LLOYD A. FRY FOUNDATION

FINANCIAL STATEMENTS
June 30, 2013 and 2012

LLOYD A. FRY FOUNDATION
Chicago, Illinois

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CONTENTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Lloyd A. Fry Foundation
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Lloyd A. Fry Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lloyd A. Fry Foundation as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Crowe Horwath LLP

Crowe Horwath LLP

Chicago, Illinois
November 19, 2013

LLOYD A. FRY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash and equivalents	$ 9,717,688	$ 7,811,000
Accrued dividends and interest receivable	124,320	168,529
Prepaid expenses	-	21,397
Investments	147,488,731	142,007,456
Beneficial interest in Lloyd A. Fry Trusts held by others	7,121,957	7,121,957
Furniture and equipment, net	40,290	53,168
Total assets	$ 164,492,986	$ 157,183,507
LIABILITIES AND NET ASSETS		
Accrued expenses	$ 98,808	$ 104,334
Unconditional grants payable	1,793,000	2,439,100
Federal excise tax payable	534,345	202,371
Total liabilities	2,426,153	2,745,805
Unrestricted net assets	154,944,876	147,315,745
Temporarily restricted net assets	7,121,957	7,121,957
Total net assets	162,066,833	154,437,702
Total liabilities and net assets	$ 164,492,986	$ 157,183,507

See accompanying notes to financial statements.

LLOYD A. FRY FOUNDATION
STATEMENTS OF ACTIVITIES
Years ended June 30, 2013 and 2012

	2013	2012
Changes in unrestricted net assets		
Revenue:		
Interest income	$ 537,100	$ 599,112
Dividends	2,300,674	2,053,070
Release from restriction, distributions from Lloyd A. Fry Trusts	522,970	548,167
Other	3,482	8,037
	3,364,226	3,208,386
Expenditures:		
Grants authorized	6,722,020	7,040,625
Administrative and other expenses	1,458,991	1,471,751
Investment management fees	828,926	770,891
Federal excise tax	432,254	(122,137)
	9,442,191	9,161,130
Expenditures over revenue	(6,077,965)	(5,952,744)
Net gains (losses) on investments:		
Realized	3,339,117	868,638
Unrealized	10,367,979	(7,828,611)
	13,707,096	(6,959,973)
Increase (decrease) in unrestricted net assets	7,629,131	(12,912,717)
Changes in temporarily restricted net assets		
Change in beneficial interests in Lloyd A. Fry Trusts held by others	522,970	429,031
Release from restriction, distributions from Lloyd A. Fry Trusts	(522,970)	(548,167)
Change in temporarily restricted net assets	-	(119,136)
Total change in net assets	7,629,131	(13,031,853)
Net assets		
Beginning of year	154,437,702	167,469,555
End of year	$162,066,833	$154,437,702

See accompanying notes to financial statements.

LLOYD A. FRY FOUNDATION
STATEMENTS OF CASH FLOWS
Years ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Net increase (decrease) in net assets	$ 7,629,131	$ (13,031,853)
Depreciation	16,714	15,744
Net realized and unrealized (gains) losses on investments	(13,707,096)	6,959,973
Change in beneficial interest in Lloyd A. Fry Trusts held by others	-	119,136
Changes in:		
Accrued dividends and interest receivable	44,209	(4,729)
Prepaid expenses	21,397	(20,435)
Accrued expenses	(5,526)	2,134
Unconditional grants payable	(646,100)	527,237
Federal excise tax payable	331,974	(222,463)
Net cash used in operating activities	(6,315,297)	(5,655,256)
Cash flows from investing activities		
Additions to furniture and equipment	(3,836)	(19,914)
Investment redemptions receivable	(2,647,328)	-
Proceeds from sales of investments	49,666,693	67,342,999
Purchases of investments	(38,793,544)	(67,111,156)
Net cash provided by investing activities	8,221,985	211,929
Increase (decrease) in cash and equivalent	1,906,688	(5,443,327)
Cash and equivalent		
Beginning of year	7,811,000	13,254,327
End of year	$ 9,717,688	$ 7,811,000
Supplimental cash flow disclosure		
Cash paid for taxes	$ 117,819	$ 125,107

See accompanying notes to financial statements.

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.

Cash equivalents: The Foundation considers all investments purchased with a maturity of three months or less to be cash equivalents. The Foundation maintains its cash in bank 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 credit risk on cash.

