

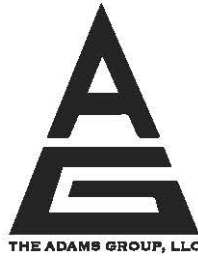
**THE MORGAN ADAMS FOUNDATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022 AND 2021**

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CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

Board of Directors  
The Morgan Adams Foundation  
Denver, Colorado

### **Opinion**

We have audited the accompanying financial statements of The Morgan Adams Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Morgan Adams 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 Morgan Adams Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' 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 auditors' 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 audit 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 Morgan Adams 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 Morgan Adams 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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*The Adams Group, LLC*

July 12, 2023  
Denver, Colorado

THE MORGAN ADAMS FOUNDATION  
STATEMENTS OF FINANCIAL POSITION

December 31,	2022	2021
<u>Assets</u>		
Cash and cash equivalents	\$ 331,834	\$ 270,413
Investments	240,842	222,693
Promises to give, net	8,721	58,303
Employee Retention Credit receivable	0	16,946
Employee receivable	2,178	0
Asset available for sale	30,000	0
Inventory	2,843	4,393
Prepaid expenses	0	1,750
Deposit	1,100	0
Other asset	45,000	0
ROU operating lease asset, net	83,161	0
Property and equipment, net	26,864	24,671
	<u>772,543</u>	<u>599,169</u>
Total Assets	<u>\$ 772,543</u>	<u>\$ 599,169</u>
<u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 6,314	\$ 27,553
Accrued liabilities	8,126	23,304
Deferred revenue	3,000	13,700
Operating lease liability	84,263	0
Financing lease liability	2,030	3,999
Total Liabilities	<u>103,733</u>	<u>68,556</u>
<u>Net Assets</u>		
Without donor restriction		
Undesignated	385,130	223,109
Board designated	192,570	174,522
Total net assets without donor restriction	<u>577,700</u>	<u>397,631</u>
With donor restriction	<u>91,110</u>	<u>132,982</u>
Total Net Assets	<u>668,810</u>	<u>530,613</u>
Total Liabilities and Net Assets	<u>\$ 772,543</u>	<u>\$ 599,169</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,

2022

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<u>Support, Revenue, and Other Gains</u>			
Contributions	\$ 486,028	\$ 198,050	\$ 684,078
Special events, net of expenses of \$311,070	861,521	340,710	1,202,231
Net investment income/(loss)	(16,330)	101	(16,229)
Other income	1,320	0	1,320
Nonfinancial contributions	85,807	0	85,807
Net assets released from restrictions	580,733	(580,733)	0
	<u>1,999,079</u>	<u>(41,872)</u>	<u>1,957,207</u>
<u>Expenses</u>			
<u>Program services</u>			
Grants and awards	977,183		977,183
Outreach and education	303,531		303,531
Total program services	<u>1,280,714</u>		<u>1,280,714</u>
<u>Supporting services</u>			
Management and general	199,635		199,635
Fundraising	338,661		338,661
Total supporting services	<u>538,296</u>		<u>538,296</u>
Total expenses	<u>1,819,010</u>		<u>1,819,010</u>
Changes in net assets	180,069	(41,872)	138,197
Net assets, beginning of year	<u>397,631</u>	<u>132,982</u>	<u>530,613</u>
Net assets, end of year	<u>\$ 577,700</u>	<u>\$ 91,110</u>	<u>\$ 668,810</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,

2021

	Without Donor Restriction	With Donor Restriction	Total
<u>Support, Revenue, and Other Gains</u>			
Contributions	\$ 536,035	\$ 265,499	\$ 801,534
Special events, net of expenses of \$240,751	493,503	355,060	848,563
Net investment income	14,070	5	14,075
PPP grant	95,497	0	95,497
Other income	5,280	0	5,280
Nonfinancial contributions	17,805	0	17,805
Net assets released from restrictions	589,442	(589,442)	0
	<u>1,751,632</u>	<u>31,122</u>	<u>1,782,754</u>
<u>Expenses</u>			
<u>Program services</u>			
Grants and awards	939,296		939,296
Outreach and education	249,712		249,712
Total program services	<u>1,189,008</u>		<u>1,189,008</u>
<u>Supporting services</u>			
Management and general	154,901		154,901
Fundraising	189,051		189,051
Total supporting services	<u>343,952</u>		<u>343,952</u>
Total expenses	<u>1,532,960</u>		<u>1,532,960</u>
Changes in net assets	218,672	31,122	249,794
Net assets, beginning of year	<u>178,959</u>	<u>101,860</u>	<u>280,819</u>
Net assets, end of year	<u>\$ 397,631</u>	<u>\$ 132,982</u>	<u>\$ 530,613</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,

