

Lloyd A. Fry Foundation

Audited Financial Statements

*Years ended June 30, 2022 and 2021
with Report of Independent Auditors*

Lloyd A. Fry Foundation
Audited Financial Statements
Years ended June 30, 2022 and 2021

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Report of Independent Auditors

Board of Directors
Lloyd A. Fry Foundation

Opinion

We have audited the financial statements of the Lloyd A. Fry Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Foundation for the year ended June 30, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on November 16, 2021.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for 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 the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Park Ridge, Illinois
November 16, 2022

Lloyd A. Fry Foundation
 Statements of Financial Position
 As of June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 9,569,470	\$ 15,007,886
Accrued dividends and interest receivable	222,657	145,850
Prepaid expenses	3,500	-
Excise tax receivable	100,000	85,000
Investments	178,238,980	197,912,781
Beneficial interest in trusts held by others	7,121,957	7,121,957
Furniture and equipment, net	51,309	14,575
Total assets	\$ 195,307,873	\$ 220,288,049
Liabilities and net assets		
Liabilities:		
Accrued expenses	\$ 166,303	\$ 129,247
Unconditional grants payable	4,802,500	2,840,500
Federal excise tax	500,000	800,000
Total liabilities	5,468,803	3,769,747
Net Assets:		
Without donor restrictions	182,717,113	209,396,345
With donor restrictions	7,121,957	7,121,957
Total net assets	189,839,070	216,518,302
Total liabilities and net assets	\$ 195,307,873	\$ 220,288,049

See accompanying notes to the financial statements.

Lloyd A. Fry Foundation

Statements of Activities

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Changes in net assets without donor restrictions		
Revenue:		
Interest income	\$ 622,357	\$ 473,505
Dividends, net	2,322,544	1,383,525
Distributions from trusts	610,008	542,765
Other	4,344	2,132
	<u>3,559,253</u>	<u>2,401,927</u>
Expenses:		
Grant making	12,629,563	9,546,278
Administrative	611,983	1,235,341
	<u>13,241,546</u>	<u>10,781,619</u>
Change in net assets without donor restrictions before non-operating items	(9,682,293)	(8,379,692)
Net gains (losses) on investments:		
Realized	3,433,062	12,144,696
Unrealized	(20,430,001)	37,041,293
	<u>(16,996,939)</u>	<u>49,185,989</u>
Change in net assets without donor restrictions	(26,679,232)	40,806,297
Changes in net assets without donor restrictions		
Change in beneficial interests in trusts held by others	610,008	542,765
Release from restriction, distributions from trusts	(610,008)	(542,765)
	<u>-</u>	<u>-</u>
Change in net assets with donor restrictions	-	-
Total change in net assets	(26,679,232)	40,806,297
Net assets, beginning of year	<u>216,518,302</u>	<u>175,712,005</u>
Net assets, end of year	<u>\$ 189,839,070</u>	<u>\$ 216,518,302</u>

See accompanying notes to the financial statements.

Lloyd A. Fry Foundation

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (26,679,232)	\$ 40,806,297
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	9,255	9,492
Net realized and unrealized loss (gain) on investments	16,996,939	(49,185,989)
Changes in operating assets and liabilities:		
Accrued dividends and interest receivable	(76,807)	26,285
Prepaid expenses	(3,500)	-
Excise tax receivable	(15,000)	200,000
Accrued expenses	37,056	20,939
Unconditional grants payable	1,962,000	(444,500)
Federal excise tax	<u>(300,000)</u>	<u>406,000</u>
Net cash (used in) operating activities	(8,069,289)	(8,161,476)
Cash flows from investing activities		
Additions of furniture and equipment	(45,989)	(3,250)
Proceeds from sales of investments	75,313,618	78,008,204
Purchases of investments	<u>(72,636,756)</u>	<u>(66,566,401)</u>
Net cash provided by investing activities	<u>2,630,873</u>	<u>11,438,553</u>
Net change in cash and cash equivalents	(5,438,416)	3,277,077
Cash and cash equivalents, beginning of year	<u>15,007,886</u>	<u>11,730,809</u>
Cash and cash equivalents, end of year	<u>\$ 9,569,470</u>	<u>\$ 15,007,886</u>
Supplemental disclosure of cash flow information		
Cash paid for taxes	<u>\$ 112,000</u>	<u>\$ 16,700</u>

See accompanying notes to the financial statements.

