

**BUREAU OF GOVERNMENTAL
RESEARCH, INC.**

Audits of Financial Statements

December 31, 2022 and 2021



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Independent Auditor's Report

To the Board of Directors
Bureau of Governmental Research, Inc.

Opinion

We have audited the accompanying financial statements of the Bureau of Governmental Research, Inc. (BGR), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 BGR as of December 31, 2022 and 2021, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the 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 BGR'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 BGR'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.



A Professional Accounting Corporation

Metairie, LA
June 22, 2023

BUREAU OF GOVERNMENTAL RESEARCH, INC.
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Cash and Cash Equivalents	\$ 769,633	\$ 649,253
Contributions Receivable	109,504	71,247
Prepaid Expenses	17,743	19,432
Right-to-Use Assets	145,300	-
Property and Equipment, Net	16,161	18,722
Cash and Cash Equivalents Held for Investment	70,024	548,513
Long-Term Investments	8,207,022	9,649,555
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Total Assets	\$ 9,335,387	\$ 10,956,722
Liabilities and Net Assets		
Liabilities		
Accounts Payable	\$ 12,758	\$ 29,393
Accrued Salaries and Withholding	2,527	-
Lease Liabilities	147,043	-
Deferred Revenues	-	500
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Total Liabilities	162,328	29,893
Net Assets		
Without Donor Restrictions	1,102,062	860,076
With Donor Restrictions	8,070,997	10,066,753
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Total Net Assets	9,173,059	10,926,829
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Total Liabilities and Net Assets	\$ 9,335,387	\$ 10,956,722

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

BUREAU OF GOVERNMENTAL RESEARCH, INC.
Statements of Activities
For the Years Ended December 31, 2022 and 2021

	2022	2021
Change in Net Assets Without Donor Restrictions		
Memberships / Core Funding	\$ 707,007	\$ 627,717
Nonfinancial Contributions	100,953	78,067
Annual Luncheon	136,183	-
Breakfast Briefings	25,575	6,000
Excellence in Government	25,000	-
Investment Return, Net	3,144	24
Other Revenues	168,419	65,500
Net Assets Released from Restrictions		
Satisfaction of Time Restriction	-	14,190
Satisfaction of Purpose	71,591	16,667
BGR Endowment Fund Appropriation	160,940	200,015
Zemurray Endowment Fund Appropriation	121,064	100,015
Total Revenues	1,519,876	1,108,195
Expenses		
Program Services	870,599	818,140
Supporting Service		
General and Administrative	228,520	236,675
Fundraising	178,771	151,314
Total Expenses	1,277,890	1,206,129
Change in Net Assets Without Donor Restrictions	241,986	(97,934)
Change in Net Assets With Donor Restrictions		
Contributions	-	101,400
Investment (Loss) Return, Net	(1,642,161)	1,014,534
Net Assets Released from Restrictions	(353,595)	(330,887)
Change in Net Assets With Donor Restrictions	(1,995,756)	785,047
Change in Net Assets	(1,753,770)	687,113
Net Assets, Beginning of Year	10,926,829	10,239,716
Net Assets, End of Year	\$ 9,173,059	\$ 10,926,829

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

BUREAU OF GOVERNMENTAL RESEARCH, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services	Supporting Services		Total Expenses
	Public Policy Research and Reporting	General and Administrative	Fundraising	
Salaries, Benefits, and Taxes	\$ 606,830	\$ 143,279	\$ 92,710	\$ 842,819
Consultants / Contracted Personnel	58,107	77,141	8,289	143,537
Event Expenses	68,104	-	61,660	129,764
Office Rent	53,788	1,717	1,717	57,222
Telephone / Information Technology	28,419	907	907	30,233
Miscellaneous	6,273	200	11,783	18,256
Dues and Subscriptions	13,821	-	-	13,821
Staff Development	6,499	1,535	993	9,027
Office Expense	7,918	253	253	8,424
Depreciation	7,508	240	240	7,988
Travel	6,480	-	-	6,480
Insurance	5,131	164	164	5,459
Bank Fees	-	3,029	-	3,029
Equipment Rental and Maintenance	588	19	19	626
Postage	578	18	18	614
Advertising / Public Relations	376	12	12	400
Printing and Reproduction	179	6	6	191
Total	\$ 870,599	\$ 228,520	\$ 178,771	\$ 1,277,890

