

# **Burton D. Morgan Foundation**

Financial Report  
December 31, 2020

## Contents

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Independent auditor's report	1-2
<hr/>	
Financial statements	
Statements of financial position	3
Statements of activities	4-5
Statements of cash flows	6
Notes to financial statements	7-19
<hr/>	
Supplementary information	
Supplementary statements of activities	20
<hr/>	

## Independent Auditor's Report

Board of Trustees  
Burton D. Morgan Foundation

### 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, 2020 and 2019, 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, 2020 and 2019, 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.

**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 16, 2021

**Burton D. Morgan Foundation**

**Statements of Financial Position  
December 31, 2020 and 2019**

	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 89,064	\$ 57,771
Dividends receivable	97,385	83,702
Accounts receivable	265	3,296
Prepaid expense and other	48,758	57,994
<b>Total current assets</b>	<b>235,472</b>	<b>202,763</b>
Program related investment	13,158	47,636
Other assets	142,500	103,500
Investments:		
Money market funds	8,413,118	13,316,235
Treasury bills	3,999,314	998,551
Bond funds	9,761,607	7,008,052
Equity securities	49,388,514	58,164,087
Mutual funds	68,844,999	53,287,057
Exchange traded funds	14,104,249	17,159,644
Closely-held securities	346,465	404,858
Alternative investments	31,166,914	24,695,068
	<b>186,025,180</b>	<b>175,033,552</b>
Property and equipment:		
Land	233,024	233,024
Buildings and improvements	3,771,396	3,769,512
Furniture	453,712	449,671
Computers	306,364	296,242
	<b>4,764,496</b>	<b>4,748,449</b>
Accumulated depreciation	<b>(2,214,824)</b>	<b>(2,066,492)</b>
	<b>2,549,672</b>	<b>2,681,957</b>
<b>Total assets</b>	<b>\$ 188,965,982</b>	<b>\$ 178,069,408</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Grants payable	\$ 788,550	\$ 1,272,545
Trade payables	23,298	33,140
<b>Total current liabilities</b>	<b>811,848</b>	<b>1,305,685</b>
Long-term liabilities:		
Grants payable	160,400	165,000
Other long-term liabilities	142,500	103,500
<b>Total long-term liabilities</b>	<b>302,900</b>	<b>268,500</b>
Net assets:		
Without donor restrictions	184,732,871	172,971,784
With donor restrictions	3,118,363	3,523,439
<b>Total net assets</b>	<b>187,851,234</b>	<b>176,495,223</b>
<b>Total liabilities and net assets</b>	<b>\$ 188,965,982</b>	<b>\$ 178,069,408</b>

See notes to financial statements.

## Burton D. Morgan Foundation

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

	Without Donor Restrictions	With Donor 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>
Non-operating 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 non-operating 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	\$ 184,732,871	\$ 3,118,363	\$ 187,851,234

See notes to financial statements.

