

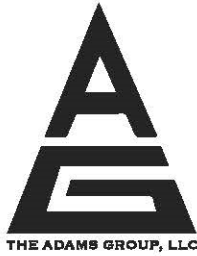
THE MORGAN ADAMS FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Directors
The Morgan Adams Foundation
Denver, Colorado

We have audited the accompanying financial statements of The Morgan Adams Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 The Morgan Adams Foundation, as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The 2019 financial statements were reviewed by other accountants, and their report thereon, dated August 2, 2020, stated they were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Emphasis of Matter

As described in Note 1 to the financial statements, during 2020 The Morgan Adams Foundation adopted Accounting Standards Updates (ASU) No. 2018-08, *Not-for-Profit Entities Topic 958: Clarifying the Scope and Accounting Guidance for Contributions Received and Made*, which clarifies accounting guidance for contributions and ASU No. 2014-09 *Revenue from Contracts with Customers Topic 606*, which provides a new framework to apply in the determination of when to recognize revenue. Our opinion is not modified with respect to this matter.

The Adams Group, LLC

June 24, 2021
Denver, Colorado

THE MORGAN ADAMS FOUNDATION
STATEMENTS OF FINANCIAL POSITION

December 31,	2020	2019
<u>Assets</u>		
Cash and cash equivalents	\$ 116,895	\$ 84,093
Investments	147,847	51,600
Prepaid expenses	2,767	4,999
Promises to give, net	36,483	78,648
Property and equipment, net	9,990	15,637
Total Assets	\$ 313,982	\$ 234,977
<u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 2,662	\$ 37,466
Accrued liabilities	24,593	29,326
Deferred revenue	0	8,875
Capital lease obligation	5,908	7,759
Total liabilities	33,163	83,426
<u>Net Assets</u>		
Without donor restriction		
Undesignated	79,278	23,063
Board designated	99,681	0
Total net assets without donor restriction	178,959	23,063
With donor restriction	101,860	128,488
Total net assets	280,819	151,551
Total Liabilities and Net Assets	\$ 313,982	\$ 234,977

The accompanying notes are an integral part of these financial statements.

THE MORGAN ADAMS FOUNDATION
STATEMENT OF ACTIVITIES

For the Year Ended December 31,

2020

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<u>Support, Revenue, and Other Gains</u>			
Contributions	\$ 533,298	\$ 150,217	\$ 683,515
Special events, net of expenses of \$116,589	695,983	0	695,983
Investment income	9,720	8,312	18,032
PPP loan forgiveness	89,700	0	89,700
Other	3,080	0	3,080
Net assets released from restrictions	<u>185,157</u>	<u>(185,157)</u>	<u>0</u>
Total support, revenue, and other gains	<u>1,516,938</u>	<u>(26,628)</u>	<u>1,490,310</u>
<u>Expenses</u>			
<u>Program services</u>			
Grants and awards	701,840		701,840
Outreach and education	<u>287,830</u>		<u>287,830</u>
Total program services	<u>989,670</u>		<u>989,670</u>
<u>Supporting services</u>			
General and administrative	146,790		146,790
Fundraising	<u>224,582</u>		<u>224,582</u>
Total supporting services	<u>371,372</u>		<u>371,372</u>
Total expenses	<u>1,361,042</u>		<u>1,361,042</u>
Changes in net assets	155,896	(26,628)	129,268
Net assets, beginning of year	<u>23,063</u>	<u>128,488</u>	<u>151,551</u>
Net assets, end of year	<u>\$ 178,959</u>	<u>\$ 101,860</u>	<u>\$ 280,819</u>

The accompanying notes are an integral part of these financial statements.

