527)
Allocation of operating gain	76,063
Balance, December 31, 2015	10,664,784
Total gains and losses included in change in net assets:	
Return of capital	(2,881,492)
Capital contributions	1,797,500
Net realized and unrealized gain on investments	705,037
Allocation of operating loss	(115,288)
Ending, December 31, 2016	$ 10,170,541

The gains and losses included above are reported within non-operating activity on the statements of activities.

Note 5. Grants

Grants payable represent amounts awarded in 2016 and 2015 to be paid in future years. Amounts are payable as follows:

	2016		
	2017	2018	Total
Youth Entrepreneurship	$ 236,400	$ -	$ 236,400
Collegiate Entrepreneurship	101,350	-	101,350
Adult Entrepreneurship	708,000	484,000	1,192,000
	$ 1,045,750	$ 484,000	$ 1,529,750

	2015		
	2016	2017	Total
Youth Entrepreneurship	$ 114,400	$ -	$ 114,400
Collegiate Entrepreneurship	1,247,477	11,350	1,258,827
Adult Entrepreneurship	115,000	-	115,000
Hudson Community	1,000	-	1,000
Other	25,000	-	25,000
	$ 1,502,877	$ 11,350	$ 1,514,227

Grant activity for 2016 and 2015 is as follows:

	2016			
	Grants Payable January 1, 2016	Grants Awarded	Grants Paid	Grants Payable December 31, 2016
Youth Entrepreneurship	$ 114,400	$ 1,374,036	$ 1,252,036	$ 236,400
Collegiate Entrepreneurship	1,258,827	919,279	2,076,756	101,350
Adult Entrepreneurship	115,000	3,376,705	2,299,705	1,192,000
Hudson Community	1,000	122,140	123,140	-
Other	25,000	1,396,700	1,421,700	-
	$ 1,514,227	$ 7,188,860	$ 7,173,337	$ 1,529,750

	2015			
	Grants Payable January 1, 2015	Grants Awarded	Grants Paid	Grants Payable December 31, 2015
Youth Entrepreneurship	$ 129,400	$ 998,919	$ 1,013,919	$ 114,400
Collegiate Entrepreneurship	1,771,297	1,578,738	2,091,208	1,258,827
Adult Entrepreneurship	687,000	909,950	1,481,950	115,000
Hudson Community	66,000	254,300	319,300	1,000
Other	-	1,465,282	1,440,282	25,000
	$ 2,653,697	$ 5,207,189	$ 6,346,659	$ 1,514,227

Note 6. Promises to Give

The Foundation has outstanding commitments totaling $373,870 for conditional grants at December 31, 2016. 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. At December 31, 2015, the Foundation's outstanding commitments for conditional grants payable totaled $607,386.

Note 7. Lease Agreements

Rental expense: In October 2011, the Foundation executed a copier lease for a term of 60 months requiring monthly payments which are adjusted annually for inflation. In November 2016 that lease was terminated and the Foundation executed a new 63-month Xerox WorkCentre lease agreement requiring minimum monthly payments of $289, plus per page fees. The monthly payment amounts effective November 2016 and 2015 were $289 and $453, respectively.

In September 2015, the Foundation executed a 48-month vehicle lease agreement requiring monthly payments of $558.

In December 2015, the Foundation executed a postage machine lease for a term of 39 months requiring quarterly payments of $135.

Minimum future rental payments under these operating leases as of December 31, 2016 are as follows:

2017	$	10,704
2018		10,704
2019		8,592
2020		3,468
2021		3,468
Thereafter		289
Total	$	37,225

Lease expense, was $12,384 and $15,457 for the years ended December 31, 2016 and 2015, 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. Annual rental payments for this space are $100.

Minimum future rental receipts under these operating leases as of December 31, 2016 are as follows:

2017	$	100
2018		100
2019		100
2020		100
2021		100
Total	$	500

Lease income was $100 for the years ended December 31, 2016 and 2015.

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 $88,000 and $72,000 in excise tax expense for the years ended December 31, 2016 and 2015, respectively.

In addition, the Tax Reform Act requires that certain minimum distributions be made in accordance with a specified formula. As of December 31, 2016, and 2015, the Foundation was in compliance with the minimum distribution requirements.

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 $50,082 and $44,830 for the years ended December 31, 2016 and 2015, 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. The employee’s contributions under the 457(b) plan totaled $12,000 and $5,000 for the years ended December 31, 2016 and 2015 respectively, and no employer matching funds were provided. The assets of this plan are the legal assets of the Foundation until they are distributed to the participants, and 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 $17,000 and $5,000 at December 31, 2016 and 2015 respectively.

In January 2017, the Board of Trustees authorized an employer discretionary matching contribution of 50% of each participant’s contributions to the 457(b) plan, up to an annual limit of $10,000 per participant. In accordance with the plan document, participants must be an active employee on the last day of the plan year to share in the allocation of the employer’s discretionary matching contribution for that plan year.

Note 10. Commitments

At December 31, 2016, the Foundation had unfunded commitments of $7,353,617 to make additional capital investments in limited partnerships. Subsequent to year end, the Foundation funded $1,354,863 of this commitment.

Note 11. Subsequent Events

In 2017, the Foundation awarded grants of approximately $2,472,000. Of this total, approximately $1,916,000 is to be paid out in 2017, with the remaining grants to be paid in 2018 and thereafter.

In February 2017, the Foundation committed $10,000,000 to an alternative investment strategy that provides non-sponsored loans to middle market companies. Since that time, the Foundation has funded $128,892 of this commitment.

Supplementary Information

Burton D. Morgan Foundation

Supplemental Statements of Activities
Years Ended December 31, 2016 and 2015

	Total 2016	Total 2015
Operating revenue and support:		
Investment income, net of fees	$ 2,081,181	$ 2,327,275
Rental income	100	100
Grants	357,800	-
Total operating revenue and support	2,439,081	2,327,375
Grantmaking expenses:		
Grants awarded	7,188,860	5,207,189
Direct program expenses	215,630	67,528
	7,404,490	5,274,717
Operating expenses:		
Salaries and related expenses	1,035,703	966,320
Benefits	133,992	120,185
Trustee fees	90,000	90,000
Excise taxes and fees	88,000	72,000
Occupancy	29,661	33,394
Office supplies	13,916	17,358
Office expenses	39,598	41,981
Professional fees	105,903	40,550
Insurance	27,667	26,098
Annual report and communications	50,293	61,548
Website	22,744	775
Travel and conferences	44,155	46,441
Nonprofit meetings and events	3,501	1,895
Trustee meetings	31,464	37,140
Repairs and maintenance	35,983	37,885
Dues and subscriptions	6,816	4,908
Depreciation	158,333	155,319
Miscellaneous	23,449	8,039
Total operating expenses	1,941,178	1,761,836
Total grantmaking and operating expenses	9,345,668	7,036,553
Change in net assets from grantmaking and operations	(1,941,178)	(4,709,178)
Non-operating revenue and losses:		
Realized gain on sale of investments	4,360,170	4,601,940
Unrealized gain on investments	6,324,955	(7,894,520)
Loss on disposal of fixed assets	(11,948)	-
Total non-operating revenue and losses	10,673,177	(3,292,580)
Change in net assets	8,731,999	(8,001,758)
Beginning net assets	147,538,406	155,540,164
Ending net assets	$ 156,270,405	$ 147,538,406