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

BUREAU OF GOVERNMENTAL RESEARCH, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services	Supporting Services		Total Expenses
	Public Policy Research and Reporting	General and Administrative	Fundraising	
Salaries, Benefits, and Taxes	\$ 624,062	\$ 146,152	\$ 126,426	\$ 896,640
Consultants / Contracted Personnel	66,862	85,465	9,001	161,328
Office Rent	52,052	1,661	1,661	55,374
Telephone / Information Technology	24,526	783	783	26,092
Event Expenses	6,447	-	11,760	18,207
Dues and Subscriptions	13,612	-	-	13,612
Depreciation	8,620	275	275	9,170
Travel	7,120	-	-	7,120
Office Expense	6,345	203	203	6,751
Insurance	4,358	139	139	4,636
Miscellaneous	1,775	57	847	2,679
Bank Fees	-	1,694	-	1,694
Staff Development	836	196	169	1,201
Equipment Rental and Maintenance	705	23	23	751
Printing and Reproduction	623	20	20	663
Advertising/Public Relations	301	10	10	321
Postage	(104)	(3)	(3)	(110)
Total	\$ 818,140	\$ 236,675	\$ 151,314	\$ 1,206,129

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

BUREAU OF GOVERNMENTAL RESEARCH, INC.
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in Net Assets	\$ (1,753,770)	\$ 687,113
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	7,987	9,170
Net Unrealized and Realized (Gains) Losses on Investments	1,852,389	(859,419)
(Increase) Decrease in Assets		
Contributions Receivable	(38,257)	19,357
Promises to Give	-	1,021,560
Prepaid Expenses	1,689	(324)
Right-to-Use Assets	(145,300)	-
(Decrease) Increase in Liabilities		
Accounts Payable and Accrued Salaries and Withholding	(14,108)	10,285
Deferred Revenues	(500)	-
Lease Liabilities	147,043	-
Net Cash Provided by Operating Activities	57,173	887,742
Cash Flows from Investing Activities		
Purchase of Investments	(859,642)	(811,075)
Proceeds from Sale of Investments	449,786	448,990
Purchases of Property and Equipment	(5,426)	(12,691)
Net Cash Used in Investing Activities	(415,282)	(374,776)
Net Change in Cash and Cash Equivalents	(358,109)	512,966
Cash and Cash Equivalents, Beginning of Year	1,197,766	684,800
Cash and Cash Equivalents, End of Year	\$ 839,657	\$ 1,197,766
Reconciliation of Cash		
Cash and Cash Equivalents	\$ 769,633	\$ 649,253
Cash and Cash Equivalents Held for Investment	70,024	548,513
Total Cash and Cash Equivalents	\$ 839,657	\$ 1,197,766
Supplemental Disclosure of Cash Flow Information		
Right-of-Use Assets Obtained in Exchange for New Operating Lease Obligations	\$ (205,700)	\$ -

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

BUREAU OF GOVERNMENTAL RESEARCH, INC.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization

The Bureau of Governmental Research, Inc. (BGR) is a private non-profit independent research organization incorporated under the laws of the State of Louisiana and Internal Revenue Code Section 501(c)(3). Accordingly, income taxes are not presented in these financial statements. BGR is dedicated to informed public policymaking and the effective use of public resources for the improvement of government in the New Orleans metropolitan area. BGR fulfills its mission through its program of public policy research and reporting.

Basis of Accounting

BGR prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

BGR's financial statement presentation follows the recommendations of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Accordingly, BGR reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions:

Net Assets Without Donor Restrictions - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, BGR considers all short-term, highly liquid investments with an original maturity of three months or less to be cash equivalents, unless restricted by donor-imposed stipulations.

Promises to Give and Contributions Receivable

Unconditional promises to give cash and contributions receivable are reported at net realizable value at the date the promise is received if expected to be collected within one year. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. BGR considers promises to give cash and contributions receivable as of year-end to be fully collectible. Accordingly, no allowance for uncollectible contributions is required. If amounts become uncollectible, they will be written off when that determination is made.

