

Burton D. Morgan Foundation

Financial Report
December 31, 2023

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Independent Auditor's Report

RSM US LLP

Board of Trustees
Burton D. Morgan Foundation

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, 2023 and 2022, 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, 2023 and 2022, 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 18 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 18 is fairly stated, in all material respects, in relation to the financial statements as a whole.

RSM US LLP

Cleveland, Ohio
June 20, 2024

Burton D. Morgan Foundation

**Statements of Financial Position
December 31, 2023 and 2022**

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 73,480	\$ 108,775
Dividends receivable	227,658	168,384
Prepaid expense and other	46,305	46,912
Total current assets	347,443	324,071
Other assets	440,522	558,131
Investments:		
Money market funds	5,396,398	3,122,102
Bond funds	5,051,691	7,421,607
Equity securities	47,323,884	50,973,911
Mutual funds	68,521,125	55,942,889
Exchange traded funds	11,988,744	12,468,748
Alternative investments	44,398,287	39,699,896
	182,680,129	169,629,153
Property and equipment:		
Land	233,024	233,024
Buildings and improvements	3,773,938	3,773,938
Furniture and equipment	493,358	493,358
Computers and software	699,887	512,857
	5,200,207	5,013,177
Accumulated depreciation	(2,528,679)	(2,349,426)
	2,671,528	2,663,751
Total assets	\$ 186,139,622	\$ 173,175,106
Liabilities and Net Assets		
Current liabilities:		
Grants payable	\$ 964,150	\$ 1,154,350
Trade payables	48,623	83,697
Total current liabilities	1,012,773	1,238,047
Long-term liabilities:		
Grants payable, net of current portion	-	705,600
Other long-term liabilities	110,058	227,667
Total long-term liabilities	110,058	933,267
Net assets:		
Without donor restrictions	182,828,097	168,549,817
With donor restrictions	2,188,694	2,453,975
Total net assets	185,016,791	171,003,792
Total liabilities and net assets	\$ 186,139,622	\$ 173,175,106

See notes to financial statements.

Burton D. Morgan Foundation

Statement of Activities Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support:			
Investment income, net of fees	\$ 3,619,829	\$ 100,245	\$ 3,720,074
Rental income	100	-	100
Total operating revenue and support	3,619,929	100,245	3,720,174
Net assets released from restriction	365,526	(365,526)	-
	3,985,455	(265,281)	3,720,174
Grantmaking expenses:			
Grants awarded	6,443,137	-	6,443,137
Direct program expenses	969,447	-	969,447
	7,412,584	-	7,412,584
Operating expenses:			
Salaries and related expenses	1,184,965	-	1,184,965
Benefits	188,168	-	188,168
Trustee fees	105,000	-	105,000
Excise taxes	175,000	-	175,000
Occupancy	26,315	-	26,315
Office supplies	8,755	-	8,755
Office expenses	81,951	-	81,951
Professional fees	154,392	-	154,392
Insurance	38,000	-	38,000
Annual report and communications	14,050	-	14,050
Website	2,050	-	2,050
Travel and conferences	40,026	-	40,026
Nonprofit meetings and events	4,143	-	4,143
Trustee meetings	82,386	-	82,386
Repairs and maintenance	50,398	-	50,398
Dues and subscriptions	17,174	-	17,174
Depreciation	182,666	-	182,666
Miscellaneous	1,777	-	1,777
Total operating expenses	2,357,216	-	2,357,216
Total grantmaking and operating expenses	9,769,800	-	9,769,800
Change in net assets before nonoperating revenue	(5,784,345)	(265,281)	(6,049,626)
Nonoperating revenue:			
Realized gains on sale of investments	7,684,491	-	7,684,491
Unrealized gains on investments	12,378,134	-	12,378,134
Total nonoperating revenue	20,062,625	-	20,062,625
Change in net assets	14,278,280	(265,281)	14,012,999
Beginning net assets	168,549,817	2,453,975	171,003,792
Ending net assets	\$ 182,828,097	\$ 2,188,694	\$ 185,016,791

See notes to financial statements.