2022

	Program Services			Supporting Services			Total Expenses
	Grants and Awards	Outreach and Education	Total	Management & General	Fundraising	Total	
Salaries and wages	\$ 0	\$ 162,856	\$ 162,856	\$ 100,952	\$ 177,146	\$ 278,098	\$ 440,954
Payroll taxes	0	12,266	12,266	7,604	13,343	20,947	33,213
Other benefits	0	8,558	8,558	5,305	9,309	14,614	23,172
Total compensation	0	183,680	183,680	113,861	199,798	313,659	497,339
Grants and assistance	977,183	0	977,183	0	0	0	977,183
Advertising	0	154	154	178	5,300	5,478	5,632
Donor and volunteer cultivation	0	3,219	3,219	120	11,127	11,247	14,466
Professional fees	0	22,110	22,110	55,676	14,948	70,624	92,734
Travel, meetings and meals	0	27,901	27,901	651	9,931	10,582	38,483
Newsletter, printing, and copying	0	11,375	11,375	131	26,380	26,511	37,886
Insurance	0	4,753	4,753	2,203	3,875	6,078	10,831
Occupancy	0	12,273	12,273	7,608	21,536	29,144	41,417
Telephone	0	2,226	2,226	1,380	2,726	4,106	6,332
Postage and shipping	0	2,906	2,906	245	8,370	8,615	11,521
Office supplies and expenses	0	2,008	2,008	1,245	2,533	3,778	5,786
Miscellaneous expenses	0	1,778	1,778	11,211	8,320	19,531	21,309
IT related expenses	0	2,349	2,349	167	791	958	3,307
Dues and subscriptions	0	6,506	6,506	2,175	8,773	10,948	17,454
Other event expenses	0	1,550	1,550	0	0	0	1,550
Direct event expenses	0	0	0	0	311,070	311,070	311,070
Research and development	0	14,252	14,252	0	9,367	9,367	23,619
Depreciation	0	4,491	4,491	2,784	4,886	7,670	12,161
Total expenses	977,183	303,531	1,280,714	199,635	649,731	849,366	2,130,080
Less: direct event expenses	0	0	0	0	(311,070)	(311,070)	(311,070)
Total expenses	\$ 977,183	\$ 303,531	\$1,280,714	\$ 199,635	\$ 338,661	\$ 538,296	\$1,819,010

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,

2021

	Program Services			Supporting Services			Total Expenses
	Grants and Awards	Outreach and Education	Total	Management & General	Fundraising	Total	
Salaries and wages	\$ 0	\$ 166,550	\$ 166,550	\$ 92,692	\$ 107,493	\$ 200,185	\$ 366,735
Payroll taxes	0	12,802	12,802	6,957	8,071	15,028	27,830
Other benefits	0	7,850	7,850	4,266	4,949	9,215	17,065
Total compensation	0	187,202	187,202	103,915	120,513	224,428	411,630
Grants and assistance	939,296	0	939,296	0	0	0	939,296
Advertising	0	1,518	1,518	825	957	1,782	3,300
Donor and volunteer cultivation	0	2,035	2,035	959	1,962	2,921	4,956
Professional fees	0	8,179	8,179	18,988	5,096	24,084	32,263
Travel, meetings and meals	0	689	689	224	1,288	1,512	2,201
Newsletter, printing, and copying	0	14,859	14,859	3,435	16,534	19,969	34,828
Insurance	0	5,580	5,580	3,033	3,518	6,551	12,131
Occupancy	0	11,680	11,680	6,348	12,346	18,694	30,374
Telephone	0	2,198	2,198	1,194	1,386	2,580	4,778
Postage and shipping	0	4,734	4,734	1,618	4,652	6,270	11,004
Office supplies and expenses	0	1,958	1,958	925	1,073	1,998	3,956
Miscellaneous expenses	0	52	52	9,210	72	9,282	9,334
IT related expenses	0	202	202	81	1,609	1,690	1,892
Dues and subscriptions	0	6,344	6,344	2,797	5,095	7,892	14,236
Other event expenses	0	0	0	0	11,385	11,385	11,385
Direct event expenses	0	0	0	780	239,971	240,751	240,751
Depreciation	0	2,482	2,482	1,349	1,565	2,914	5,396
Total expenses	939,296	249,712	1,189,008	155,681	429,022	584,703	1,773,711
Less: direct event expenses	0	0	0	(780)	(239,971)	(240,751)	(240,751)
Total expenses	\$ 939,296	\$ 249,712	\$1,189,008	\$ 154,901	\$ 189,051	\$ 343,952	\$1,532,960