Lloyd A. Fry Foundation

Notes to the Financial Statements

Years ended June 30, 2022 and 2021

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Activities

The Lloyd A. Fry Foundation (the "Foundation") is a nonprofit private charitable foundation which distributes grants principally to charitable organizations.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC or the guidance).

Cash and Cash Equivalents

For financial statement purposes, the Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash or cash equivalents. The Federal Deposit Insurance Corporation (FDIC) insures amounts on deposit with each financial institution up to limits as prescribed by law. The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes that the Foundation is not exposed to any significant financial risk on cash.

Investments

The Foundation carries investments with readily determinable fair values at fair value. These investments include common stock, mutual funds, and fixed income funds. Interest is recorded as earned and dividends are recorded on the ex-dividend date. Interest and dividends are reported in the statement of activities. Dividends are reported less external investment fees. Gains and losses (both unrealized and realized) on investments are reported in the statement of activities. Investments in ownership interests in private equity investments are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient and have not been classified in the fair value hierarchy.

Furniture and Equipment

Furniture and equipment is carried at historical cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method.

Lloyd A. Fry Foundation

Notes to the Financial Statements (Continued)

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Beneficial Interest in Trusts

The Foundation has been named beneficiary of two charitable remainder trusts (the Trusts). The Trusts were created independently and are administered by outside agents designated by the donor. Therefore, the Foundation does not have possession or control over the assets of the Trusts. The Foundation records such assets only when the Foundation's interest is deemed irrevocable and where there is sufficient information to quantify a fair and accurate valuation. When the Foundation has enough information to record the beneficial interest, a contribution with donor restrictions is recorded in the statement of activities, and a beneficial interest in assets is recorded on the statements of financial position at fair value measured at the present value of expected future cash flows to be received over the terms of the Trust.

Under the terms of the Trusts, the Foundation has the right to receive a portion of the excess income earned on the Trust assets at the discretion of the trustee for the life (term) of the Trusts as well as any residual values upon the termination of the Trusts. Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions.

The beneficial interest in assets held by others for which the Foundation does not serve as trustee, amounted to \$7,121,957 as of June 30, 2022 and 2021, and is recorded in net assets with donor restrictions in the accompanying statements of financial position. Trust assets included fixed income funds.

The Trusts made distributions to the Foundation of \$610,000 and \$543,000 during the years ended June 30, 2022 and 2021, respectively.

Unconditional Grants Payable

Grants are recorded as unconditional grants payable upon approval by the Board. Conditional grants that are subject to satisfaction of prior conditions by the intended recipients are not reflected in the financial statements. There were no conditional grants at June 30, 2022 and 2021.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Foundation's ongoing program services. Nonoperating activities are limited to the change in fair value from investments.

Lloyd A. Fry Foundation

Notes to the Financial Statements (Continued)

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of June 30, 2022 and 2021, the Foundation had \$7,121,957 net assets with donor restrictions resulting from the beneficial interests in trusts held by others. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions affecting the amounts reported in the financial statements and accompanying notes. Actual results could differ from estimates.

Risks and Uncertainties

The Foundation invests in a variety of investments. Such investments are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in risk in the near-term could materially affect investment balances and the amounts reported in the financial statements.

The ongoing COVID-19 coronavirus pandemic (COVID-19) continues to have a global impact creating uncertainty, volatility, and disruption across economies and financial markets. The Foundation's operational and financial performance will depend on certain developments, including the duration and spread of COVID-19 and its impact on the Foundation and its employees and vendors. As such, COVID-19 could have a material adverse effect on the Foundation's financial positions in the future including the fair value of the Foundation's investments. The ultimate duration and impact of the COVID-19 outbreak on the Foundation's financial position cannot be reasonably estimated at this time.

Lloyd A. Fry Foundation

Notes to the Financial Statements (Continued)

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Income Tax Status

The Foundation follows guidance issued by the FASB with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. Where tax positions do not meet the "more likely than not" test, no tax benefit is recorded. See Note 4 for additional details on uncertain tax positions recorded in the statement of financial position as of June 30, 2022 and 2021.

The Foundation is exempt from the payment of income taxes on their exempt activities under section 501(c)(3) of the Internal Revenue Code as a Private Foundation as described in 509(a). All domestic private foundations must calculate their distributable amount annually. The Foundation's distributable amount is the amount of qualifying distributions based upon certain criteria that needs to be granted by the end of the succeeding year to avoid an excise tax for failure to distribute income. Management has concluded that the Foundation has properly maintained their exempt status as of June 30, 2022.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in Note 7. Expenses that can be identified with specific program or supporting activity function are allocated directly according to their natural expenditure classification. Certain categories of expenses are attributed to more than one program or supporting function, and therefore, require allocation on a reasonable basis that is consistently applied. Compensation and benefits are allocated on the basis of estimates of time and effort.

