

THE MORGAN ADAMS FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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THE ADAMS GROUP, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Directors
The Morgan Adams Foundation
Denver, Colorado

Opinion

We have audited the accompanying consolidated financial statements of The Morgan Adams Foundation (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Morgan Adams Foundation as of December 31, 2023 and 2022, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 9, 2024
Greenwood Village, Colorado

THE MORGAN ADAMS FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,	2023	2022
<u>Assets</u>		
Cash and cash equivalents	\$ 87,258	\$ 331,834
Investments	276,413	240,842
Accounts receivable	77,290	2,178
Promises to give, net	63,190	8,721
Asset available for sale	30,000	30,000
Inventory	4,976	2,843
Prepaid expenses	7,320	0
Deposit	0	1,100
Other asset	45,000	45,000
ROU operating lease asset, net	58,837	83,161
Property and equipment, net	32,060	26,864
	<u>\$ 682,344</u>	<u>\$ 772,543</u>
 <u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 30,880	\$ 6,314
Accrued liabilities	88,476	8,126
Deferred revenue	15,767	3,000
Operating lease liability	59,666	84,263
Financing lease liabilities	9,129	2,030
Total Liabilities	<u>203,918</u>	<u>103,733</u>
 <u>Net Assets</u>		
Without donor restriction		
Undesignated	133,976	385,130
Board designated	225,874	192,570
Total net assets without donor restriction	<u>359,850</u>	<u>577,700</u>
With donor restriction	<u>118,576</u>	<u>91,110</u>
Total Net Assets	<u>478,426</u>	<u>668,810</u>
Total Liabilities and Net Assets	<u>\$ 682,344</u>	<u>\$ 772,543</u>

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

THE MORGAN ADAMS FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31,

2023

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<u>Support, Revenue, and Other Gains</u>			
Contributions	\$ 547,842	\$ 239,196	\$ 787,038
Special events, net of expenses of \$364,906	615,849	646,662	1,262,511
Sales	21,000	0	21,000
Less: Cost of goods sold	(8,050)	0	(8,050)
Net investment income	33,348	2,267	35,615
Other income	1,608	0	1,608
Nonfinancial contributions	1,444	0	1,444
Net assets released from restrictions	860,659	(860,659)	0
	<u>2,073,700</u>	<u>27,466</u>	<u>2,101,166</u>
 <u>Expenses</u>			
Program services			
Grants and awards	1,039,379		1,039,379
Outreach and education	564,372		564,372
Total program services	<u>1,603,751</u>		<u>1,603,751</u>
Supporting services			
Management and general	295,107		295,107
Fundraising	317,622		317,622
Total supporting services	<u>612,729</u>		<u>612,729</u>
Total expenses	<u>2,216,480</u>		<u>2,216,480</u>
Changes in net assets - before extraordinary loss	(142,780)	27,466	(115,314)
Extraordinary loss	<u>(75,070)</u>	0	<u>(75,070)</u>
Total change in net assets	(217,850)	27,466	(190,384)
Net assets, beginning of year	<u>577,700</u>	<u>91,110</u>	<u>668,810</u>
Net assets, end of year	<u>\$ 359,850</u>	<u>\$ 118,576</u>	<u>\$ 478,426</u>

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

THE MORGAN ADAMS FOUNDATION
CONSOLIDATED 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	<u>580,733</u>	<u>(580,733)</u>	<u>0</u>
Total support, revenue, and other gains	<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	<u>303,531</u>		<u>303,531</u>
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	<u>338,661</u>		<u>338,661</u>
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 consolidated financial statements.