Burton D. Morgan Foundation

Statement of Activities Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support:			
Investment income, net of fees	\$ 3,222,259	\$ 834	\$ 3,223,093
Rental income	100	-	100
Total operating revenue and support	3,222,359	834	3,223,193
Net assets released from restriction	353,369	(353,369)	-
	3,575,728	(352,535)	3,223,193
Grantmaking expenses:			
Grants awarded	7,828,162	-	7,828,162
Direct program expenses	633,673	-	633,673
	8,461,835	-	8,461,835
Operating expenses:			
Salaries and related expenses	1,404,968	-	1,404,968
Benefits	165,984	-	165,984
Trustee fees	105,000	-	105,000
Excise taxes	100,000	-	100,000
Occupancy	25,016	-	25,016
Office supplies	7,356	-	7,356
Office expenses	79,006	-	79,006
Professional fees	188,815	-	188,815
Insurance	40,818	-	40,818
Annual report and communications	12,150	-	12,150
Website	1,900	-	1,900
Travel and conferences	35,695	-	35,695
Nonprofit meetings and events	1,081	-	1,081
Trustee meetings	28,509	-	28,509
Repairs and maintenance	52,442	-	52,442
Dues and subscriptions	12,888	-	12,888
Depreciation	153,907	-	153,907
Miscellaneous	44,594	-	44,594
Total operating expenses	2,460,129	-	2,460,129
Total grantmaking and operating expenses	10,921,964	-	10,921,964
Change in net assets before nonoperating revenue and (losses)	(7,346,236)	(352,535)	(7,698,771)
Nonoperating revenue and (losses):			
Realized gains on sale of investments	3,337,735	-	3,337,735
Loss on disposal of fixed assets	(781)	-	(781)
Unrealized losses on investments	(36,446,617)	-	(36,446,617)
Total nonoperating revenue and (losses)	(33,109,663)	-	(33,109,663)
Change in net assets	(40,455,899)	(352,535)	(40,808,434)
Beginning net assets	209,005,716	2,806,510	211,812,226
Ending net assets	\$ 168,549,817	\$ 2,453,975	\$ 171,003,792

See notes to financial statements.

Burton D. Morgan Foundation

Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 14,012,999	\$ (40,808,434)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	182,666	153,907
Realized gain on investments	(7,684,491)	(3,337,735)
Unrealized (gain) loss on investments	(12,378,134)	36,446,617
Noncash investment income	(1,534,492)	(1,157,986)
Loss on disposal of fixed assets	-	781
(Increase) decrease in:		
Dividends receivable	(59,274)	841,361
Prepaid expense and other	607	(9,239)
Increase (decrease) in:		
Grants payable	(895,800)	651,632
Trade payables	(35,074)	37,319
Net cash used in operating activities	(8,390,993)	(7,181,777)
Cash flows from investing activities:		
Repayment of program related investment	-	3,314
Proceeds from sales of investments	33,716,807	24,818,962
Purchase of investments	(25,170,666)	(17,427,318)
Purchase of property and equipment	(190,443)	(177,977)
Net cash provided by investing activities	8,355,698	7,216,981
Net change in cash and cash equivalents	(35,295)	35,204
Cash and cash equivalents:		
Beginning	108,775	73,571
Ending	\$ 73,480	\$ 108,775
Supplemental disclosure of cash flow information:		
Cash paid during the year for excise tax	\$ 175,000	\$ 100,000
Noncash investing activity:		
Write-off of fully depreciated property and equipment	\$ 3,413	\$ 5,359

See notes to financial statements.

Burton D. Morgan Foundation

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature and purpose of the Foundation: Burton D. Morgan Foundation is a private foundation based in Northeast Ohio dedicated to advancing the principles of free enterprise and entrepreneurship. Established in 1967 by the visionary entrepreneur and philanthropist Burt Morgan, the Foundation's mission is to strengthen free enterprise by investing in people and entities that embody the entrepreneurial spirit. Through a combination of innovative programs, strategic grantmaking, and purposeful partnerships with organizations that demonstrate high impact, the Foundation nurtures entrepreneurs of diverse ages and stages. The Foundation's funding priorities are free enterprise, entrepreneurship education, support for second stage businesses, and capital access for entrepreneurs. Burton D. Morgan 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 \$2,188,694 and \$2,453,975 at December 31, 2023 and 2022, 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 maintained in depository accounts which includes cash on hand 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.

Investments: Investments, other than the alternative investments, are recorded in the financial statements at fair value as determined by quoted market prices. Realized gains and losses from investment transactions are recorded as the difference between the net proceeds received after brokerage transaction charges and acquisition cost. Changes in fair value resulting from market fluctuations of investments held at year-end are reflected in the financial statements as unrealized gains or losses on investments.