Recent Accounting Pronouncement (not adopted)

In February 2016, the FASB issued amendments to Accounting Standards Update (ASU) 2016-021, *Leases* (Topic 842), which changes the accounting for leases. ASC 842, as amended, requires entities to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is the lessee's obligation to make lease payments measured on a discounted basis; and (2) a right-of-use asset, which represents the lessee's right to use or control use of a specified asset for the lease term. The amendments in the ASU are effective for nonpublic entities for periods beginning after December 15, 2021. Early adoption is permitted. The Foundation is currently in the process of evaluating the impact of the amendments in this ASU on its financial statements.

Subsequent Events

Subsequent events have been evaluated through November 16, 2022, which is the date the financial statements were available to be issued.

Reclassifications

Certain 2021 amounts have been reclassified to conform to the 2022 presentation.

Lloyd A. Fry Foundation

Notes to the Financial Statements (Continued)

Note 2 - Investments and Fair Value Measurements

Financial assets and liabilities are reported at fair value in the financial statements based on the framework established in the fair value measurement and disclosure accounting guidance. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The framework is based on input in the valuation and requires that observable inputs be used in the valuation when available. The disclosure of fair value estimates in the fair value accounting guidance includes a hierarchy based on whether significant valuation inputs are observable. In determining the level of the hierarchy, the highest priority is given to the unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect our significant assumptions. The three levels of the hierarchy are as follows:

Level 1 - Observable inputs that reflect quoted prices in active markets for identical assets or liabilities in active markets that the Foundation has the ability to access at the measurement date.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities and market-corroborated inputs.

Level 3 - Inputs to valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

Lloyd A. Fry Foundation

Notes to the Financial Statements (Continued)

Note 2 - Investments and Fair Value Measurements (Continued)

The table below presents the balances of assets measured at fair value on a recurring basis as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock:				
Large cap	\$ 34,231,564	\$ -	\$ -	\$ 34,231,564
Mid cap	6,703,314	-	-	6,703,314
Small cap	8,391,736	-	-	8,391,736
Mutual funds:				
Equity	39,644,293	-	-	39,644,293
Fixed income:				
Corporate bonds	12,492,100	4,622,828	-	17,114,928
Federal and agency bonds	22,914,294	-	-	22,914,294
Private equity investments	-	-	<u>4,576,370</u>	<u>4,576,370</u>
	124,377,301	4,622,828	4,576,370	133,576,499
Beneficial interests in trusts			7,121,957	
Certificates of deposit*				750,000
Investments measured at NAV**				
Private equity investments				36,701,789
Equity trust investment				<u>7,210,692</u>
Total investments				<u>\$ 178,238,980</u>

Lloyd A. Fry Foundation

Notes to the Financial Statements (Continued)

Note 2 - Investments and Fair Value Measurements (Continued)

The table below presents the balances of assets measured at fair value on a recurring basis as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Common stock:				
Large cap	\$ 43,383,685	\$ -	\$ -	\$ 43,383,685
Mid cap	8,870,833	-	-	8,870,833
Small cap	8,895,601	-	-	8,895,601
Mutual funds:				
Equity	47,173,280	-	-	47,173,280
Fixed income:				
Corporate bonds	7,403,697	2,217,158	-	9,620,855
International bonds	6,016,087	-	-	6,016,087
Federal and agency bonds	24,330,151	-	-	24,330,151
Private equity investments	-	-	6,534,235	6,534,235
	146,073,334	2,217,158	6,534,235	154,824,727
Beneficial interests in trusts			7,121,957	
Certificates of deposit*				750,000
Investments measured at NAV**				
Private equity investments				33,807,548
Equity trust investment				8,530,506
Total Investments				<u>\$ 197,912,781</u>

* - Certificates of deposit have been excluded from the fair value level disclosures in the above table, in accordance with GAAP.

** - Certain investments that are 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 following is a description of the valuation methodologies used for instruments measured at fair value applied on a consistent basis:

Common stock - The fair value of investments in common stock securities is based on the closing price reported on the active market on which the securities are traded.

Equity mutual funds - The fair value of investments in equity mutual funds is based on the closing price as reported by the fund. Mutual funds that are open-ended mutual funds and are registered with the Securities and Exchange Commission are required to publish their daily net asset value ("NAV") and to transact at that price. These mutual funds are deemed to be actively traded.