BUREAU OF GOVERNMENTAL RESEARCH, INC.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Investments

Investment purchases are recorded at cost, or if donated, at fair market value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return (loss) is reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law, and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

Property and Equipment

BGR capitalizes purchases of property of \$500 or more. Property is recorded at cost and is depreciated over the estimated useful lives of the related assets which approximate five years. Depreciation is computed using the straight-line method for financial statement purposes.

Revenues

Revenue is recognized when earned. Membership dues, which are nonrefundable, are deemed to be contributions and are recognized as revenues immediately. Annual luncheon payments are considered revenues in the year in which the event occurs.

Contributions

Contributions received are reported as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. BGR has adopted a policy to classify donor-restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Functional Expenses

The costs of providing the program services and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on a reasonable basis that is consistently applied. When possible, expenses are first allocated by direct identification and then allocation if an expenditure benefits more than one program or function. The expenses that are allocated include salaries, benefits and taxes, staff development, which are allocated on the basis of estimates of time and effort, as well as office rent, telephone/information technology, office expense, depreciation, insurance (general), printing and reproduction, postage, equipment rental and maintenance, advertising/public relations, and other miscellaneous expenses, which are allocated on a square footage basis.

Note 1. Summary of Significant Accounting Policies (Continued)

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$400 and \$321 for the years ended December 31, 2022 and 2021, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Adoption of Recent Accounting Pronouncements

Leases

In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements.

Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. BGR adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, BGR has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with BGR's historical accounting treatment under ASC Topic 840, *Leases*.

BGR elected the "package of practical expedients" under the transition guidance within Topic 842, in which BGR does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. At adoption of ASC 842 on January 1, 2022, BGR measured the ROU asset and lease liability using the remaining portion of the lease term.

BGR determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) BGR obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. BGR also considers whether its service arrangements include the right to control the use of an asset.

Note 1. Summary of Significant Accounting Policies (Continued)

Adoption of Recent Accounting Pronouncements (Continued)

Leases (Continued)

The BGR made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives.

To determine the present value of lease payments, BGR made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to BGR's operating leases of \$205,700 at January 1, 2022. The adoption of the new lease standard did not materially impact the statements of activities and change in net assets or statements of cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Contribution of Nonfinancial Assets

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard addresses measurement of contributed nonfinancial assets recognized by not-for-profit organizations and enhances disclosures with respect to these contributions. This ASU was adopted on a retrospective basis during the year ended December 31, 2022.

BGR records donated professional services at the respective fair values of the services received if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by BGR. See Note 8 for additional disclosure.

BUREAU OF GOVERNMENTAL RESEARCH, INC.

Notes to Financial Statements

Note 2. Investments

Investments consisted of the following as of December 31, 2022 and 2021:

December 31, 2022	Fair Market Value	Cost or Assigned Amount
GNOF Investment Pool Fund	\$ 43,295	\$ 30,305
Money Market Funds	230,951	230,951
Mutual Funds		
Intermediate-Term Bond Funds	2,742,973	3,300,838
Exchange Traded Funds		
Large Value	1,482,572	1,018,191
Foreign Large Blend	595,701	550,592
Large Growth	1,143,199	614,527
Diversified Emerging Markets	897,076	795,724
Real Estate	378,521	320,993
Small Blend	692,734	504,257
Total	\$ 8,207,022	\$ 7,366,378
December 31, 2021	Fair Market Value	Cost or Assigned Amount
GNOF Investment Pool Fund	\$ 51,132	\$ 30,305
Money Market Funds	227,807	227,807
Mutual Funds		
Intermediate-Term Bond Funds	2,984,147	2,996,763
Exchange Traded Funds		
Large Value	1,784,696	1,051,524
Foreign Large Blend	964,598	735,428
Large Growth	1,496,664	510,620
Diversified Emerging Markets	1,067,890	727,733
Real Estate	519,097	310,760
Small Blend	553,524	245,512
Total	\$ 9,649,555	\$ 6,836,452

BUREAU OF GOVERNMENTAL RESEARCH, INC.

Notes to Financial Statements

Note 3. Property and Equipment

Property and equipment consisted of the following at December 31, 2022 and 2021:

	2022	2021
Office Equipment	\$ 48,408	\$ 42,982
Software Development	11,550	11,550
Furniture and Fixtures	20,163	20,163
Total Property and Equipment, at Cost	80,121	74,695
Less: Accumulated Depreciation	(63,960)	(55,973)
Total Property and Equipment, Net	\$ 16,161	\$ 18,722

Depreciation expense totaled \$7,988 and \$9,170 for the years ended December 31, 2022 and 2021, respectively.