The fair value of the alternative investments are measured at net asset value utilizing the practical expedient based on a valuation provided by the fund managers. The net asset value of the Foundation's alternative investments are not readily determinable. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. The Foundation's risk is limited to its carrying value.

Burton D. Morgan Foundation

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The Foundation invests in a professionally managed portfolio that contains money market funds, bond funds, equity securities, mutual funds, exchange traded funds, and alternative investments. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to the changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

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:

	<u>Years</u>
Building and improvements	5-40
Furniture	10
Computers	3-5

Depreciation expense was \$182,666 and \$153,907 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022.

Concentrations of credit risk: Financial instruments which could potentially subject the Foundation to concentrations of credit risk consist principally of temporary cash investments and marketable securities. The Foundation places its investments with financial institutions. These balances, as reflected in the financial institutions' records, are insured up to the Federal Deposit Insurance Corporation limits.

Operating revenue and support: The Foundation's operating revenue and support consists of investment income and rental income. Investment income, net of fees, and rental income are recognized when earned.

Nonoperating revenue and losses: The Foundation's nonoperating revenue and losses consists of realized gains on sale of investments, loss on disposal of fixed assets, and unrealized gains (losses) on investments.

Investment income, net: Operating investment income represents interest and dividend income net of management, consultant, and custodial fees. Investment fees were \$ \$1,106,356 and \$814,578 for the years ended December 31, 2023 and 2022, respectively.

Burton D. Morgan Foundation

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 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, 2023 and 2022, there were no unrecognized tax benefits identified or recorded as liabilities.

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.

Reclassifications: Certain reclassifications of the 2022 amounts have been made to conform to the 2023 presentation.

Subsequent events: The Foundation has evaluated subsequent events for potential recognition and/or disclosure through June 20, 2024, the date the financial statements were available to be issued.

Note 2. Investments

The following is cost and fair value information for the Foundation's investments at December 31, 2023 and 2022:

	Years Ended December 31			
	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 5,396,398	\$ 5,396,398	\$ 3,122,102	\$ 3,122,102
Bond funds	5,510,936	5,051,691	7,995,397	7,421,607
Equity securities	26,453,931	47,323,884	28,592,515	50,973,911
Mutual funds	56,175,755	68,521,125	56,649,151	55,942,889
Exchange traded funds	3,796,080	11,988,744	4,906,925	12,468,748
Alternative investments	37,650,404	44,398,287	33,044,572	39,699,896
	<u>\$ 134,983,504</u>	<u>\$ 182,680,129</u>	<u>\$ 134,310,662</u>	<u>\$ 169,629,153</u>

Burton D. Morgan Foundation

Notes to Financial Statements

Note 3. Other Assets

Included in other assets on the statements of financial position for each of the years ended December 31, 2023 and 2022, is the value of the Foundation's interest in Eleuthera Properties Ltd. in the amount of \$330,464. This asset was received from the estate of Burton D. Morgan in 2007 and was initially recorded at fair value.

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.

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.

For the years ended December 31, 2023 and 2022, the application of valuation techniques applied to similar assets have been consistent.

Burton D. Morgan Foundation

Notes to Financial Statements

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 level 1 investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

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

	2023			
	Total	Level 1	Level 2	Level 3
Investments:				
Equity securities:				
Domestic	\$ 47,217,168	\$ 47,217,168	\$ -	\$ -
International	106,716	106,716	-	-
Bond funds	5,051,691	5,051,691	-	-
Mutual funds:				
Large cap	34,944,734	34,944,734	-	-
Mid cap	14,907,032	14,907,032	-	-
Small cap	5,838,424	5,838,424	-	-
Global allocation	12,830,935	12,830,935	-	-
Exchange traded funds:				
Large cap growth	11,988,744	11,988,744	-	-
	<u>132,885,444</u>	<u>\$ 132,885,444</u>	<u>\$ -</u>	<u>\$ -</u>
Money market funds	5,396,398			
Investments measured at net asset value (a):				
Private equity funds	11,221,790			
Natural resources fund	3,637,651			
Direct lending fund	16,051,647			
Arbitrage fund	8,203,962			
Real estate funds	5,283,237			
Total investments	<u>\$ 182,680,129</u>			