THE MORGAN ADAMS FOUNDATION
STATEMENT OF ACTIVITIES

For the Year Ended December 31,

2019

	Without Donor Restriction	With Donor Restriction	Total
<u>Support, Revenue, and Other Gains</u>			
Contributions	\$ 254,353	\$ 202,549	\$ 456,902
Special events, net of expenses of \$225,954	822,936	99,246	922,182
Investment income	3,751	4,301	8,052
Net assets released from restrictions	259,044	(259,044)	0
Total support, revenue, and other gains	1,340,084	47,052	1,387,136
<u>Expenses</u>			
<u>Program services</u>			
Grants and awards	628,170		628,170
Outreach and education	281,013		281,013
Total program services	909,183		909,183
<u>Supporting services</u>			
General and administrative	130,989		130,989
Fundraising	368,175		368,175
Total supporting services	499,164		499,164
Total expenses	1,408,347		1,408,347
Changes in net assets	(68,263)	47,052	(21,211)
Net assets, beginning of year	91,326	81,436	172,762
Net assets, end of year	\$ 23,063	\$ 128,488	\$ 151,551

The accompanying notes are an integral part of these financial statements.

THE MORGAN ADAMS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31,

2020

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Expense</u>
	<u>Grants and Awards</u>	<u>Outreach and Education</u>	<u>Total</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	
Salaries and wages	\$ 0	\$ 191,010	\$ 191,010	\$ 98,903	\$ 128,401	\$ 227,304	\$ 418,314
Payroll taxes	0	14,648	14,648	7,564	9,840	17,404	32,052
Other benefits	0	14,624	14,624	7,552	9,893	17,445	32,069
Total compensation	<u>0</u>	<u>220,282</u>	<u>220,282</u>	<u>114,019</u>	<u>148,134</u>	<u>262,153</u>	<u>482,435</u>
Grants and assistance	701,840	0	701,840	0	0	0	701,840
Advertising	0	603	603	312	405	717	1,320
Donor and volunteer cultivation	0	667	667	344	1,426	1,770	2,437
Professional fees	0	15,383	15,383	12,910	8,601	21,511	36,894
Travel and meals	0	2,258	2,258	157	1,724	1,881	4,139
Newsletter, printing, and copying	0	10,038	10,038	1,217	23,285	24,502	34,540
Insurance	0	5,125	5,125	2,647	3,443	6,090	11,215
Occupancy	0	12,752	12,752	6,585	12,459	19,044	31,796
Telephone	0	1,573	1,573	813	1,988	2,801	4,374
Postage and shipping	0	5,425	5,425	1,089	6,595	7,684	13,109
Office supplies and expenses	0	660	660	341	443	784	1,444
Miscellaneous expenses	0	4,316	4,316	2,124	2,924	5,048	9,364
IT related expenses	0	357	357	106	398	504	861
Dues and subscriptions	0	5,249	5,249	2,503	9,913	12,416	17,665
Other event expenses	0	0	0	0	733	733	733
Direct event expenses	0	1,656	1,656	19	114,914	114,933	116,589
Depreciation	0	3,142	3,142	1,623	2,111	3,734	6,876
Total expenses	<u>701,840</u>	<u>289,486</u>	<u>991,326</u>	<u>146,809</u>	<u>339,496</u>	<u>486,305</u>	<u>1,477,631</u>
Less: direct event expenses	<u>0</u>	<u>(1,656)</u>	<u>(1,656)</u>	<u>(19)</u>	<u>(114,914)</u>	<u>(114,933)</u>	<u>(116,589)</u>
Total expenses	<u>\$ 701,840</u>	<u>\$ 287,830</u>	<u>\$ 989,670</u>	<u>\$ 146,790</u>	<u>\$ 224,582</u>	<u>\$ 371,372</u>	<u>\$1,361,042</u>

The accompanying notes are an integral part of these financial statements.