Note 4. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31, 2022 and 2021:

	2022	2021
Net Assets With Donor Restrictions		
Subject to Expenditure for Specified Purpose		
Presidents Paper Sponsorship	\$ 11,761	\$ 11,761
ARP Fund Use Report Sponsorship	11,742	83,333
Subject to Time Restriction		
Other	1,398	1,398
Endowment Funds (See Note 5)		
Original Gifts and Accumulated Earnings		
BGR Endowment Fund	4,485,560	5,599,532
Janet Howard Chair in Governmental Research Fund	652,860	787,278
Zemurray Chair	2,864,381	3,532,319
GNOF Investment Pool Fund	43,295	51,132
Net Assets With Donor Restrictions	\$ 8,070,997	\$ 10,066,753

BUREAU OF GOVERNMENTAL RESEARCH, INC.

Notes to Financial Statements

Note 5. Endowment Funds

As required by accounting principles generally accepted in the United States of America (U.S. GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. BGR accounts for donor-restricted funds consistent with the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the State of Louisiana. BGR's Board of Directors seeks to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Accordingly, BGR retains in perpetuity (a) the original value of initial and subsequent gifts donated to the endowments, and (b) any accumulations to the endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by BGR in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- The duration and preservation of the fund
- The purposes of BGR and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of BGR
- The investment policies of BGR

BGR's endowments consisted of the following:

GNOF Investment Pool Fund

GNOF Investment Pool Fund is maintained and managed by the GNOF within its investment pool. The fund is invested by GNOF with an attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. Annual distributions of income from the GNOF Investment Pool Fund, as determined by the Board of Trustees of GNOF, are provided to BGR. BGR then decides to either use the funds for operations of BGR or to invest in one of its endowment funds. For the years ended December 31, 2022 and 2021, the investment (loss) return of the GNOF Investment Pool Fund totaled \$(7,837) and \$5,555, respectively.

BUREAU OF GOVERNMENTAL RESEARCH, INC.

Notes to Financial Statements

Note 5. Endowment Funds (Continued)

BGR Endowment Fund

The BGR Endowment Fund was created in 2007 and includes the pooling of donor funds to support BGR operations. The investment objectives of the BGR Endowment Fund are to emphasize total return. Specifically, the primary objective is to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of comparable capital market benchmarks. The secondary objective is to achieve returns in excess of the rate of inflation plus spending over the investment horizon in order to preserve the purchasing power of the fund's assets. Risk control is an important element in the investment of the fund assets.

In accordance with the spending policy, at the request of the Board of Directors of BGR, the Endowment Committee shall cause to be disbursed a sum of money not to exceed in any fiscal year an amount equal to 5% of the BGR Endowment Fund, calculated using a 12-quarter average of market values determined as of December 31st of the previous year, less any previous remittances by the Endowment Committee since the beginning of the current fiscal year. The Endowment Committee shall comply with any such request by the Board of Directors, unless, in its judgment, the integrity of the Endowment Fund would be seriously inconvenienced by such a disbursement at that time; in such an event, the Endowment Committee shall deliver to the Board of Directors a written statement of its reasons for declining to make the disbursement. This provision can be modified only by a vote of not less than eighty percent of the Board of Directors or by a vote of two-thirds of the membership of BGR. During the years ended December 31, 2022 and 2021, the Board of Directors appropriated \$160,940 and \$200,015 for operations, respectively. For the years ended December 31, 2022 and 2021, investment (loss) return of the BGR Endowment Fund was \$(953,032) and \$598,121, respectively.

Howard Chair

In 2015, a donor created the Howard Chair with an initial gift of \$500,000 to be held in perpetuity. The investment objectives of the Howard Chair Fund are to emphasize total return. Specifically, the primary objective is to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of comparable capital market benchmarks. The secondary objective is to achieve returns in excess of the rate of inflation plus spending over the investment horizon in order to preserve the purchasing power of the fund's assets. Risk control is an important element in the investment of the fund assets.