## Burton D. Morgan Foundation

### Statement of Activities Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support:			
Investment income, net of fees	\$ 3,357,645	\$ 83,024	\$ 3,440,669
Rental income	100	-	100
Miscellaneous income	799	-	799
<b>Total operating revenue and support</b>	<b>3,358,544</b>	<b>83,024</b>	<b>3,441,568</b>
Net assets released from restriction	309,303	(309,303)	-
	<b>3,667,847</b>	<b>(226,279)</b>	<b>3,441,568</b>
Grantmaking expenses:			
Grants awarded	6,672,618	-	6,672,618
Direct program expenses	567,183	-	567,183
	<b>7,239,801</b>	<b>-</b>	<b>7,239,801</b>
Operating expenses:			
Salaries and related expenses	1,119,517	-	1,119,517
Benefits	162,097	-	162,097
Trustee fees	105,000	-	105,000
Excise taxes and fees	215,000	-	215,000
Occupancy	23,780	-	23,780
Office supplies	19,047	-	19,047
Office expenses	71,972	-	71,972
Professional fees	47,672	-	47,672
Insurance	30,369	-	30,369
Annual report and communications	21,031	-	21,031
Website	3,360	-	3,360
Travel and conferences	45,756	-	45,756
Nonprofit meetings and events	6,908	-	6,908
Trustee meetings	37,072	-	37,072
Repairs and maintenance	37,382	-	37,382
Dues and subscriptions	9,781	-	9,781
Depreciation	146,383	-	146,383
Miscellaneous	1,268	-	1,268
<b>Total operating expenses</b>	<b>2,103,395</b>	<b>-</b>	<b>2,103,395</b>
<b>Total grantmaking and operating expenses</b>	<b>9,343,196</b>	<b>-</b>	<b>9,343,196</b>
<b>Change in net assets from grantmaking and operations</b>	<b>(5,675,349)</b>	<b>(226,279)</b>	<b>(5,901,628)</b>
Non-operating revenue:			
Realized gain on sale of investments	7,137,896	-	7,137,896
Unrealized gain on investments	20,988,897	-	20,988,897
<b>Total non-operating revenue</b>	<b>28,126,793</b>	<b>-</b>	<b>28,126,793</b>
<b>Change in net assets</b>	<b>22,451,444</b>	<b>(226,279)</b>	<b>22,225,165</b>
Beginning net assets	150,520,340	3,749,718	154,270,058
Ending net assets	<b>\$ 172,971,784</b>	<b>\$ 3,523,439</b>	<b>\$ 176,495,223</b>

See notes to financial statements.

**Burton D. Morgan Foundation**

**Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 11,356,011	\$ 22,225,165
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	148,332	146,383
Unrealized loss (gain) on investments	77,699	(20,988,897)
Realized gain on investments	(15,751,229)	(7,137,896)
Noncash investment income	(534,604)	(464,804)
(Increase) decrease in:		
Dividends receivable	(13,683)	34,204
Accounts receivable	3,031	772
Prepaid expense and other	9,236	(18,287)
Increase (decrease) in:		
Grants payable	(488,595)	823,135
Trade payables	(9,842)	21,987
<b>Net cash used in operating activities</b>	<b>(5,203,644)</b>	<b>(5,358,238)</b>
Cash flows from investing activities:		
Repayment of program related investment	34,478	29,938
Proceeds from sales of investments	55,121,196	36,907,218
Purchase of investments	(49,904,690)	(31,576,070)
Purchase of property and equipment	(16,047)	(34,538)
<b>Net cash provided by investing activities</b>	<b>5,234,937</b>	<b>5,326,548</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>31,293</b>	<b>(31,690)</b>
Cash and cash equivalents:		
Beginning	57,771	89,461
Ending	\$ 89,064	\$ 57,771
Supplemental disclosure of cash flow information:		
Cash paid during the year for excise tax	\$ 220,000	\$ 215,000
Non-cash investing activity:		
Write-off of fully depreciated property and equipment	\$ -	\$ 16,183

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 \$3,118,363 and \$3,523,439 at December 31, 2020 and 2019, 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 \$148,332 and \$146,383 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019.

**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, 2020 and 2019 are \$540,282 and \$481,404, 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, 2020 and 2019, 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 adopted accounting standards:** In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The objective of this statement is to assist entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange transactions subject to other guidance and determining whether a contribution is conditional. For transactions in which an entity is the resource recipient, the statement was effective for fiscal years beginning after December 15, 2018. For transactions in which the entity serves as a resource provider, the statement is effective for fiscal years beginning after December 15, 2019. The Foundation adopted the portion of this standard applicable to transactions where they are the resource recipient effective January 1, 2019, which did not have a significant impact on the financial statements. The Foundation adopted the portion of this standard applicable to transactions where they are the resource provider effective January 1, 2020, which did not have a significant impact on the financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 eliminates, adds and modifies certain disclosure requirements for fair value measurements. The Foundation has adopted this ASU and has adjusted the presentation in Note 4 to these financial statements accordingly.

**Recently accounting pronouncements not yet adopted:** 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, 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 their financial statements.