THE MORGAN ADAMS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31,

2019

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Expense</u>
	<u>Grants and Awards</u>	<u>Outreach and Education</u>	<u>Total</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	
Salaries and wages	\$ 0	\$ 177,919	\$ 177,919	\$ 84,831	\$ 146,826	\$ 231,657	\$ 409,576
Payroll taxes	0	14,145	14,145	6,908	11,842	18,750	32,895
Other benefits	0	14,252	14,252	6,960	11,932	18,892	33,144
Total compensation	<u>0</u>	<u>206,316</u>	<u>206,316</u>	<u>98,699</u>	<u>170,600</u>	<u>269,299</u>	<u>475,615</u>
Grants and assistance	628,170	0	628,170	0	0	0	628,170
Advertising	0	0	0	0	24,532	24,532	24,532
Donor and volunteer cultivation	0	1,635	1,635	798	1,369	2,167	3,802
Professional fees	0	15,757	15,757	12,854	53,243	66,097	81,854
Travel and meals	0	8,666	8,666	15	21,172	21,187	29,853
Newsletter, printing, and copying	0	5,024	5,024	1,952	21,062	23,014	28,038
Insurance	0	3,308	3,308	1,615	3,769	5,384	8,692
Occupancy	0	14,265	14,265	6,967	11,944	18,911	33,176
Telephone	0	1,467	1,467	716	1,363	2,079	3,546
Postage and shipping	0	3,254	3,254	536	7,928	8,464	11,718
Office supplies and expenses	0	4,086	4,086	1,996	14,182	16,178	20,264
Miscellaneous expenses	0	496	496	242	415	657	1,153
IT related expenses	0	6,886	6,886	3,363	5,887	9,250	16,136
Other event expenses	0	7,320	7,320	0	23,520	23,520	30,840
Direct event expenses	0	0	0	0	255,954	255,954	255,954
Depreciation	0	2,533	2,533	1,236	2,119	3,355	5,888
Bad debt expense	0	0	0	0	5,070	5,070	5,070
Total expenses	<u>628,170</u>	<u>281,013</u>	<u>909,183</u>	<u>130,989</u>	<u>624,129</u>	<u>755,118</u>	<u>1,664,301</u>
Less: direct event expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(255,954)</u>	<u>(255,954)</u>	<u>(255,954)</u>
Total expenses	<u>\$ 628,170</u>	<u>\$ 281,013</u>	<u>\$ 909,183</u>	<u>\$ 130,989</u>	<u>\$ 368,175</u>	<u>\$ 499,164</u>	<u>\$1,408,347</u>

The accompanying notes are an integral part of these financial statements.

THE MORGAN ADAMS FOUNDATION
STATEMENTS OF CASH FLOWS

For the Year Ended December 31,	2020	2019
Cash flows from operating activities:		
Cash received from contributions	\$ 1,494,981	\$ 1,341,275
Other cash received	3,080	0
Interest paid	(212)	(268)
Interest and dividends received	2,172	2,698
Cash paid to employees and suppliers	(1,496,344)	(1,362,979)
Net cash provided (used) by operating activities	3,677	(19,274)
Cash flows from investing activities:		
Purchase of investments	(57,495)	(2,343)
Proceeds from sale of investments	0	1,299
Purchase of property and equipment	(1,229)	0
Net cash used by investing activities	(58,724)	(1,044)
Cash flows from financing activities:		
Proceeds from contributions restricted for endowment	0	25
Principal payments on capital lease obligation	(1,851)	(1,796)
Proceeds from PPP loan	89,700	0
Net cash provided (used) by financing activities	87,849	(1,771)
Net increase (decrease) in cash and cash equivalents	32,802	(22,089)
Cash and cash equivalents at beginning of year	84,093	106,182
Cash and cash equivalents at end of year	\$ 116,895	\$ 84,093
Noncash transactions		
In-kind donations	\$ 43,271	\$ 33,387

The accompanying notes are an integral part of these financial statements.