Burton D. Morgan Foundation

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

	2022			
	Total	Level 1	Level 2	Level 3
Investments:				
Equity securities:				
Domestic	\$ 50,710,205	\$ 50,710,205	\$ -	\$ -
International	263,706	263,706	-	-
Bond funds	7,421,607	7,421,607	-	-
Mutual funds:				
Large cap	28,563,777	28,563,777	-	-
Mid cap	13,533,558	13,533,558	-	-
Small cap	4,455,182	4,455,182	-	-
Global allocation	9,390,372	9,390,372	-	-
Exchange traded funds:				
Large cap growth	12,468,748	12,468,748	-	-
	<u>126,807,155</u>	<u>\$ 126,807,155</u>	<u>\$ -</u>	<u>\$ -</u>
Money market funds	3,122,102			
Investments measured at net asset value (a):				
Private equity funds	12,086,750			
Natural resources fund	3,890,731			
Direct lending funds	9,830,291			
Arbitrage fund	8,109,263			
Core real estate funds	5,782,861			
Total investments	<u>\$ 169,629,153</u>			

(a) In accordance with Subtopic 820-10, certain investments that are measured at net asset value per share (or equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

There were no purchases or sales of Level 3 assets during the years ended December 31, 2023 and 2022.

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 December 31, 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds ^(a)	\$ 11,221,790	\$ 831,851	N/A	N/A
Natural resources fund ^(b)	3,637,651	235,000	N/A	N/A
Direct lending funds ^(c)	16,051,647	13,398,098	N/A	N/A
Arbitrage fund ^(d)	8,203,962	-	Monthly	45 days
Core real estate funds ^(e)	5,275,452	-	Quarterly	45 days
Real estate fund ^(f)	7,785	-	N/A	N/A
	<u>\$ 44,398,287</u>	<u>\$ 14,464,949</u>		

	Fair Value at December 31, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds ^(a)	\$ 12,086,750	\$ 1,169,520	N/A	N/A
Natural resources fund ^(b)	3,890,731	247,500	N/A	N/A
Direct lending funds ^(c)	9,830,291	19,806,158	N/A	N/A
Arbitrage fund ^(d)	8,109,263	-	Monthly	45 days
Core real estate funds ^(e)	5,763,406	-	Quarterly	45 days
Real estate fund ^(f)	19,455	-	N/A	N/A
	<u>\$ 39,699,896</u>	<u>\$ 21,223,178</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.

Burton D. Morgan Foundation

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

- (e) The core real estate funds are limited partnerships 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.
- (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 2024.

Note 5. Grant Activity

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

	2023			
	Grants Payable December 31, 2022	Grants Awarded	Grants Paid	Grants Payable December 31, 2023
	Youth Entrepreneurship	\$ 536,300	\$ 950,135	\$ 1,141,285
Collegiate Entrepreneurship	71,650	1,534,100	1,560,750	45,000
Adult Entrepreneurship	1,202,000	2,069,352	2,697,352	574,000
Free Enterprise	-	145,000	145,000	-
Funding Entrepreneurs	-	500,000	500,000	-
Hudson Community	-	100,700	100,700	-
Other	50,000	1,143,850	1,193,850	-
	<u>\$ 1,859,950</u>	<u>\$ 6,443,137</u>	<u>\$ 7,338,937</u>	<u>\$ 964,150</u>
	2022			
	Grants Payable December 31, 2021	Grants Awarded	Grants Paid	Grants Payable December 31, 2022
Youth Entrepreneurship	\$ 160,400	\$ 1,971,870	\$ 1,595,970	\$ 536,300
Collegiate Entrepreneurship	895,418	472,389	1,296,157	71,650
Adult Entrepreneurship	152,500	3,766,500	2,717,000	1,202,000
Hudson Community	-	108,450	108,450	-
Other	-	1,508,953	1,458,953	50,000
	<u>\$ 1,208,318</u>	<u>\$ 7,828,162</u>	<u>\$ 7,176,530</u>	<u>\$ 1,859,950</u>

As of December 31, 2023 and 2022, grants payable of \$0 and \$705,600 are expected to be paid in more than one year, and are shown as long-term liabilities on the statements of financial position, respectively. As of December 31, 2023 and 2022, grants payable of \$964,150 and \$1,154,350 are expected to be paid in the following year and are shown as current liabilities on the statements of financial position, respectively.

Burton D. Morgan Foundation

Notes to Financial Statements

Note 6. Conditional Grants Awarded

The Foundation has made commitments totaling \$1,188,500 and \$796,485 for conditional grants at December 31, 2023 and 2022, 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. 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 \$175,000 and \$100,000 in excise tax expense for the years ended December 31, 2023 and 2022, respectively.