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

THE MORGAN ADAMS FOUNDATION  
STATEMENTS OF CASH FLOWS

For the Years Ended December 31,	2022	2021
Cash flows from operating activities:		
Cash received from contributions	\$ 2,226,503	\$ 1,950,460
Other cash received	17,166	5,280
Interest paid on ROU financing lease	(95)	(155)
Interest and dividends received	374	49
Cash paid for operating ROU lease	(30,180)	0
Cash paid to employees and suppliers	(2,111,024)	(1,730,130)
Net cash provided by operating activities	102,744	225,504
Cash flows from investing activities:		
Purchase of investments	(25,000)	(50,000)
Purchase of property and equipment	(14,354)	(20,077)
Net cash used by investing activities	(39,354)	(70,077)
Cash flows from financing activities:		
Principal payments on financing lease liability	(1,969)	(1,909)
Net increase in cash and cash equivalents	61,421	153,518
Cash and cash equivalents at beginning of year	270,413	116,895
Cash and cash equivalents at end of year	\$ 331,834	\$ 270,413
Noncash transactions:		
Contributions of nonfinancial assets	\$ 85,807	\$ 17,805
Contributions of financial assets	\$ 9,752	\$ 10,820
ROU operating lease assets obtained in exchange for lease obligations	\$ 106,172	\$ 0

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

THE MORGAN ADAMS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

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 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 4.

THE MORGAN ADAMS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions of Nonfinancial Assets

Contributions of goods and services are recorded at their estimated fair value. Contributed 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. The Foundation's policy related to contributed nonfinancial assets is to utilize the assets given to carry out the mission of the Foundation. If an asset is provided that does not allow the Foundation to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

Special Events

Proceeds for special events are recognized as revenue on the date(s) events take place. Proceeds received in advance of events are recorded as deferred revenue. Deferred revenue recorded at year-end is generally recognized as revenue in the subsequent year.

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.

Investments

Investments are reported at fair value in the statement of financial position. Net investment income consists of interest, dividends, realized and unrealized gains and losses generated from the Foundation's investments.

Inventory

Inventory is recorded at the lower of cost or net realizable value.

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 3 to 7 years.

Program Grants

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

THE MORGAN ADAMS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, benefits, and occupancy costs are allocated based on time and effort. Although the methods used of allocation used are considered appropriate, other methods could be used that would produce different amounts.

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, 2022. The Foundation's ending open audit periods are December 31, 2019 and thereafter.

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 \$5,632 and \$3,300 for the years ended December 31, 2022 and 2021.

Recently Adopted Accounting Pronouncements

As of January 1, 2022, the Foundation retrospectively adopted Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2020-07, *Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard enhances the disclosures related to contributions of nonfinancial assets (i.e., in-kind contributions). See Note 10.

As of January 1, 2022, the Foundation adopted FASB Accounting Standards Codification Topic 842, *Leases*. See Note 9.

Reclassifications

Amounts previously presented as capital lease obligations are presented with the title ROU financing lease liability as part of the adoption of ASC 842, *Leases*. See Note 9.

THE MORGAN ADAMS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications (Continued)

Amounts previously presented as in-kind contributions totaling \$10,820 were reclassified to contributions for the year ended December 31, 2021.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including July 12, 2023, which is the date the financial statements were available to be issued.

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, 2022:

Cash and cash equivalents	\$	331,834
Investments		240,842
Promises to give, net		8,721
Employee receivable		2,178
Less: donor restricted net assets		(91,110)
Less: board designated net assets		(192,570)
		(192,570)
Available for general expenditure	\$	299,895

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, 2022, the balance in this reserve is \$192,570 and is presented as Board designated net assets in the accompanying statement of financial position.