The spending policy states that, at the request of the Board of Directors, the Endowment Committee shall cause to be disbursed a sum of money not to exceed in any fiscal year an amount equal to 5% of the Howard Chair, calculated by using the fund's 12-quarter average of market values determined as of December 31st of the previous year.

BUREAU OF GOVERNMENTAL RESEARCH, INC.

Notes to Financial Statements

Note 5. Endowment Funds (Continued)

Howard Chair (Continued)

Such distribution shall be used to cover the expenses of a speaker at BGR's annual luncheon, henceforth to be recognized as the Janet Howard Speaker Series in Government Research. If in any year a speaker appears on a pro bono basis, at the request of the Board of Directors, the Endowment Committee shall direct the distribution from the Howard Chair, net of any expenses required by the speaker, if any, to be capitalized to the Howard Chair or alternatively, to a specific BGR research project acknowledged appropriately in the final research output. Either decision must be approved by the Endowment Committee. If for any reason BGR discontinues its annual luncheon or its practice of presenting speakers at the function, at the request of the Board of Directors, the distribution from the Howard Chair will be directed to specific BGR research projects, under the guidance and with the approval of the Endowment Committee and acknowledged appropriately as part of the Howard Chair.

No distribution for spending is to be made from the Howard Chair until the endowment threshold of \$500,000 in donations to the Howard Chair Fund has been received. Until that time, all earnings are held in the corpus of the Howard Chair. This provision can be modified only by a vote of not less than eighty percent of the Board of Directors or by a vote of two-thirds of the membership of BGR. As of December 31, 2022 and 2021, the \$500,000 threshold was met, which allows for distributions in accordance with the spending policy above.

As of December 31, 2022 and 2021, the balance of the Howard Chair Fund was maintained in long-term investments. During the years ended December 31, 2022 and 2021, the Board of Directors did not appropriate any funds for operations. For the years ended December 31, 2022 and 2021, investment (loss) return of the Howard Chair Fund totaled \$(134,418) and \$80,839, respectively.

Zemurray Chair

In 2018, a donor created the Zemurray Chair Endowment Fund with an initial gift of \$2,000,000 to be held in perpetuity. The investment objectives of the Zemurray Chair Endowment Fund are to emphasize total return. Specifically, the primary objective is to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of comparable capital market benchmarks. The secondary objective is to achieve returns in excess of the rate of inflation plus spending over the investment horizon in order to preserve the purchasing power of the fund's assets. Risk control is an important element in the investment of the fund assets.

BUREAU OF GOVERNMENTAL RESEARCH, INC.

Notes to Financial Statements

Note 5. Endowment Funds (Continued)

Zemurray Chair (Continued)

The spending policy states that, at the request of the Board of Directors, the Endowment Committee shall cause to be disbursed a sum of money not to exceed in any fiscal year an amount equal to 5% of the Zemurray Chair, calculated as follows:

- In 2020, using the 4-quarter average of the market values of the fund determined as of December 31, 2019;
- In 2021, using the 8-quarter average of market values of the fund determined as of December 31, 2020; and
- Thereafter, using the fund's 12-quarter average of market values determined as of December 31st of the previous year.

Such distributable funds shall be used to support the salary for the position of BGR's President and CEO, which position shall hereafter permanently bear the title of the Samuel Zemurray Chair in Research Leadership in all and every reference to it. The Endowment Committee shall comply with any such request by the Board of Directors, unless, in its judgment, the integrity of the Zemurray Chair would be threatened by such a disbursement, or the Zemurray Chair would be seriously inconvenienced by such a disbursement at that time; in such an event, the Endowment Committee shall deliver to the Board of Directors a written statement of its reason for declining to make the disbursement. This provision can be modified only by a vote of not less than eighty percent of the Board of Directors or by a vote of two-thirds of the membership of the BGR.

As of December 31, 2022 and 2021, the balance of the Zemurray Chair Fund was maintained in long-term investments. During the years ended December 31, 2022 and 2021, the Board of Directors appropriated \$121,064 and \$100,015 for operations, respectively. For the years ended December 31, 2022 and 2021, investment (loss) return of the Zemurray Chair Fund totaled \$(546,874) and \$330,019, respectively.