**Subsequent events:** The Foundation has evaluated subsequent events for potential recognition and/or disclosure through June 16, 2021, the date the financial statements were available to be issued.

## Burton D. Morgan Foundation

### Notes to Financial Statements

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#### Note 2. Investments

Following is cost and fair value information for the Foundation's investments at December 31, 2020 and 2019, 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,			
	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 8,413,118	\$ 8,413,118	\$ 13,315,609	\$ 13,316,235
Treasury bills	3,998,804	3,999,314	996,358	998,551
Bond funds	9,750,000	9,761,607	7,000,000	7,008,052
Equity securities	23,404,309	49,388,514	25,184,305	58,164,087
Mutual funds	55,570,406	68,844,999	46,892,790	53,287,057
Exchange traded funds	5,677,489	14,104,249	8,023,795	17,159,644
Closely-held securities	146,353	346,465	146,353	404,858
Alternative investments	28,818,145	31,166,914	23,150,087	24,695,068
	<u>\$ 135,778,624</u>	<u>\$ 186,025,180</u>	<u>\$ 124,709,297</u>	<u>\$ 175,033,552</u>

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, 2020 and 2019 were 816 with a fair value of \$346,465 and \$404,858, respectively.

## Burton D. Morgan Foundation

### Notes to Financial Statements

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#### 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, 2020 and 2019, 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.

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

## Burton D. Morgan Foundation

### Notes to Financial Statements

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#### 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:

	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	<u>5,056,613</u>			
Total investments	<u>\$ 186,025,180</u>			

**Burton D. Morgan Foundation****Notes to Financial Statements**

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

	2019			
	Total	Level 1	Level 2	Level 3
Investments:				
U.S. Treasuries:				
Treasury bills	\$ 998,551	\$ 998,551	\$ -	\$ -
Equity securities:				
Domestic	57,494,551	57,494,551	-	-
International	669,536	669,536	-	-
Bond funds	7,008,052	7,008,052	-	-
Mutual funds:				
Large cap	29,193,653	29,193,653	-	-
Small cap	5,840,907	5,840,907	-	-
International	8,390,636	8,390,636	-	-
World allocation	9,861,861	9,861,861	-	-
Exchange traded funds:				
Large cap growth	17,159,644	17,159,644	-	-
Closely-held securities	404,858	-	-	404,858
	<u>137,022,249</u>	<u>\$ 136,617,391</u>	<u>\$ -</u>	<u>\$ 404,858</u>
Money market funds	13,316,235			
Investments measured at net asset value:				
Private equity funds	8,567,874			
Natural resources fund	4,008,581			
Direct lending fund	4,644,608			
Arbitrage fund	7,299,739			
Real estate fund	174,266			
Total investments	<u>\$ 175,033,552</u>			

There were no purchases of Level 3 assets during the year ended December 31, 2020 and 2019.

## Burton D. Morgan Foundation

### Notes to Financial Statements

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#### 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.

	Fair Value at December 31, 2020	Unfunded Commitments	Redemption Frequency	Redemption 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 fund is a limited partnership that makes 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 fund is illiquid in nature and may not be redeemed during the life of the fund.
- (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.
- (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 2021.



## Burton D. Morgan Foundation

### Notes to Financial Statements

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#### Note 5. Grants

Grant activity for 2020 and 2019 is as follows:

	2020			
	Grants Payable December 31, 2019	Grants Awarded	Grants Paid	Grants Payable December 31, 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>

  

	2019			
	Grants Payable December 31, 2018	Grants Awarded	Grants Paid	Grants Payable December 31, 2019
Youth Entrepreneurship	\$ 182,000	\$ 1,811,760	\$ 1,605,460	\$ 388,300
Collegiate Entrepreneurship	319,220	2,116,455	1,753,930	681,745
Adult Entrepreneurship	105,000	1,667,400	1,404,900	367,500
Hudson Community	-	102,333	102,333	-
Other	8,190	974,670	982,860	-
	<u>\$ 614,410</u>	<u>\$ 6,672,618</u>	<u>\$ 5,849,483</u>	<u>\$ 1,437,545</u>

As of December 31, 2020 and 2019, grants payable of \$160,400 and \$165,000 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, 2020 and 2019, grants payable of \$788,550 and \$1,272,545 are expected to be paid in the following year and are shown as current liabilities on the statement of financial position, respectively.