NOTE 3 - INVESTMENTS

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

	2022	2021
Money market funds	\$ 183,023	\$ 156,992
Equities	57,819	65,701
Total investments	\$ 240,842	\$ 222,693

The fair value of investments is determined using quoted prices available in active market for identical investments (Level 1 inputs) as of December 31, 2022 and 2021.

THE MORGAN ADAMS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

NOTE 3 - INVESTMENTS (CONTINUED)

One equity position accounted for approximately 24 percent and 30 percent of total investments as of December 31, 2022 and 2021.

Net investment income/(loss) consists of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 1,031	\$ 278
Unrealized gains/(losses)	<u>(17,260)</u>	<u>13,797</u>
Net investment income/(loss)	<u>\$ (16,229)</u>	<u>\$ 14,075</u>

NOTE 4 - PROMISES TO GIVE

Promises to give consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Promises to give	\$ 9,721	\$ 59,303
Less: Allowance for doubtful accounts	<u>(1,000)</u>	<u>(1,000)</u>
Promises to give, net	<u>\$ 8,721</u>	<u>\$ 58,303</u>
Due in one year	<u>\$ 8,721</u>	<u>\$ 58,303</u>

No present value discount has been applied to promises to give due to the short-term nature of these receivables.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 16,086	\$ 16,086
Furniture and equipment	29,704	27,550
Database design and implementation	36,290	36,290
Vehicles	8,729	8,729
Website design	<u>28,620</u>	<u>16,420</u>
	119,429	105,075
Less: Accumulated depreciation	<u>(92,565)</u>	<u>(80,404)</u>
Property and equipment, net	<u>\$ 26,864</u>	<u>\$ 24,671</u>

Depreciation expense was \$12,161 and \$5,396 for the years ended December 31, 2022 and 2021.

THE MORGAN ADAMS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

NOTE 6 - OTHER ASSETS

During the year ended December 31, 2022, the Foundation received contributions of two separate collector vehicles. One of these vehicles, with an estimated fair value of \$30,000, was available for sale and is recorded as asset available for sale in the accompanying statement of financial position as of December 31, 2022. The Foundation is working with a broker to solicit interested buyers, and management expects the vehicle will be sold during the year ended December 31, 2023. The other vehicle, with an estimated fair value of \$45,000, is not currently available for sale and is recorded as other asset in the accompanying statement of financial position as of December 31, 2022.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTION

During the years ended December 31, net assets with donor restrictions were released for the following purposes:

	<u>2022</u>	<u>2021</u>
Passage of time	\$ 61,206	\$ 32,888
Pediatric cancer research	451,739	486,658
Family support	36,376	36,596
RNA sequencing research	17,147	33,300
DIPG	<u>14,265</u>	<u>0</u>
Total released from donor restrictions	<u>\$ 580,733</u>	<u>\$ 589,442</u>

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

	<u>2022</u>	<u>2021</u>
Time restricted	\$ 9,721	\$ 59,303
Purpose restricted - pediatric cancer research	1,448	0
Purpose restricted - family support	12,950	25,508
Purpose restricted - DIPG	18,719	0
Purpose restricted - endowment	<u>48,272</u>	<u>48,171</u>
Total donor restricted net assets	<u>\$ 91,110</u>	<u>\$ 132,982</u>

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

	<u>2022</u>	<u>2021</u>
Corpus to be maintained in perpetuity	\$ 35,553	\$ 35,553
Accumulated investment earnings	<u>12,719</u>	<u>12,618</u>
Total donor restricted endowment	<u>\$ 48,272</u>	<u>\$ 48,171</u>



THE MORGAN ADAMS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

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 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

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NOTE 8 - ENDOWMENT (CONTINUED)

Following are the changes in the donor-restricted endowment fund for the years ended December 31, 2022 and 2021:

	<u>With Donor Restrictions</u>
Endowment net assets at December 31, 2020	\$ 48,166
Contributions	0
Net investment income	5
Endowment net assets at December 31, 2021	48,171
Contributions	0
Net investment income/(loss)	101
Endowment net assets at December 31, 2022	\$ 48,272

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, 2022 and 2021, 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.

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.

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NOTE 8 - ENDOWMENT (CONTINUED)

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 - LEASES

The Foundation adopted Financial Accounting Standards Board (FASB) Topic 842, *Leases*, using the modified retrospective approach with January 1, 2022 as the date of initial adoption. Adoption of the new standard had no impact on the Foundation's net income or cash flows.