Investments: Investments are reported at fair value. The fair value of corporate bonds and equity securities traded on national securities exchanges is the last reported sales price. Purchases and sales of securities are accounted for on the trade date. Interest is recorded as earned and dividends are recorded on the ex-dividend date. Investments in other investment partnerships are valued at fair value based on the applicable percentage ownership of the investment partnerships' net assets as of the measurement date. In determining fair value, management utilizes valuations provided by the investment partnerships. The investment partnerships value the underlying securities and other financial instruments on a fair value basis of accounting. The estimated fair values of underlying assets of certain investment partnerships, which may include private placements and other securities for which prices are not readily available, are determined by the general partner or sponsor of the respective investment partnership, and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the Foundation's investments in other investment partnerships generally represents the amount the Foundation would expect to receive if it were to liquidate its investment in the other investment partnerships excluding any redemption charges that may apply.

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 the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Fair value of financial instruments: The carrying amounts of financial instruments, including cash and cash equivalents, receivables, and payables, approximate fair value due to the short maturity of these instruments.

Furniture and equipment: Furniture and equipment are stated at cost. Depreciation is being computed over the estimated useful lives of the assets using the straight-line method.

Beneficial interest in trusts: The Estate of Lloyd A. Fry established and funded trusts which are administered by an external trustee. The trusts make annual distributions for specified amounts to certain descendants of Lloyd A. Fry during their lifetimes. 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. The Foundation does not control the assets held by the outside trusts. Although the Foundation has no control over the administration of the funds held in these term trusts, the estimated fair value of the expected future cash flows from the trusts is recognized as an asset in the accompanying financial statements.

The Trusts made distributions to the Foundation of $522,970 and $548,167 during fiscal years 2013 and 2012, respectively.

(Continued)

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unconditional grants payable: Grant expense is recognized in the period the unconditional grant is approved. 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, 2013 and 2012.

Net assets: The Foundation classifies its net assets as unrestricted, temporarily restricted, or permanently restricted. At June 30, 2013 and 2012, the Foundation does not have permanently restricted assets; accordingly, the net assets are classified as:

- *Unrestricted net assets* – Represents assets, other than beneficial interests in trusts held by others, in excess of liabilities. The trust document under which the Foundation was formed, as well as its bylaws, does not specify a restriction on the amount of grants and contributions that may be paid out of income or principal.
- *Temporarily restricted net assets* – Represents assets held by others in trust. The restrictions expire by passage of time and by the receipt of distributions from the trustee.

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 affecting the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Uncertain tax positions: Additionally, the Foundation follows guidance issued by the Financial Accounting Standards Board (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.

The Foundation is exempt from U.S. federal income tax as well as income tax of the state of Illinois 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.

The Foundation recognizes interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. The Foundation has no amounts accrued for interest or penalties as of June 30, 2013 and 2012. The Foundation is no longer subject to examination by U.S. federal taxing authorities for years before June 30, 2010, and for all state income taxes through June 30, 2010. The Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Subsequent events: The Foundation has performed an analysis of the activities and transactions subsequent to June 30, 2013, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2013. Management has performed their analysis through November 19, 2013, the date the financial statements were available to be issued.

(Continued)

NOTE 2 - INVESTMENTS

Investments consisted of the following:

	2013	2012
Common stock		
Large Cap	$ 16,118,697	$ 18,511,940
Mid Cap	10,468,710	9,120,437
Small Cap	4,240,111	4,009,840
Mutual funds		
Equity	28,515,202	36,257,327
Fixed income	13,630,578	4,254,086
Fixed Income		
Corporate Bonds	1,209,368	2,298,903
Federal and agency bonds	11,563,454	13,984,245
International bonds	6,721,025	4,169,642
Real estate investment trusts	823,439	1,028,092
Certificate of deposit	750,000	500,000
Hedge funds	30,265,208	32,319,142
Private equity investments	20,535,611	15,553,802
Investment redemption receivable	2,647,328	-
	$ 147,488,731	$ 142,007,456

NOTE 3 - FAIR VALUE DISCLOSURES

FASB defines fair value 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. In determining fair value, the Foundation uses various methods including market, income and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Foundation has the ability to access as of the measurement date.