THE MORGAN ADAMS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

The Morgan Adams Foundation, (the "Foundation"), was formed as a nonprofit organization and incorporated in the State of Colorado on August 20, 2003. The Foundation was created for the sole purpose of funding critically needed pediatric oncology research which investigates more accurate, targeted and less toxic treatment options for childhood, adolescent and young adult cancers. Pediatric oncology researchers submit requests to the Foundation and the Foundation specifies grants awarded. The majority of the Foundation's revenue is primarily derived from special event fundraising and contributions.

Basis of Accounting

The accompanying financial statements of the Foundation have been prepared in accordance with generally accepted accounting principles in the United States (US GAAP) and accordingly, reflect all significant receivables, payables, and other liabilities.

Classes of Net Assets

The financial statements report amounts separately by classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions, or the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable State law.

Contributions and Promises to Give

Contributions, a principal source of revenue, are recorded as net assets without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions are recognized when cash or ownership of donated assets is unconditionally promised to the Foundation. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not recognized as support until the conditions are substantially met. The Foundation uses the allowance method to record uncollectible pledges. The allowance is estimated based on prior years' experience and management's analysis of specific pledges. See Note 3.

THE MORGAN ADAMS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Goods and Services

Contributions of goods and services are recorded at their estimated fair value. Donated services are only recorded if the services create or enhance a nonfinancial asset or require specialized skills that the Foundation would need to otherwise purchase. Many individuals volunteer their time to perform a variety of tasks, however no amounts are reflected in the accompanying financial statements as the volunteer time does not meet the criteria for recognition under generally accepted accounting principles. During the years ended December 31, 2020 and 2019, the Foundation recognized donated goods and services of \$43,271 and \$33,387 which is primarily comprised of event food and beverages and donated stock.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times, cash balances may exceed federally insured limits. The Foundation places its cash with creditworthy, high quality financial institutions.

Property and Equipment

Property and equipment are stated at cost, or fair value if contributed. The Foundation follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis ranging from 1 to 7 years.

Investments and Investment Return

Investments in marketable securities with readily determinable market values are reported at fair value in the statement of financial position based upon quoted prices in active markets. Net investment return consists of interest, dividends, realized and unrealized gains and losses generated from the Foundation's investments.

Program Grants

Program grants awarded by the Foundation are recorded as expenses and liabilities upon approval by the Foundation's Board of Directors.

Functional Allocation of Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited on several bases and estimates. Salaries and benefits are allocated based on time and effort. Occupancy costs are generally based on square footage. Although the methods used of allocation used are considered appropriate, other methods could be used that would produce different amounts.

THE MORGAN ADAMS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

The Foundation qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and accordingly, is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Therefore, no provision for federal income tax is recorded in the accompanying financial statements. Income from activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation did not have unrelated business income subject to tax during the year ended December 31, 2020.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Advertising Costs

The Foundation expenses advertising costs as incurred. Advertising expenses were \$1,320 and \$24,532 for the years ended December 31, 2020 and 2019.

Recently Adopted Accounting Pronouncement

During 2020, the Foundation adopted, Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers Topic 606*, which requires the recognition of revenue when the promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled to in exchange for those goods or services, using the full retrospective approach. The Foundation also adopted ASU No. 2018-08 *Not-for-Profit Entities Topic 958: Clarifying the Scope and Accounting Guidance for Contributions Received and Made*, which clarifies accounting guidance for contributions. The Foundation's revenue recognition practices were substantially unchanged as a result of adopting these ASUs.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including June 24, 2021, which is the date the financial statements were available to be issued.

THE MORGAN ADAMS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following represents the Foundation's financial assets available for general expenditure within one year from December 31, 2020:

Cash and cash equivalents	\$ 116,895
Investments	147,847
Promises to give, net	36,483
Less: contributions due after one year	(5,000)
Less: donor restricted net assets	(101,860)
Less: board designated net assets	<u>(99,681)</u>
Available for general expenditure	<u>\$ 94,684</u>

The Foundation has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and building and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Foundation's Operating Reserve policy has a target minimum of \$200,000 which approximates three to five months of recurring operating costs. The Foundation's goal is to fund this reserve by January 1, 2023. As of December 31, 2020, the balance in this reserve is \$99,681 and is presented as Board designated net assets in the accompanying statement of financial position.