#### Note 6. Promises to Give

The Foundation has outstanding commitments totaling \$1,088,804 and \$998,375 for conditional grants at December 31, 2020 and 2019, 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 September 2015, the Foundation executed a 48-month vehicle lease agreement requiring monthly payments of \$558. During May 2019, the lease was terminated and the Foundation executed a new 42-month vehicle lease requiring monthly payments of \$543.

## Burton D. Morgan Foundation

### Notes to Financial Statements

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#### Note 7. Lease Agreements (Continued)

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.

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 2020 and 2019 were \$326 and \$316 per month, respectively.

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

2021	\$	11,004
2022		6,395
Total	\$	<u>17,399</u>

Lease expense was \$11,335 and \$13,659 for the years ended December 31, 2020 and 2019, 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, 2020, are as follows:

2021	\$	<u>100</u>
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Rental income was \$100 for the years ended December 31, 2020 and 2019.

#### 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 \$220,000 and \$215,000 in excise tax expense for the years ended December 31, 2020 and 2019, respectively.

In addition, the Tax Reform Act requires that certain minimum distributions be made in accordance with a specified formula. As of December 31, 2020 and 2019, 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 \$59,688 and \$54,588 for the years ended December 31, 2020 and 2019, respectively.

## Burton D. Morgan Foundation

### Notes to Financial Statements

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#### Note 9. Retirement Plans (Continued)

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, 2020 and 2019. Employer discretionary matching contributions totaled \$12,000 for both years ended December 31, 2020 and 2019. 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 \$142,500 and \$103,500 at December 31, 2020 and 2019, respectively.

#### Note 10. Functional Classification of Expenses

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

	2020					
	Program Services			Total Program Services	Management and General	Total Expenses
	General Grantmaking	Scaleup Initiative	Collegiate Ecosystem 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>

## Burton D. Morgan Foundation

### Notes to Financial Statements

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

	2019					
	Program Services			Total Program Services	Management and General	Total Expenses
	General Grantmaking	Scaleup Initiative	Fellowship			
Grants awarded	\$ 6,672,618	\$ -	\$ -	\$ 6,672,618	\$ -	\$ 6,672,618
Direct program expenses	1,494	493,606	72,083	567,183	-	567,183
Salaries and related expenses	917,302	55,446	-	972,748	146,769	1,119,517
Benefits	137,325	3,521	-	140,846	21,251	162,097
Trustee fees	52,500	-	-	52,500	52,500	105,000
Excise taxes and fees	186,813	-	-	186,813	28,187	215,000
Occupancy	20,662	-	-	20,662	3,118	23,780
Office supplies	16,550	-	-	16,550	2,497	19,047
Office expenses	62,536	-	-	62,536	9,436	71,972
Professional fees	41,422	-	-	41,422	6,250	47,672
Insurance	26,388	-	-	26,388	3,981	30,369
Annual report and communications	18,274	-	-	18,274	2,757	21,031
Website	2,920	-	-	2,920	440	3,360
Travel and conferences	39,757	-	-	39,757	5,999	45,756
Nonprofit meetings and events	6,002	-	-	6,002	906	6,908
Trustee meetings	32,212	-	-	32,212	4,860	37,072
Repairs and maintenance	32,481	-	-	32,481	4,901	37,382
Dues and subscriptions	8,499	-	-	8,499	1,282	9,781
Depreciation	127,192	-	-	127,192	19,191	146,383
Miscellaneous	1,102	-	-	1,102	166	1,268
	<u>\$ 8,404,049</u>	<u>\$ 552,573</u>	<u>\$ 72,083</u>	<u>\$ 9,028,705</u>	<u>\$ 314,491</u>	<u>\$ 9,343,196</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.