In addition, the Tax Reform Act requires that certain minimum distributions be made in accordance with a specified formula. As of December 31, 2023 and 2022, the Foundation was in compliance with the minimum distribution requirements.

Note 8. 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 \$60,500 and \$54,319 for the years ended December 31, 2023 and 2022, 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 \$27,000 and \$32,667 for the years ended December 31, 2023 and 2022, respectively. Employer discretionary matching contributions totaled \$13,500 and \$16,333 for the years ended December 31, 2023 and 2022, respectively. In 2023, \$158,109 was distributed from this plan. 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 \$110,058 and \$227,667 at December 31, 2023 and 2022, respectively.

Burton D. Morgan Foundation

Notes to Financial Statements

Note 9. Functional Classification of Expenses

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

	2023								
	Program Services						Total Program Services	Management and General	Total Expenses
	General Grantmaking	Scaleup Initiative	YIPPEE	Stage Two Programming	Funding Entrepreneurs	Free Enterprise			
Grants awarded	\$ 5,798,137	\$ -	\$ -	\$ -	\$ 500,000	\$ 145,000	6,443,137	\$ -	\$ 6,443,137
Direct program expenses	19,378	497,251	422,460	30,358	-	-	969,447	-	969,447
Salaries and related expenses	202,212	83,662	166,923	67,501	60,664	30,828	611,790	573,175	1,184,965
Benefits	32,110	13,285	26,507	10,719	9,633	4,895	97,149	91,019	188,168
Trustee fees	52,500	-	-	-	-	-	52,500	52,500	105,000
Excise taxes	-	-	-	-	-	-	-	175,000	175,000
Occupancy	4,491	1,858	3,707	1,499	1,347	685	13,587	12,728	26,315
Office supplies	1,494	618	1,233	499	448	228	4,520	4,235	8,755
Office expenses	13,985	5,786	11,544	4,668	4,195	2,132	42,310	39,641	81,951
Professional fees	-	-	-	-	-	-	-	154,392	154,392
Insurance	6,485	2,683	5,353	2,165	1,945	989	19,620	18,380	38,000
Annual report and communications	-	-	-	-	-	-	-	14,050	14,050
Website	-	-	-	-	-	-	-	2,050	2,050
Travel and conferences	6,830	2,826	5,638	2,280	2,049	1,041	20,664	19,362	40,026
Nonprofit meetings and events	845	-	-	3,298	-	-	4,143	-	4,143
Trustee meetings	41,193	-	-	-	-	-	41,193	41,193	82,386
Repairs and maintenance	8,600	3,558	7,099	2,871	2,580	1,311	26,019	24,379	50,398
Dues and subscriptions	2,931	1,213	2,419	978	879	447	8,867	8,307	17,174
Depreciation	57,434	21,538	39,082	14,358	7,179	7,179	146,770	35,896	182,666
Miscellaneous	-	-	-	-	-	-	-	1,777	1,777
	<u>\$ 6,248,625</u>	<u>\$ 634,278</u>	<u>\$ 691,965</u>	<u>\$ 141,194</u>	<u>\$ 590,919</u>	<u>\$ 194,735</u>	<u>\$ 8,501,716</u>	<u>\$ 1,268,084</u>	<u>\$ 9,769,800</u>

	2022						
	Program Services				Total Program Services	Management and General	Total Expenses
	General Grantmaking	Scaleup Initiative	Collegiate Ecosystem Assessment	YIPPEE			
Grants awarded	\$ 7,828,162	\$ -	\$ -	\$ -	\$ 7,828,162	\$ -	\$ 7,828,162
Direct program expenses	10,589	444,737	16,356	161,991	633,673	-	633,673
Salaries and related expenses	1,157,009	13,137	-	60,252	1,230,398	174,570	1,404,968
Benefits	131,885	2,361	-	11,839	146,085	19,899	165,984
Trustee fees	52,500	-	-	-	52,500	52,500	105,000
Excise taxes	-	-	-	-	-	100,000	100,000
Occupancy	21,736	-	-	-	21,736	3,280	25,016
Office supplies	6,392	-	-	-	6,392	964	7,356
Office expenses	68,648	-	-	-	68,648	10,358	79,006
Professional fees	46,464	-	-	-	46,464	142,351	188,815
Insurance	35,467	-	-	-	35,467	5,351	40,818
Annual report and communications	10,557	-	-	-	10,557	1,593	12,150
Website	1,651	-	-	-	1,651	249	1,900
Travel and conferences	31,015	-	-	-	31,015	4,680	35,695
Nonprofit meetings and events	1,081	-	-	-	1,081	-	1,081
Trustee meetings	24,771	-	-	-	24,771	3,738	28,509
Repairs and maintenance	45,567	-	-	-	45,567	6,875	52,442
Dues and subscriptions	11,198	-	-	-	11,198	1,690	12,888
Depreciation	133,730	-	-	-	133,730	20,177	153,907
Miscellaneous	38,748	-	-	-	38,748	5,846	44,594
	<u>\$ 9,657,170</u>	<u>\$ 460,235</u>	<u>\$ 16,356</u>	<u>\$ 234,082</u>	<u>\$ 10,367,843</u>	<u>\$ 554,121</u>	<u>\$ 10,921,964</u>

