

**BUREAU OF GOVERNMENTAL
RESEARCH, INC.**

Audits of Financial Statements

December 31, 2023 and 2022



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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, 2023 and 2022, 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, 2023 and 2022, 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 14, 2024

BUREAU OF GOVERNMENTAL RESEARCH, INC.
Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Cash and Cash Equivalents	\$ 823,911	\$ 769,633
Contributions Receivable	93,775	109,504
Prepaid Expenses	17,492	17,743
Right-to-Use Assets	84,356	145,300
Property and Equipment, Net	9,258	16,161
Cash and Cash Equivalents Held for Investment	76,036	70,024
Long-Term Investments	9,002,758	8,207,022
Total Assets	\$ 10,107,586	\$ 9,335,387
Liabilities and Net Assets		
Liabilities		
Accounts Payable	\$ 14,917	\$ 12,758
Accrued Salaries and Withholding	-	2,527
Lease Liabilities	85,534	147,043
Total Liabilities	100,451	162,328
Net Assets		
Without Donor Restrictions	1,075,218	1,102,062
With Donor Restrictions	8,931,917	8,070,997
Total Net Assets	10,007,135	9,173,059
Total Liabilities and Net Assets	\$ 10,107,586	\$ 9,335,387

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, 2023 and 2022

	2023	2022
Change in Net Assets Without Donor Restrictions		
Memberships / Core Funding	\$ 576,674	\$ 707,007
Nonfinancial Contributions	108,159	100,953
Annual Luncheon	160,585	136,183
Breakfast Briefings	20,000	25,575
Excellence in Government	-	25,000
Investment Return, Net	12,901	3,144
Other Revenues	14,842	168,419
Net Assets Released from Restrictions		
Satisfaction of Purpose	23,503	71,591
BGR Endowment Fund Appropriation	249,434	160,940
Zemurray Endowment Fund Appropriation	136,851	121,064
Howard Chair Endowment Fund Appropriation	12,677	-
Total Revenues	1,315,626	1,519,876
Expenses		
Program Services	888,294	870,599
Supporting Service		
General and Administrative	234,456	228,520
Fundraising	219,720	178,771
Total Expenses	1,342,470	1,277,890
Change in Net Assets Without Donor Restrictions	(26,844)	241,986
Change in Net Assets With Donor Restrictions		
Contributions	93,775	-
Investment Return (Loss), Net	1,189,610	(1,642,161)
Net Assets Released from Restrictions	(422,465)	(353,595)
Change in Net Assets With Donor Restrictions	860,920	(1,995,756)
Change in Net Assets	834,076	(1,753,770)
Net Assets, Beginning of Year	9,173,059	10,926,829
Net Assets, End of Year	\$ 10,007,135	\$ 9,173,059

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, 2023

	<u>Program Services</u>		<u>Supporting Services</u>		Total Expenses
	Public Policy Research and Reporting		General and Administrative	Fundraising	
Salaries, Benefits, and Taxes	\$ 582,206		\$ 137,689	\$ 130,040	\$ 849,935
Consultants / Contracted Personnel	72,981		85,947	11,555	170,483
Event Expenses	67,498		-	63,328	130,826
Office Rent	53,157		1,697	1,697	56,551
Telephone / Information Technology	34,937		1,115	1,115	37,167
Staff Development	12,441		2,942	2,779	18,162
Miscellaneous	6,366		203	8,451	15,020
Dues and Subscriptions	14,473		-	-	14,473
Strategic Planning	12,000		-	-	12,000
Depreciation	9,184		293	293	9,770
Travel	8,562		-	-	8,562
Office Expense	6,457		206	206	6,869
Insurance	5,338		170	170	5,678
Bank Fees	-		4,108	-	4,108
Printing and Reproduction	1,106		35	35	1,176
Advertising / Public Relations	1,035		33	33	1,101
Postage	377		12	12	401
Equipment Rental and Maintenance	176		6	6	188
Total	\$ 888,294		\$ 234,456	\$ 219,720	\$ 1,342,470

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

	<u>Program Services</u>		<u>Supporting Services</u>		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.
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in Net Assets	\$ 834,076	\$ (1,753,770)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation	9,770	7,988
Bad Debt Expense	5,204	-
Net Unrealized and Realized (Gains) Losses on Investments	(993,200)	1,852,389
Decrease (Increase) in Assets		
Contributions Receivable	10,525	(38,257)
Prepaid Expenses	251	1,689
Right-to-Use Assets	60,944	(145,300)
(Decrease) Increase in Liabilities		
Accounts Payable and Accrued Salaries and Withholding	(368)	(14,108)
Deferred Revenues	-	(500)
Lease Liabilities	(61,509)	147,043
Net Cash (Used in) Provided by Operating Activities	(134,307)	57,174
Cash Flows from Investing Activities		
Purchase of Investments	(7,650,650)	(859,642)
Proceeds from Sale of Investments	7,848,114	449,786
Purchases of Property and Equipment	(2,867)	(5,427)
Net Cash Provided by (Used in) Investing Activities	194,597	(415,283)
Net Change in Cash and Cash Equivalents	60,290	(358,109)
Cash and Cash Equivalents, Beginning of Year	839,657	1,197,766
Cash and Cash Equivalents, End of Year	\$ 899,947	\$ 839,657
Reconciliation of Cash		
Cash and Cash Equivalents	\$ 823,911	\$ 769,633
Cash and Cash Equivalents Held for Investment	76,036	70,024
Total Cash and Cash Equivalents	\$ 899,947	\$ 839,657
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.