THE MORGAN ADAMS FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31,

2023

	Program Services			Supporting Services			Total Expenses
	Grants and Awards	Outreach and Education	Total	Management & General	Fundraising	Total	
Salaries and wages	\$ 0	\$ 304,525	\$ 304,525	\$ 151,511	\$ 163,830	\$ 315,341	\$ 619,866
Payroll taxes	0	23,964	23,964	12,031	13,111	25,142	49,106
Other benefits	0	13,214	13,214	6,634	7,230	13,864	27,078
Total compensation	0	341,703	341,703	170,176	184,171	354,347	696,050
Grants and assistance	1,039,379	0	1,039,379	0	0	0	1,039,379
Advertising	0	0	0	433	6,450	6,883	6,883
Donor and volunteer cultivation	0	34	34	0	8,380	8,380	8,414
Professional fees	0	116,204	116,204	98,667	32,153	130,820	247,024
Travel, meetings and meals	0	25,263	25,263	1,264	13,238	14,502	39,765
Newsletter, printing, and copying	0	18,323	18,323	580	28,823	29,403	47,726
Insurance	0	8,815	8,815	2,126	2,567	4,693	13,508
Occupancy	0	16,062	16,062	8,064	13,374	21,438	37,500
Telephone	0	2,225	2,225	1,027	1,807	2,834	5,059
Postage and shipping	0	3,790	3,790	160	3,978	4,138	7,928
Office supplies	0	7,038	7,038	3,015	3,451	6,466	13,504
Miscellaneous expenses	0	3,430	3,430	1,468	8,396	9,864	13,294
IT related expenses	0	5,995	5,995	2,893	4,218	7,111	13,106
Dues and subscriptions	0	2,514	2,514	734	1,409	2,143	4,657
Direct event expenses	0	0	0	0	364,906	364,906	364,906
Research and development	0	4,012	4,012	0	303	303	4,315
Depreciation	0	8,964	8,964	4,500	4,904	9,404	18,368
	<u>1,039,379</u>	<u>564,372</u>	<u>1,603,751</u>	<u>295,107</u>	<u>682,528</u>	<u>977,635</u>	<u>2,581,386</u>
Less: direct event expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(364,906)</u>	<u>(364,906)</u>	<u>(364,906)</u>
Total expenses	<u>\$ 1,039,379</u>	<u>\$ 564,372</u>	<u>\$ 1,603,751</u>	<u>\$ 295,107</u>	<u>\$ 317,622</u>	<u>\$ 612,729</u>	<u>\$ 2,216,480</u>

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

THE MORGAN ADAMS FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31,

2022

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Expenses</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	\$ 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	<u>0</u>	<u>183,680</u>	<u>183,680</u>	<u>113,861</u>	<u>199,798</u>	<u>313,659</u>	<u>497,339</u>
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	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	6,927	6,927	1,800	5,289	7,089	14,016
Dues and subscriptions	0	1,928	1,928	542	4,275	4,817	6,745
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
	<u>977,183</u>	<u>303,531</u>	<u>1,280,714</u>	<u>199,635</u>	<u>649,731</u>	<u>849,366</u>	<u>2,130,080</u>
Less: direct event expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(311,070)</u>	<u>(311,070)</u>	<u>(311,070)</u>
Total expenses	<u>\$ 977,183</u>	<u>\$ 303,531</u>	<u>\$ 1,280,714</u>	<u>\$ 199,635</u>	<u>\$ 338,661</u>	<u>\$ 538,296</u>	<u>\$ 1,819,010</u>

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

THE MORGAN ADAMS FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

<u>For the Years Ended December 31,</u>	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from contributions	\$ 2,319,322	\$ 2,226,503
Other cash received	2,708	17,166
Interest paid on ROU financing lease	(127)	(95)
Interest and dividends received	7,758	374
Cash paid for operating ROU lease	(31,555)	(30,180)
Cash paid to employees and suppliers	(2,518,023)	(2,111,024)
Net cash provided/(used) by operating activities	<u>(219,917)</u>	<u>102,744</u>
Cash flows from investing activities:		
Purchase of investments	(7,714)	(25,000)
Purchase of property and equipment	(14,600)	(14,354)
Net cash used by investing activities	<u>(22,314)</u>	<u>(39,354)</u>
Cash flows from financing activities:		
Principal payments on financing lease liabilities	(2,345)	(1,969)
Net increase/(decrease) in cash and cash equivalents	(244,576)	61,421
Cash and cash equivalents at beginning of year	<u>331,834</u>	<u>270,413</u>
Cash and cash equivalents at end of year	<u>\$ 87,258</u>	<u>\$ 331,834</u>
Noncash transactions:		
Contributions of nonfinancial assets	\$ 1,444	\$ 85,807
Contributions of financial assets	\$ 0	\$ 9,752
ROU lease assets obtained in exchange for lease obligations	\$ 9,444	\$ 106,172

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

THE MORGAN ADAMS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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.

Radflix, LLC filed its Articles of Organization with the State of Colorado on April 5, 2022. Radflix was created to manufacture proprietary systems for video projections during radiation therapy for cancer patients. These systems are sold or donated to hospitals around the country. Donations to Radflix are intended to support the Foundation. The Foundation is the sole member of Radflix.