Burton D. Morgan Foundation

Notes to Financial Statements

Note 9. Functional Classification of Expenses (Continued)

In 2023, expenses that can be directly identified with a program are allocated according to their natural classification. Grants awarded, direct program expenses, excise taxes, annual report and communications, website, nonprofit meetings and events, and miscellaneous are directly allocated. All other expenses require allocation on a reasonable basis that is consistently applied, and are allocated on the basis of best estimates of time and effort.

Note 10. 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.

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	\$ 73,480	\$ 108,775
Dividends receivable	227,658	168,384
Investments	182,680,129	169,629,153
Other assets	440,522	558,131
Total financial assets	<u>183,421,789</u>	<u>170,464,443</u>
Less amounts not available to be used for general expenditure within one year:		
Investments in nonliquid securities	44,398,287	39,699,896
Net assets with donor restrictions, subject to expenditure for specified purpose	2,188,694	2,453,975
Other assets	440,522	558,131
Financial assets not available to be used within one year	<u>47,027,503</u>	<u>42,712,002</u>
Financial assets available to meet general expenditures within one year	<u>\$ 136,394,286</u>	<u>\$ 127,752,441</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. The arbitrage fund and the core real estate fund have a 45-day redemption notice period. In May 2024, management made a request to redeem \$2,000,000 of the arbitrage funds effective June 30, 2024, and in June 2024 the Foundation was notified by the fund manager of its intent to wind-down the arbitrage fund and return capital as of June 30, 2024.

Management's current intent is not to liquidate the core real estate fund and therefore it is not considered available to be used for general expenditure within one year.

Note 11. Commitments

At December 31, 2023, the Foundation had unfunded commitments of \$14,464,949 to make additional capital investments in limited partnerships. Subsequent to year end, approximately \$1,800,000 was invested.

Supplementary Information

Burton D. Morgan Foundation

**Supplementary Statements of Activities
Years Ended December 31, 2023 and 2022**

	2023	2022
Operating revenue and support:		
Investment income, net of fees	\$ 3,720,074	\$ 3,223,093
Rental income	100	100
Total operating revenue and support	3,720,174	3,223,193
Grantmaking expenses:		
Grants awarded	6,443,137	7,828,162
Direct program expenses	969,447	633,673
	7,412,584	8,461,835
Operating expenses:		
Salaries and related expenses	1,184,965	1,404,968
Benefits	188,168	165,984
Trustee fees	105,000	105,000
Excise taxes	175,000	100,000
Occupancy	26,315	25,016
Office supplies	8,755	7,356
Office expenses	81,951	79,006
Professional fees	154,392	188,815
Insurance	38,000	40,818
Annual report and communications	14,050	12,150
Website	2,050	1,900
Travel and conferences	40,026	35,695
Nonprofit meetings and events	4,143	1,081
Trustee meetings	82,386	28,509
Repairs and maintenance	50,398	52,442
Dues and subscriptions	17,174	12,888
Depreciation	182,666	153,907
Miscellaneous	1,777	44,594
Total operating expenses	2,357,216	2,460,129
Total grantmaking and operating expenses	9,769,800	10,921,964
Change in net assets before nonoperating revenue and (losses)	(6,049,626)	(7,698,771)
Nonoperating revenue and (losses):		
Realized gains on sale of investments	7,684,491	3,337,735
Unrealized gain (losses) on investments	12,378,134	(36,446,617)
Loss on disposal of fixed assets	-	(781)
Total nonoperating revenue and (losses)	20,062,625	(33,109,663)
Change in total net assets	14,012,999	(40,808,434)
Beginning total net assets	171,003,792	211,812,226
Ending total net assets	\$ 185,016,791	\$ 171,003,792