NOTE 3 - PROMISES TO GIVE

Promises to give consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Promises to give	\$ 37,483	\$ 79,648
Less: Allowance for doubtful accounts	<u>(1,000)</u>	<u>(1,000)</u>
Promises to give, net	<u>\$ 36,483</u>	<u>\$ 78,648</u>
Due in one year	\$ 31,483	\$ 68,648
Due in one to five years	<u>5,000</u>	<u>10,000</u>
Total	<u>\$ 36,483</u>	<u>\$ 78,648</u>

No present value discount has been applied to long-term promises to give because management believes it is not significant to the financial statements.

THE MORGAN ADAMS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 16,086	\$ 16,086
Furniture and equipment	30,702	29,473
Database design and implementation	19,212	19,212
Vehicles	8,729	8,729
Website design	13,420	13,420
	<u>88,149</u>	<u>86,920</u>
Less: Accumulated depreciation	<u>(78,159)</u>	<u>(71,283)</u>
Property and equipment, net	<u>\$ 9,990</u>	<u>\$ 15,637</u>

Depreciation expense was \$6,876 and \$5,888 for the years ended December 31, 2020 and 2019.

NOTE 5 - INVESTMENTS

Investments are stated at fair value and consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 106,713	\$ 8,620
Equities	41,134	42,980
Total investments	<u>\$ 147,847</u>	<u>\$ 51,600</u>

The fair value of investments is determined using quoted prices available in active market for identical investments as of December 31, 2020 and 2019.

NOTE 6 - AMOUNTS HELD ON BEHALF OF OTHERS

The fiduciary agent for the Colorado Kids Cancer Association (CKCA), the Colorado Cancer Coalition, planned to dissolve and relinquish its 501(c)(3) status. The Foundation is a charter member of CKCA and agreed to receive and hold the CKCA funds until its Board could develop a long-term solution.

THE MORGAN ADAMS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - NET ASSETS WITH DONOR RESTRICTION

At December 31, net assets with donor restrictions consisted of the following:

	<u>2020</u>	<u>2019</u>
Time restricted	\$ 32,888	\$ 52,437
Purpose restricted - pediatric cancer research	0	26,311
Purpose restricted - family support	20,806	9,886
Purpose restricted - endowment	<u>48,166</u>	<u>39,854</u>
Total donor restricted net assets	<u>\$ 101,860</u>	<u>\$ 128,488</u>

At December 31, the donor restricted endowment consisted of the following:

	<u>2020</u>	<u>2019</u>
Corpus to be maintained in perpetuity	\$ 35,553	\$ 35,553
Accumulated investment gains	<u>12,613</u>	<u>4,301</u>
Total donor restricted endowment	<u>\$ 48,166</u>	<u>\$ 39,854</u>

NOTE 8 - ENDOWMENT

The endowment fund was created at the end of 2013 through donations in memory of the Foundation's co-founder, Steven Adams. The endowment fund assets are subject to donor restrictions requiring that the principal be invested in perpetuity and only the income may be used to provide a consistent funding source for the operating and capital expenses of the Foundation.

Endowment Accounting/UPMIFA

The donor-restricted endowment fund is subject to the State Uniform Prudent Management of Institutional Funds Act (UPMIFA).

The Foundation has interpreted UPMIFA as allowing the Foundation to appropriate for expenditure or accumulate as much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of a donor expressed in the gift instrument.

Although UPMIFA does not preclude the Foundation from spending below the original gift value of donor-restricted endowments, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the donor's direction expressed in the gift instrument.