Lloyd A. Fry Foundation

Notes to the Financial Statements (Continued)

Note 2 - Investments and Fair Value Measurements (Continued)

Fixed income securities - Fair values of U.S. Government securities and international bonds reflect closing prices reported in the active markets in which the securities are traded. Fair values of corporate bonds are determined based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and other market-corroborated sources, such as indices, yield curves and matrix pricing.

Certificate of deposit account - Certificates of deposit with original maturities of greater than 90 days are stated at cost plus accrued interest. Certificates of deposit do not meet the definition of securities under accounting standards and thus are not subject to the fair value disclosure requirements of GAAP.

The schedule below lists the remaining number of years until the private equity investments are expected to be dissolved without extension, allowing the Foundation to withdraw its investment:

	<u>< 1 year</u>	<u>1 - 5 years</u>	<u>6 - 10 years</u>	<u>Thereafter</u>	<u>Total</u>
Private equity investments	\$ 259,278	\$ 11,479,010	\$ 18,743,793	\$ 10,796,078	\$ 41,278,159

The Foundation had unfunded commitments to make additional private equity investments at June 30, 2022 and 2021 of approximately \$16,800,000 and \$20,800,000, respectively.

Beneficial interest in assets held by others and private equity investments are measured at fair value on a recurring basis using inputs that are unobservable and significant to the fair value measurement, as such these assets are classified as level 3 in the fair value hierarchy.

Changes in Level 3 assets measured at fair value on a recurring basis at June 30, 2022:

	<u>Beneficial Interest in Assets Held by Others</u>	<u>Private Equity Investments</u>
Balance at June 30, 2021	\$ 7,121,957	\$ 6,534,235
Total gains included in changes in net assets:		
Unrealized	-	414,406
Realized	-	330,270
Purchases	-	433,027
Sales	-	(3,135,568)
Balance at June 30, 2022	<u>\$ 7,121,957</u>	<u>\$ 4,576,370</u>

Lloyd A. Fry Foundation

Notes to the Financial Statements (Continued)

Note 2 - Investments and Fair Value Measurements (Continued)

Changes in Level 3 assets measured at fair value on a recurring basis at June 30, 2021:

	Beneficial Interest in Assets Held by Others	Private Equity Investments
Balance at June 30, 2020	\$ 7,121,957	\$ 6,760,758
Total gains included in changes in net assets:		
Unrealized	-	930,415
Realized	-	(21,132)
Purchases	-	297,712
Sales	-	(1,433,518)
Balance at June 30, 2021	<u>\$ 7,121,957</u>	<u>\$ 6,534,235</u>

The following table sets forth a summary of the Foundation's investments reported at NAV as of June 30, 2022 and 2021.

	2022			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Private equity	\$ 26,080,041	\$ 14,483,829	Illiquid	N/A
Real estate funds	10,621,748	3,116,273	Illiquid	N/A
Equity trust investment	<u>7,210,692</u>	<u>-</u>	Illiquid	N/A
	<u>\$ 43,912,481</u>	<u>\$ 17,600,102</u>		
	2021			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Private equity	\$ 29,634,093	\$ 11,490,072	Illiquid	N/A
Real estate funds	4,173,455	5,471,720	Illiquid	N/A
Equity trust investment	<u>8,530,054</u>	<u>-</u>	Illiquid	N/A
	<u>\$ 42,337,602</u>	<u>\$ 16,961,792</u>		

Lloyd A. Fry Foundation

Notes to the Financial Statements (Continued)

Note 2 - Investments and Fair Value Measurements (Continued)

Private equity funds have investment strategies that include investing in private markets limited partnerships or similar investment vehicles, venture capital and growth equity, buyout and special situation partnerships and other limited liability vehicles.

Real estate funds may include investments in multi-family, education-related real estate investments, senior housing, medical office, life science, and storage properties.

Equity trust investment has an investment strategy to seek income and capital appreciation by investing principally in equity and equity linked securities in non-US emerging markets companies

Note 3 - Commitments

The Foundation is required to make the following minimum annual rental payments under a non-cancelable lease for office space through March 31, 2027:

2023	\$	154,607
2024		158,168
2025		160,279
2026		163,260
2027		<u>126,118</u>
	\$	<u>762,432</u>

Rental expense for office space was approximately \$151,000 and \$111,000 for fiscal year 2022 and 2021, respectively.