#### 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.

	2020	2019
Financial assets at year end:		
Cash and cash equivalents	\$ 89,064	\$ 57,771
Receivables	97,650	86,998
Program related investment	13,158	47,636
Investments	186,025,180	175,033,552
Other assets	142,500	103,500
Total financial assets	<u>186,367,552</u>	<u>175,329,457</u>
Less amounts not available to be used for general expenditure within one year:		
Investments in non-liquid securities	31,513,379	25,099,926
Net assets with donor restrictions, subject to expenditure for specified purpose	3,118,363	3,523,439
Program related investment due after one year	3,314	19,087
Other assets	142,500	103,500
Financial assets not available to be used within one year	<u>34,777,556</u>	<u>28,745,952</u>
Financial assets available to meet general expenditures within one year	<u>\$ 151,589,996</u>	<u>\$ 146,583,505</u>

## **Burton D. Morgan Foundation**

### **Notes to Financial Statements**

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#### **Note 11. Liquidity and Availability (Continued)**

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 0% to 20% 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, 2020 and 2019, the Foundation was in compliance with these guidelines.

#### **Note 12. Commitments**

At December 31, 2020, the Foundation had unfunded commitments of \$6,419,478 to make additional capital investments in limited partnerships. Subsequent to year end, the Foundation funded \$641,552 of these commitments.

#### **Note 13. Subsequent Events**

In 2021, the Foundation awarded grants of approximately \$3,057,600. Grants of \$2,468,000 are to be paid out in 2021, and the remainder is to be paid out in 2022.

Also in 2021, the Foundation committed \$20 million to a second direct lending fund. Similar to the current fund, this fund is a limited partnership that makes 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 fund is illiquid in nature and may not be redeemed during the life of the fund, however, it includes a feature that allows investors to convert their investment to an evergreen structure after three years.

#### **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, 2020 and 2019**

	2020	2019
Operating revenue and support:		
Investment income, net of fees	\$ 3,056,811	\$ 3,440,669
Rental income	100	100
Miscellaneous income	3,309	799
<b>Total operating revenue and support</b>	<b>3,060,220</b>	<b>3,441,568</b>
Grantmaking expenses:		
Grants awarded	4,798,456	6,672,618
Direct program expenses	509,960	567,183
	<b>5,308,416</b>	<b>7,239,801</b>
Operating expenses:		
Salaries and related expenses	1,123,701	1,119,517
Benefits	158,275	162,097
Trustee fees	90,000	105,000
Excise taxes and fees	220,000	215,000
Occupancy	24,681	23,780
Office supplies	7,502	19,047
Office expenses	71,093	71,972
Professional fees	70,587	47,672
Insurance	31,062	30,369
Annual report and communications	5,135	21,031
Website	2,000	3,360
Travel and conferences	16,640	45,756
Nonprofit meetings and events	1,768	6,908
Trustee meetings	46,330	37,072
Repairs and maintenance	41,481	37,382
Dues and subscriptions	13,805	9,781
Depreciation	148,332	146,383
Miscellaneous	431	1,268
<b>Total operating expenses</b>	<b>2,072,823</b>	<b>2,103,395</b>
<b>Total grantmaking and operating expenses</b>	<b>7,381,239</b>	<b>9,343,196</b>
<b>Change in net assets from grantmaking and operations</b>	<b>(4,321,019)</b>	<b>(5,901,628)</b>
Non-operating revenue and losses:		
Contributions	3,500	-
Realized gain on sale of investments	15,751,229	7,137,896
Unrealized (loss) gain on investments	(77,699)	20,988,897
<b>Total non-operating revenue and losses</b>	<b>15,677,030</b>	<b>28,126,793</b>
<b>Change in net assets</b>	<b>11,356,011</b>	<b>22,225,165</b>
Beginning net assets	176,495,223	154,270,058
Ending net assets	<b>\$ 187,851,234</b>	<b>\$ 176,495,223</b>