THE MORGAN ADAMS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - ENDOWMENT (CONTINUED)

The unappropriated investment earnings on donor-restricted endowments are classified as net assets with donor restrictions until the funds are released, that is, used in accordance with their donor-restricted purpose.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other Foundation resources
7. The investment policies of the Foundation

Following are the changes in the donor-restricted endowment fund for the years ended December 31, 2020 and 2019:

Endowment net assets at December 31, 2018	\$ 35,528
Investment return	4,301
Contributions	<u>25</u>
Endowment net assets at December 31, 2019	39,854
Investment return	<u>8,312</u>
Endowment net assets at December 31, 2020	<u>\$ 48,166</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. On December 31, 2020, there were no such deficiencies.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to maximize utilization of investments which preserve principal, maximize income commensurate with risk, provide liquidity to help ensure adequate reserves, and fit within the Foundation's preference of acceptable principal and interest risk.

THE MORGAN ADAMS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - ENDOWMENT (CONTINUED)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (both realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's spending policy allows for appropriating an amount limited to the previous year's income measured at December 31 of each year once the endowment corpus reaches \$1,000,000. In establishing the spending policy, the Foundation considered the long-term expected return on its endowment funds. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow, net of spending, at the rate of inflation or greater over the investment horizon thus maintaining the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Capital Lease

The Foundation entered into a capital lease arrangement for a copier during 2018. The lease requires monthly payments of \$172 for 60 months with the final payment due December 2023. At December 31, 2020, the asset carries a capitalized cost of \$9,555 with accumulated depreciation of \$3,822.

Future minimum lease payments due under the capital lease obligation and the net present value of those payments at December 31, 2020 are as follows:

2021	\$	2,064
2022		2,064
2023		<u>2,064</u>
		6,192
Less: amount representing interest		<u>(284)</u>
Present value of minimum lease payments		5,908
Less: current portion		<u>(1,909)</u>
Long-term portion	\$	<u><u>3,999</u></u>

Operating Lease

On January 1, 2020, the Foundation signed a noncancelable 36-month lease through December 31, 2022 for office space with monthly rent of \$2,515.

THE MORGAN ADAMS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Lease (continued)

Future minimum lease payments are as follows:

2021	\$	30,180
2022		30,180

Total rent expense for the years ended December 31, 2020 and 2019 was \$25,409 and \$28,440. The Foundation subleases a portion of the office under a short-term lease agreement. Sublease income was \$3,080 and \$0 for the years ended December 31, 2020 and 2019 and included in other income in the accompanying statement of activities.

Global COVID-19 Pandemic

The 2020 outbreak of COVID-19 has been declared a pandemic and has spread to multiple global regions. The impact of this pandemic has been extensive in many aspects of society, which has resulted in significant disruptions to the global economy. In an effort to halt the outbreak of COVID-19, many governments around the world have encouraged or required that people only leave their home for essential tasks and many businesses have announced closures. This may have a negative impact on the Foundation, the magnitude and duration of which is uncertain.

NOTE 10 - RELATED PARTY TRANSACTIONS

During 2020 and 2019, the Executive Director's niece was employed as a full-time employee in the role of Marketing and Communications Manager. For the years ended December 31, 2020 and 2019, she was paid approximately \$62,000 and \$65,000.

NOTE 11 - PAYCHECK PROTECTION PROGRAM

During 2020, the Foundation received \$89,700 pursuant to the Paycheck Protection Program (PPP) established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act. PPP provides loans to qualifying businesses to cover payroll and certain other expenses. The loans and accrued interest are forgivable if the borrower uses the loan proceeds for eligible purposes. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%. In January 2021, the Foundation was notified that the PPP loan was forgiven in full and was therefore recognized as revenue for the year ended December 31, 2020.

The PPP program was extended to allow certain eligible borrowers that previously received a PPP loan to apply for a second draw with the same general loan terms. In February 2021, the Foundation received a second PPP loan for \$95,497. The Foundation intends to use the proceeds for eligible purposes and believes it will be forgiven.