The composition of the endowment funds above as of December 31, 2022 are as follows:

December 31, 2022	Without Donor Restrictions	With Donor Restrictions	Total
GNOF Investment Pool Fund	\$ -	\$ 43,295	\$ 43,295
BGR Endowment Fund	-	4,485,560	4,485,560
Zemurray Chair	-	2,864,380	2,864,380
Howard Chair	-	652,861	652,861
Total	\$ -	\$ 8,046,096	\$ 8,046,096

BUREAU OF GOVERNMENTAL RESEARCH, INC.

Notes to Financial Statements

Note 5. Endowment Funds (Continued)

The composition of the endowment funds above as of December 31, 2021 are as follows:

December 31, 2021	Without Donor Restrictions	With Donor Restrictions	Total
GNOF Investment Pool Fund	\$ -	\$ 51,132	\$ 51,132
BGR Endowment Fund	-	5,599,532	5,599,532
Zemurray Chair	-	3,532,319	3,532,319
Howard Chair	-	787,278	787,278
Total	\$ -	\$ 9,970,261	\$ 9,970,261

A summary of changes in BGR's endowment net assets for the years ended December 31, 2022 and 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets, January 1, 2022	\$ -	\$ 9,970,261	\$ 9,970,261
Investment Loss, Net	-	(1,642,161)	(1,642,161)
Amount Appropriated for Expenditure	-	(282,004)	(282,004)
Net Assets, December 31, 2022	\$ -	\$ 8,046,096	\$ 8,046,096
	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets, January 1, 2021	\$ -	\$ 9,255,757	\$ 9,255,757
Investment Return, Net	-	1,014,534	1,014,534
Amount Appropriated for Expenditure	-	(300,030)	(300,030)
Net Assets, December 31, 2021	\$ -	\$ 9,970,261	\$ 9,970,261

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Notes to Financial Statements

Note 6. Leases

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the year ended December 31, 2022:

Lease Cost:

Operating Lease Cost	\$ 57,117
Short-Term Lease Cost	<u>700</u>
Total Lease Cost	<u><u>\$ 57,817</u></u>

Other Information:

Weighted-Average Remaining Lease Term (in Years):	
Operating Leases	2.33
Weighted-Average Discount Rate Applied (%):	
Operating Leases	1.84%

Total rent expense for operating leases was \$56,125 for the year ended December 31, 2022.

Future undiscounted cash flows and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows as of December 31, 2022:

Year Ending December 31,	Amount
2023	\$ 63,303
2024	65,002
2025	<u>21,830</u>
Total Lease Payments	150,135
Less: Imputed Interest	<u>3,092</u>
Total Present Value of Lease Liabilities	<u><u>\$ 147,043</u></u>

Note 7. Fair Value of Financial Instruments

BGR follows the provisions of the *Fair Value Measurement* Topic of the FASB ASC. Under this FASB ASC, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.
- Level 2 Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.
- Level 3 Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

BGR's valuation techniques for assets recorded at fair value are as follows:

Money Market Funds, Bond Funds, and Exchange Traded Funds: The fair value is determined by the closing price reported on the active market on which the individual securities or funds are traded.

GNOF Investment Pool Fund: The fair value is determined by the use of calculated net asset value per ownership share.

BUREAU OF GOVERNMENTAL RESEARCH, INC.

Notes to Financial Statements

Note 7. Fair Value of Financial Instruments (Continued)

The valuation of BGR's assets measured at fair value on a recurring basis at December 31, 2022 and 2021 is as follows:

December 31, 2022	Level 1	Level 2	Level 3	Fair Value
Bond Funds	\$ 2,742,973	\$ -	\$ -	\$ 2,742,973
Money Market Funds	230,951	-	-	230,951
Exchange Traded Funds	5,189,803	-	-	5,189,803
GNOF Investment Pool Fund ⁽¹⁾	-	-	-	43,295
Total	\$ 8,163,727	\$ -	\$ -	\$ 8,207,022

December 31, 2021	Level 1	Level 2	Level 3	Fair Value
Bond Funds	\$ 2,984,147	\$ -	\$ -	\$ 2,984,147
Money Market Funds	227,807	-	-	227,807
Exchange Traded Funds	6,386,469	-	-	6,386,469
GNOF Investment Pool Fund ⁽¹⁾	-	-	-	51,132
Total	\$ 9,598,423	\$ -	\$ -	\$ 9,649,555

(1) Certain investments measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