Radflix Canada was formed as a nonprofit organization and incorporated in Alberta, Canada on July 4, 2023. Radflix Canada was created to receive and maintain a fund or funds and to apply all or part of the principal and income therefrom, from time to time, to qualified donees. The Foundation is the sole member of Radflix Canada.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Foundation, Radflix, and Radflix Canada (collectively referred to as the "Foundation"). Intercompany transactions have been eliminated in consolidation.

Basis of Accounting

The accompanying consolidated financial statements 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 consolidated 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.

THE MORGAN ADAMS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classes of Net Assets (continued)

Net assets with donor restrictions (continued):

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 are 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.

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.

Revenue from Contracts with Customers.

Revenue from contracts with customers consists of sales of video projectors and related licensing arrangements associated with Radflix. Revenue for video projectors is recognized at the time of delivery. Revenue from licensing arrangements is recognized ratably over a period of one year from the date of delivery.

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.

THE MORGAN ADAMS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are reported at fair value in the consolidated 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 \$2,000. 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.

Functional Allocation of Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the consolidated 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's ending open audit periods are December 31, 2020 and thereafter.

Radflix is a single member LLC considered to be a disregarded entity for income tax purposes.

Radflix Canada qualifies as a tax-exempt, not-for-profit organization issued under the Canada Not-for-profit Corporations Act.

THE MORGAN ADAMS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of consolidated 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.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including July 9, 2024, 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, 2023:

Cash and cash equivalents	\$ 87,258
Investments	276,413
Accounts receivable	77,290
Promises to give - due within one year	35,000
Less: donor restricted net assets	(118,576)
Less: Board designated net assets	<u>(225,874)</u>
Available for general expenditure	<u>\$ 131,511</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. As of December 31, 2023, the balance in this reserve is \$225,874 and is presented as Board designated net assets in the accompanying consolidated statement of financial position.

THE MORGAN ADAMS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 - INVESTMENTS

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

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 190,737	\$ 183,023
Equities	<u>85,676</u>	<u>57,819</u>
Total investments	<u>\$ 276,413</u>	<u>\$ 240,842</u>

Money market funds are carried at the net asset value reported by the fund manager which generally approximates cost due to the short term nature of these investments.

The fair value of equity investments is determined using quoted prices available in active market for identical investments (Level 1 inputs) as of December 31, 2023 and 2022. One equity position accounted for approximately 31 percent and 24 percent of total investments as of December 31, 2023 and 2022.

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

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 7,758	\$ 1,031
Unrealized gains/(losses)	<u>27,857</u>	<u>(17,260)</u>
Net investment income/(loss)	<u>\$ 35,615</u>	<u>\$ (16,229)</u>

NOTE 4 - PROMISES TO GIVE

Promises to give consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Promises to give	\$ 70,000	\$ 9,721
Less: Allowance for doubtful accounts	(1,000)	(1,000)
Less: Amount representing interest	<u>(5,810)</u>	<u>0</u>
Promises to give, net	<u>\$ 63,190</u>	<u>\$ 8,721</u>
Due in one year	\$ 35,000	\$ 8,721
Due in two years	35,000	0

Promises to give as of December 31, 2023 were discounted to present value using the Foundation's estimated incremental borrowing rate of 9.5%.

THE MORGAN ADAMS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 16,086	\$ 16,086
Furniture and equipment	29,593	29,704
Database design and implementation	50,890	36,290
Vehicles	8,729	8,729
Website design	28,620	28,620
	<u>133,918</u>	<u>119,429</u>
Less: Accumulated depreciation	<u>(101,858)</u>	<u>(92,565)</u>
Property and equipment, net	<u>\$ 32,060</u>	<u>\$ 26,864</u>

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 consolidated statement of financial position as of December 31, 2023 and 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, 2024. 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, 2023 and 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>2023</u>	<u>2022</u>
Passage of time	\$ 9,721	\$ 61,206
Pediatric cancer research	755,846	451,739
Family support	22,504	36,376
RNA sequencing research	36,758	17,147
DIPG	<u>35,830</u>	<u>14,265</u>
Total released from donor restrictions	<u>\$ 860,659</u>	<u>\$ 580,733</u>

THE MORGAN ADAMS FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 - NET ASSETS WITH DONOR RESTRICTION (CONTINUED)

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

	<u>2023</u>	<u>2022</u>
Time restricted	\$ 0	\$ 9,721
Purpose restricted - pediatric cancer research	68,037	1,448
Purpose restricted - family support	0	12,950
Purpose restricted - DIPG	0	18,719
Purpose restricted - endowment	<u>50,539</u>	<u>48,272</u>
Total donor restricted net assets	<u>\$ 118,576</u>	<u>\$ 91,110</u>

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

	<u>2023</u>	<u>2022</u>
Corpus to be maintained in perpetuity	\$ 35,553	\$ 35,553
Accumulated investment earnings	<u>14,986</u>	<u>12,719</u>
Total donor restricted endowment	<u>\$ 50,539</u>	<u>\$ 48,272</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.