Contribution of Nonfinancial Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by BGR.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Leases

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) the customer 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.

BGR recognizes most leases on its statements 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. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the statement of activities.

BGR made an accounting policy election available 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 ASC Topic 842, *Leases*). 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 received. 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).

Note 1. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

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.

BGR has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate class. The non-lease components typically represent additional services transferred to BGR, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$1,101 and \$400 for the years ended December 31, 2023 and 2022, 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.

Recent Accounting Pronouncements

On January 1, 2023, BGR adopted Accounting Standard Update (ASU) 2016-13 and all subsequent ASUs that modified ASU 2016-13, which have been codified under ASC 326, *Financial Instruments - Credit Losses*. BGR adopted this guidance using the modified retrospective approach, as required, and has not adjusted prior period comparative information and will continue to disclose prior period financial information in accordance with previous accounting guidance. Adoption of ASC 326 to the estimate of the allowance for credit losses had no material impact to the financial statements.

Note 2. Investments and 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 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 2. Investments and Fair Value of Financial Instruments (Continued)

The valuation of BGR's assets measured at fair value on a recurring basis at December 31, 2023 and 2022 is as follows:

December 31, 2023	Level 1	Level 2	Level 3	Fair Value
Money Market Funds	\$ 242,052	\$ -	\$ -	\$ 242,052
Exchange Traded Funds	8,713,854	-	-	8,713,854
GNOF Investment Pool Fund ⁽¹⁾	-	-	-	46,852
Total	\$ 8,955,906	\$ -	\$ -	\$ 9,002,758

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

(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, 2023 and 2022 that feature net asset value per share were as follows:

December 31, 2023	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	<u>\$ 46,852</u>	N/A	Request may be made anytime.	N/A

December 31, 2022	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	<u>\$ 43,295</u>	N/A	Request may be made anytime.	N/A

BUREAU OF GOVERNMENTAL RESEARCH, INC.

Notes to Financial Statements

Note 2. Investments and Fair Value of Financial Instruments (Continued)

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.

Note 3. Property and Equipment

Property and equipment consisted of the following at December 31, 2023 and 2022:

	2023	2022
Office Equipment	\$ 51,275	\$ 48,408
Software Development	11,550	11,550
Furniture and Fixtures	<u>20,163</u>	<u>20,163</u>
Total Property and Equipment, at Cost	82,988	80,121
Less: Accumulated Depreciation	<u>(73,730)</u>	<u>(63,960)</u>
Total Property and Equipment, Net	<u>\$ 9,258</u>	<u>\$ 16,161</u>

Depreciation expense totaled \$9,770 and \$7,988 for the years ended December 31, 2023 and 2022, respectively.

BUREAU OF GOVERNMENTAL RESEARCH, INC.

Notes to Financial Statements

Note 4. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31, 2023 and 2022:

	2023	2022
Net Assets With Donor Restrictions		
Subject to Expenditure for Specified Purpose		
Presidents Paper Sponsorship	\$ -	\$ 11,761
ARP Fund Use Report Sponsorship	-	11,742
Subject to Time Restriction		
Other	95,173	1,398
Endowment Funds (See Note 5)		
Original Gifts and Accumulated Earnings		
BGR Endowment Fund	4,891,838	4,485,560
Janet Howard Chair in Governmental Research Fund	737,767	652,860
Zemurray Chair	3,160,287	2,864,381
GNOF Investment Pool Fund	46,852	43,295
	<u>8,931,917</u>	<u>8,070,997</u>
Net Assets With Donor Restrictions	\$ 8,931,917	\$ 8,070,997

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.

BUREAU OF GOVERNMENTAL RESEARCH, INC.

Notes to Financial Statements

Note 5. Endowment Funds (Continued)

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, 2023 and 2022, the investment return (loss) of the GNOF Investment Pool Fund totaled \$3,557 and \$(7,837), respectively.

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.

BUREAU OF GOVERNMENTAL RESEARCH, INC.

Notes to Financial Statements

Note 5. Endowment Funds (Continued)

BGR Endowment Fund (Continued)

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, 2023 and 2022, the Board of Directors appropriated \$249,434 and \$160,940 for operations, respectively. For the years ended December 31, 2023 and 2022, investment return (loss) of the BGR Endowment Fund was \$655,312 and \$(953,032), 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 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.

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.

BUREAU OF GOVERNMENTAL RESEARCH, INC.