Note 4 - Federal Income Taxes

The Foundation is classified as a private foundation pursuant to Section 509(a) of the Internal Revenue Code and, therefore, is subject to an excise tax on net investment income, including realized net gains on sales of securities. In addition, in fiscal years 2022 and 2021, a liability for deferred excise taxes was provided on the unrealized gain on investments and accrued investment income. Effective December 20, 2019, Bill H.R. 1865 was signed, simplifying the excise tax rate on net investment income by repealing the reduced tax provisions of §4940 when certain distribution requirements are met. This act replaces the current two-tiered system (1 % and 2% rates) with a flat rate of 1.39% for tax years starting after December 20, 2019. Therefore, the tax was provided for at a rate of 1.39% for the years ended June 30, 2022 and 2021.

Lloyd A. Fry Foundation

Notes to the Financial Statements (Continued)

Note 4 - Federal Income Taxes (Continued)

The Foundation's current excise tax receivable at June 30, 2022 and 2021, was \$100,000 and \$85,000 while the deferred excise tax liability was \$500,000 and \$800,000, respectively. The provision for current and deferred federal excise taxes for the years ended June 30, 2022 and 2021, are as follows:

	2022	2021
Current excise tax	\$ 97,000	\$ 213,267
Deferred excise (benefit) tax	(300,000)	406,000
Total	\$ (203,000)	\$ 619,267

Note 5 - Grant Distributions

Unconditional grants authorized but not distributed as of June 30, 2022 and 2021, totaled \$4,802,500 and \$2,840,500, respectively. Some grants are payable in installments, generally over a two or three year period. As of June 30, 2022, management has determined that the effect of discounting grants payable due beyond one year would be immaterial. Grant expense for the years ended June 30, 2022 and 2021 consisted of the following:

	2022	2021
Unconditional grants payable, beginning of year	\$ (2,840,500)	\$ (3,285,000)
Grants distributed	9,377,009	8,788,526
Unconditional grants payable, end of year	4,802,500	2,840,500
	\$ 11,339,009	\$ 8,344,026

Grants approved but unpaid as of June 30, 2022 and 2021 are payable as follows:

	2022	2021
2022	\$ -	\$ 2,840,500
2023	4,302,500	-
2024	250,000	-
2025	250,000	-
Total	\$ 4,802,500	\$ 2,840,500

Note 6 - Employee Benefit Plan

The Foundation sponsors a Section 403(b) salary reduction retirement plan covering all eligible permanent employees. The Foundation makes employer contributions based on a set percentage of salary up to the annual maximum. For the years ended June 30, 2022 and 2021, the Foundation contributed \$107,000 and \$98,000, respectively to the plan.

Lloyd A. Fry Foundation

Notes to the Financial Statements (Continued)

Note 7 - Expenses by Nature

The table below presents these functional expenses by their natural classification for the year ended June 30, 2022:

	<u>Grant Making</u>	<u>Administrative</u>	<u>Total</u>
Grants	\$ 11,339,009	\$ -	\$ 11,339,009
Compensation and benefits	1,290,554	86,632	1,377,186
Administrative expenses	-	728,351	728,351
Federal excise tax (benefit)	-	(203,000)	(203,000)
Total grants and expenses	<u>\$ 12,629,563</u>	<u>\$ 611,983</u>	<u>\$ 13,241,546</u>

The table below presents these functional expenses by their natural classification for the year ended June 30, 2021:

	<u>Grant Making</u>	<u>Administrative</u>	<u>Total</u>
Grants	\$ 8,344,026	\$ -	\$ 8,344,026
Compensation and benefits	1,202,252	83,373	1,285,625
Administrative expenses	-	532,701	532,701
Federal excise tax expense	-	619,267	619,267
Total grants and expenses	<u>\$ 9,546,278</u>	<u>\$ 1,235,341</u>	<u>\$ 10,781,619</u>

Note 8 - Liquidity and Availability

The Foundation's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statements of financial position, are comprised of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 9,569,470	\$ 15,007,886
Accrued dividends and interest receivable	222,657	145,850
Excise tax receivable	100,000	85,000
Investments	137,220,100	158,051,282
	<u>\$ 147,112,227</u>	<u>\$ 173,290,018</u>

As part of the Foundation's liquidity management, the Foundation invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

A portion of the Foundation's portfolio is invested in private equity funds where long-term lock-up provisions are in effect. These investments in the amount of \$41,018,881 and \$39,861,499 as of June 30, 2022 and 2021, respectively, have been excluded from the schedule above.