The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Management only reassesses its determination if the terms and conditions of the contract are changed.

Leases with an initial term of twelve months or less (short-term leases) are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term.

Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities in the accompanying statements of financial position. Financing leases are included in property and equipment and financing lease liabilities in the accompanying statements of financial position. ROU assets represent the Foundation's right to use an underlying asset for the lease term, and lease liabilities represent the Foundation's obligation to make lease payments. Operating and financing lease ROU assets and liabilities are recognized at the lease commencement date at the present value of lease payments over the lease term. The Foundation uses its incremental borrowing rate to calculate the present value of lease payments.

The Foundation has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices.

The Foundation leases office space recognized as an ROU operating asset and a copier recognized as an ROU financing asset.

THE MORGAN ADAMS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 9 - LEASES (CONTINUED)

The following summarizes the line items in the statement of financial position which include amounts for operating and financing leases as of December 31, 2022:

ROU operating assets	\$ 106,172
Accumulated amortization	(23,011)
ROU operating assets, net	<u>\$ 83,161</u>
Property and equipment	\$ 9,555
Accumulated depreciation	(7,644)
ROU financing asset, net	<u>\$ 1,911</u>
Current liabilities	
ROU operating	\$ 24,597
ROU financing	2,030
Noncurrent liabilities	
ROU operating	59,666
ROU financing	<u>0</u>
Total ROU lease liabilities	<u>\$ 86,293</u>

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2022:

Weighted average remaining term in years	2.96
Weighted average discount rate	9.35%

The maturities of lease liabilities as of December 31 were as follows:

Future payments:	<u>Operating</u>	<u>Financing</u>
2023	\$ 31,555	\$ 2,064
2024	31,680	0
2025	31,680	0
2026	2,640	0
Total lease payments	<u>97,555</u>	<u>2,064</u>
Less: amount representing interest	(13,292)	(34)
Present value of minimum lease payments	<u>\$ 84,263</u>	<u>\$ 2,030</u>

THE MORGAN ADAMS FOUNDATION  
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DECEMBER 31, 2022 AND 2021

NOTE 9 - LEASES (CONTINUED)

The following summarizes the line items in the statement of functional expenses which include the components of lease expense in the year ended December 31, 2022:

Occupancy	\$ 31,282
Financing - depreciation	1,911
Financing - interest on liability - office supplies and expenses	95
Total lease expense	<u>\$ 33,288</u>

NOTE 10 - NONFINANCIAL CONTRIBUTIONS

The Foundation received nonfinancial contributions for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Vehicle - available for sale	\$ 30,000	\$ 0
Vehicle	45,000	0
Professional legal services	10,807	0
Food and supplies	<u>0</u>	<u>17,805</u>
Total nonfinancial contributions	<u>\$ 85,807</u>	<u>\$ 17,805</u>

During 2022, the Foundation received appraisals to estimate the fair value of donated vehicles.

During 2022, the Foundation was provided legal services at no cost for general consulting matters. The fair value of services rendered was provided by the donor.

During 2021, the Foundation obtained vendor estimates of the fair value of donated food and supplies.

NOTE 11 - RELATED PARTY TRANSACTIONS

During 2022 and 2021, a relative of the Executive Director was employed as a full-time employee. For the years ended December 31, 2022 and 2021, this individual was paid approximately \$61,000 and \$76,000.

NOTE 12 - PAYCHECK PROTECTION PROGRAM

During 2021, the Foundation received \$95,497 pursuant to the Paycheck Protection Program (PPP) established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act. PPP provides grants to qualifying businesses to cover payroll and certain other expenses. During 2021, the Foundation was notified that requirements under the PPP grant were satisfied and recognized revenue for the year ended December 31, 2021.

THE MORGAN ADAMS FOUNDATION  
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NOTE 13 - EMPLOYEE RETENTION CREDIT

The Taxpayer Certainty and Disaster Tax Relief Act of 2020 allows certain eligible employers to take advantage of an employer retention credit (ERC) for those who chose to keep their employees on payroll despite the challenges posed by COVID-19. Employers can claim a refundable tax credit against a portion of qualified wages. The Foundation applied for \$16,946 related to the ERC based on eligible payroll costs, which was received in March 2022. The ERC is included in receivables and revenues as of and for the year ended December 31, 2021.