Notes to Financial Statements

Note 5. Endowment Funds (Continued)

Howard Chair (Continued)

As of December 31, 2023 and 2022, the balance of the Howard Chair Fund was maintained in long-term investments. During the year ended December 31, 2023, the Board of Directors appropriated \$12,677 for operations. During the year ended December 31, 2022, the Board of Directors did not appropriate any funds for operations. For the years ended December 31, 2023 and 2022, investment return (loss) of the Howard Chair Fund totaled \$97,584 and \$(134,418), respectively.

Zemurray Chair

In 2018, a donor created the Zemurray Chair Endowment Fund with an initial gift of \$2,000,000. During 2020, an additional \$1,000,000 was contributed to the fund. 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.

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 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, 2023 and 2022, the balance of the Zemurray Chair Fund was maintained in long-term investments. During the years ended December 31, 2023 and 2022, the Board of Directors appropriated \$136,851 and \$121,064 for operations, respectively. For the years ended December 31, 2023 and 2022, investment return (loss) of the Zemurray Chair Fund totaled \$432,757 and \$(546,874), respectively.

BUREAU OF GOVERNMENTAL RESEARCH, INC.

Notes to Financial Statements

Note 5. Endowment Funds (Continued)

Zemurray Chair (Continued)

The composition of the endowment funds above as of December 31, 2023 and 2022 are as follows:

December 31, 2023	Without Donor Restrictions	With Donor Restrictions	Total
GNOF Investment Pool Fund	\$ -	\$ 46,852	\$ 46,852
BGR Endowment Fund	-	4,891,838	4,891,838
Zemurray Chair	-	3,160,287	3,160,287
Janet Howard Chair in Governmental Research Fund	-	737,767	737,767
Total	\$ -	\$ 8,836,744	\$ 8,836,744

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	-	2,864,381	2,864,381
Janet Howard Chair in Governmental Research Fund	-	652,860	652,860
Total	\$ -	\$ 8,046,096	\$ 8,046,096

A summary of changes in BGR's endowment net assets for the years ended December 31, 2023 and 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets, January 1, 2023	\$ -	\$ 8,046,096	\$ 8,046,096
Investment Return, Net	-	1,189,610	1,189,610
Amount Appropriated for Expenditure	-	(398,962)	(398,962)
Net Assets, December 31, 2023	\$ -	\$ 8,836,744	\$ 8,836,744

	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

BUREAU OF GOVERNMENTAL RESEARCH, INC.**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 years ended December 31, 2023 and 2022, respectively:

	2023	2022
Lease Cost:		
Operating Lease Cost	\$ 56,551	\$ 57,117
Short-Term Lease Cost	700	700
Total Lease Cost	\$ 57,251	\$ 57,817

Other Information:

Weighted-Average Remaining Lease Term (in Years):		
Operating Leases	1.33	2.33
Weighted-Average Discount Rate Applied (%):		
Operating Leases	1.84%	1.84%

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, 2023:

Year Ending December 31,	Amount
2024	\$ 65,331
2025	21,290
Total Lease Payments	86,621
Less: Imputed Interest	1,087
Total Present Value of Lease Liabilities	\$ 85,534

BUREAU OF GOVERNMENTAL RESEARCH, INC.

Notes to Financial Statements

Note 7. Contributed Services

During 2023 and 2022, 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, 2023 and 2022:

	2023	2022
Advertisement Services	\$ 95,238	\$ 97,975
Venue for Program Events	12,921	2,978
Total	\$ 108,159	\$ 100,953

Note 8. Concentration of Credit Risk

BGR maintains its cash accounts in one commercial bank which, at times, may exceed federally insured limits. The amount on deposit exceeded the insurance limits of the FDIC by \$485,096 and \$506,106 as of December 31, 2023 and 2022, respectively. BGR has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Note 9. 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.

66% and 68% of total expenses were allocated to public policy research and reporting program in the years ended in December 2023 and 2022, respectively.

34% and 32% of total expenses were allocated to supporting services, including general and administrative and fundraising, in the years ended in December 2023 and 2022, respectively.

BUREAU OF GOVERNMENTAL RESEARCH, INC.

Notes to Financial Statements

Note 10. Related Parties

BGR maintained certain investments in an institution of which one Board Member was an executive officer as of December 2023 and 2022.

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

Note 11. 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 12. 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 2023 and 2022 totaled \$21,917 and \$20,162, respectively.

Note 13. Liquidity and Availability

As of December 31, 2023 and 2022, assets without donor or other restrictions, and therefore available for general expenditure within one year of the statement of financial position date, consisted of the following:

	2023	2022
Cash and Cash Equivalents	\$ 823,911	\$ 769,633
Contributions Receivable	93,775	109,504
Appropriation of BGR Endowment Fund as Budgeted for the Subsequent Year	414,222	403,970
Total	\$ 1,331,908	\$ 1,283,107

BUREAU OF GOVERNMENTAL RESEARCH, INC.

Notes to Financial Statements

Note 13. 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 subsequent year's 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 14. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 14, 2024 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.