BGR's investments at December 31, 2022 that feature net asset value per share were as follows:

	Number of Funds	Fair Value Calculated Using NAV	Unfunded Commitments	Redemption Terms	Restrictions and Terms in Place at Year End
GNOF Investment Pool Fund	1	\$ 43,295	N/A	Request may be made anytime.	N/A

The investment pool includes investments in a well-diversified asset mix, which includes equity and fixed income securities as well as private equity and investments in hedge funds which primarily invest in commodities. While management may request redemption of these investments at any time, the redemption amount is first subject to GNOF's distribution policies for endowed funds. Any exception to this policy must be approved by GNOF's board which usually is conservative in releasing funds above the amount that is annually distributed.

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Notes to Financial Statements

Note 8. Contributed Services

BGR records during 2022 and 2021, BGR received contributed services recorded at market value. The contributed services, which are primarily donations of services and use of facilities related to fundraising events, are included in revenues without donor restrictions as follows for the years ended December 31, 2022 and 2021:

	2022	2021
Advertisement Services	\$ 97,975	\$ 74,140
Venue for Program Events	2,978	-
IT Maintenance Services	-	3,927
Total	\$ 100,953	\$ 78,067

Note 9. Concentration of Credit Risk

BGR's policy is to maintain balances below the U.S. Federal Deposit Insurance Corporation limit. BGR maintains its cash accounts in one commercial bank. The amount on deposit exceeded the insurance limits of the Federal Deposit Insurance Corporation by \$506,106 and \$398,982 as of December 31, 2022 and 2021, respectively. BGR has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Note 10. Functional Expense Allocation

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of BGR.

68% of total expenses were allocated to public policy research and reporting program in both of the years ended in December 2022 and 2021.

32% of total expenses were allocated to supporting services, including general and administrative and fundraising, in the both of years ended in December 2022 and 2021.

BUREAU OF GOVERNMENTAL RESEARCH, INC.

Notes to Financial Statements

Note 11. Related Parties

BGR maintained certain investments in an institution of which one Board Member was an executive officer as of December 31, 2022 and 2021.

BGR receives contributions from its board members and the organizations they are affiliated with.

Note 12. Uncertain Tax Positions

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. BGR believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

Note 13. Employee Benefit Plan

BGR provides a Simple IRA Plan, which covers all employees meeting certain eligibility requirements. Eligible employees are able to make annual contributions to the plan up to the maximum amount allowed by current regulations. BGR makes a matching contribution in an amount equal to the employees' salary reduction contribution up to a limit of 3% of employees' compensation. BGR's contributions for the years ended December 31, 2022 and 2021 totaled \$20,162 and \$23,289, respectively.

Note 14. Liquidity and Availability

As of December 31, 2022, assets without donor or other restrictions, and therefore available for general expenditure within one year of the balance sheet date, consisted of the following:

Cash and Cash Equivalents	\$	769,633
Contributions Receivable		109,504
Appropriation of BGR Endowment Fund as Budgeted for the Year Ending December 31, 2022		<u>403,970</u>
Total	\$	<u>1,283,107</u>

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Notes to Financial Statements

Note 14. Liquidity and Availability (Continued)

BGR has received significant contributions to establish endowment accounts, which should exist in perpetuity to generate investment income for BGR's general operations or other purposes designated by the donors. The BGR Endowment Fund is an endowed account for BGR's general expenditures. The appropriation from the BGR Endowment Fund noted above represents the 2023 budgeted amount, rather than any determination of the full possibility of an appropriation for general expenditures.

In addition, the Zemurray Chair is an endowed account for the purpose of supporting the salary of BGR's President and CEO. While the terms of the Zemurray Chair restrict the use of the investment income, any appropriation from the Zemurray Chair will result in a correlating reduction in the revenue required to cover BGR's general expenditures. Note 5 discusses in more detail BGR's endowments and the spending policies for each.

BGR manages its expenditures according to an annual board-approved budget. In addition to the above summary of financial assets available to meet general expenditures over the next twelve months, BGR anticipates collecting sufficient revenue to cover its general expenditures, including those not covered by donor-restricted resources.

Note 15. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 22, 2023 and determined that there were no events that require recognition or additional disclosure. No other subsequent events occurring after this date have been evaluated for inclusion in these financial statements.