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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, 2023 and 2022:

	With Donor Restrictions
Endowment net assets at December 31, 2021	\$ 48,171
Contributions	0
Net investment income	101
Endowment net assets at December 31, 2022	48,272
Contributions	0
Net investment income/(loss)	2,267
Endowment net assets at December 31, 2023	\$ 50,539

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, 2023 and 2022, 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
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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 - LEASES

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 consolidated statements of financial position. Financing leases are included in property and equipment and financing lease liabilities in the accompanying consolidated 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 generally uses its estimated 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 MORGAN ADAMS FOUNDATION
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NOTE 9 - LEASES (CONTINUED)

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

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

	<u>2023</u>	<u>2022</u>
ROU operating assets	\$ 106,172	\$ 106,172
Accumulated amortization	(47,335)	(23,011)
ROU operating assets, net	<u>\$ 58,837</u>	<u>\$ 83,161</u>
Property and equipment	\$ 9,444	\$ 9,555
Accumulated depreciation	(472)	(7,644)
ROU financing asset, net	<u>\$ 8,972</u>	<u>\$ 1,911</u>
Current liabilities		
ROU operating	\$ 27,175	\$ 24,597
ROU financing	1,776	2,030
Noncurrent liabilities		
ROU operating	32,491	59,666
ROU financing	<u>7,353</u>	<u>0</u>
Total ROU lease liabilities	<u>\$ 68,795</u>	<u>\$ 86,293</u>

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

	<u>2023</u>	<u>2022</u>
Weighted average remaining term in years	2.37	2.96
Weighted average discount rate	8.66%	9.35%

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

Future payments:	<u>Operating</u>	<u>Financing</u>
2024	\$ 31,680	\$ 2,040
2025	31,680	2,040
2026	2,640	2,040
2027	0	2,040
2028	0	1,700
Total lease payments	<u>66,000</u>	<u>9,860</u>
Less: amount representing interest	(6,334)	(731)
Present value of minimum lease payments	<u>\$ 59,666</u>	<u>\$ 9,129</u>

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

The following summarizes the line items in the consolidated statements of functional expenses which include the components of lease expense in the years ended December 31:

	<u>2023</u>	<u>2022</u>
Occupancy	\$ 31,282	\$ 31,282
Financing - depreciation	2,383	1,911
Financing - interest on liability - office supplies	127	95
Total lease expense	<u>\$ 33,792</u>	<u>\$ 33,288</u>

NOTE 10 - NONFINANCIAL CONTRIBUTIONS

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

	<u>2023</u>	<u>2022</u>
Vehicle - available for sale	\$ 0	\$ 30,000
Vehicle	0	45,000
Professional legal services	<u>1,444</u>	<u>10,807</u>
Total nonfinancial contributions	<u>\$ 1,444</u>	<u>\$ 85,807</u>

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

During 2022 and 2023, the Foundation was provided legal services at no cost for general consulting manners. The fair value of services rendered was provided by the donor.

NOTE 11 - RELATED PARTY TRANSACTIONS

During 2023 and 2022, employees related to key members of management or Board members were employed as employees of the Foundation. For the years ended December 31, 2023 and 2022, the related payroll expense for these employees was approximately \$177,000 and \$167,000.

THE MORGAN ADAMS FOUNDATION
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NOTE 12 - LOSS CONTINGENCY

During 2023, the Foundation held an event with a fireworks display that damaged property of some donors. The Foundation incurred approximately \$75,000 in repair expenses during 2023, which is included in extraordinary loss on the accompanying consolidated statement of activities. Additional repair expenses are anticipated but may be covered by insurance proceeds from ongoing claims and other avenues being pursued by the Foundation. Any excess uninsured costs may be covered by the Foundation, which management estimates to be approximately \$185,000. The ultimate amount to be paid by the Foundation is highly uncertain and therefore an accrued loss contingency has not been recognized as of December 31, 2023.