Level 2 Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Significant unobservable inputs that reflect the Foundation’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

(Continued)

NOTE 3 - FAIR VALUE DISCLOSURES (Continued)

Fair Value on a Recurring Basis: The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2013:

	Level 1	Level 2	Level 3	Total
Common stock				
Large Cap	$ 16,118,697	$ -	$ -	$ 16,118,697
Mid Cap	10,468,710	-	-	10,468,710
Small Cap	4,240,111	-	-	4,240,111
Mutual funds				
Equity	28,515,202	-	-	28,515,202
Fixed income	6,564,051	7,066,527	-	13,630,578
Fixed income				
Corporate bonds	-	1,209,368	-	1,209,368
Federal and agency bonds	11,563,454	-	-	11,563,454
International bonds	-	6,721,025	-	6,721,025
Real estate investment trusts	823,439	-	-	823,439
Certificate of deposit	-	750,000	-	750,000
Hedge funds	-	22,116,095	8,149,113	30,265,208
Private equity investments	-	-	20,535,611	20,535,611
Investment redemption receivable	-	-	2,647,328	2,647,328
Total investments	$ 78,293,663	$ 37,863,016	$ 31,332,052	$ 147,488,731
Beneficial interests in trusts	$ -	$ -	$ 7,121,957	$ 7,121,957

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2012:

	Level 1	Level 2	Level 3	Total
Common stock				
Large Cap	$ 18,511,940	$ -	$ -	$ 18,511,940
Mid Cap	9,120,437	-	-	9,120,437
Small Cap	4,009,840	-	-	4,009,840
Mutual funds				
Equity	28,841,467	7,415,860	-	36,257,327
Fixed income	4,254,086	-	-	4,254,086
Fixed income				
Corporate bonds	-	2,298,903	-	2,298,903
Federal and agency bonds	13,984,245	-	-	13,984,245
International bonds	-	4,169,642	-	4,169,642
Real estate investment trusts	1,028,092	-	-	1,028,092
Certificate of deposit	-	500,000	-	500,000
Hedge funds	-	21,441,284	10,877,858	32,319,142
Private equity investments	-	-	15,553,802	15,553,802
Total investments	$ 79,750,107	$ 35,825,689	$ 26,431,660	$ 142,007,456
Beneficial interests in trusts	$ -	$ -	$ 7,121,957	$ 7,121,957

(Continued)

NOTE 3 - FAIR VALUE DISCLOSURES (Continued)

For the fiscal year ended June 30, 2013, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Common stock: The Foundation's common stock securities are readily marketable and have fair values which are determined by obtaining quoted market prices in active markets. (Level 1 inputs – market approach).

Fixed income and equity mutual funds: The fair value of investments in fixed income and equity mutual funds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (level 1 inputs – market approach). One equity mutual fund is held at net asset value (NAV) and is not quoted on a nationally recognized securities exchange; however, the amount is priced daily with no redemption restrictions (level 2 inputs – market approach). The fund is a risk-managed broad large cap growth fund, which invests in various large cap securities in the Russell 1000 Growth Index.

Fixed income securities: Fair values of U.S. Government securities reflect closing prices reported in the active markets in which the securities are traded. (Level 1 inputs – market approach). Fair values of corporate bonds and international 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. (Level 2 inputs – market approach).

Real Estate: The Foundation's real estate holdings consist of an investment in a publicly traded real estate investment trust. The fair value of this investment is readily marketable and is determined by obtaining quoted prices on a nationally recognized securities exchange (level 1 inputs – market approach).

Certificate of deposit account: Fair values are estimated to approximate deposit account balances, payable on demand, as no discounts for credit quality or liquidity were determined to be applicable (level 2 inputs – market approach).

Hedge funds and private equity: For hedge funds and limited partnerships, for which there is no active market, the Foundation records these investments at the net asset value (NAV), but incorporates information such as historical and current performance of the underlying assets, cash flow projections, liquidity and credit premiums required by a market participant, and financial trend analysis with respect to the individual fund manager. Together, these factors are utilized in determining individual security valuations. Due to current market conditions as well as the limited trading activity of these securities, the market value of the securities is highly sensitive to assumption changes and market value volatility (Level 3 inputs – income approach). In some cases, the Foundation is able to redeem these funds within 90 days of June 30^{th} at the NAV (Level 2 inputs – market approach). Foundation management has done considerable independent review of valuations reported by investment managers and determined that NAV is a reasonable and prudent estimate of fair value. Alternative investments are not readily marketable and their estimated value is subject to uncertainty. Therefore, there may be a material difference between their estimated value and the value that would have been used had a readily determinable fair value for such investments existed.

(Continued)

NOTE 3 - FAIR VALUE DISCLOSURES (Continued)

Beneficial interest in assets held by others: The fair value of beneficial interests in trust assets was determined based upon the present value of future cash flows from the trusts. The trusts cannot be redeemed by management until the termination of the trusts. (Level 3 inputs – income approach).

Description of Alternative Investments and Liquidity:

The hedge fund-of-funds alternative investments are comprised of three portfolios. All three portfolios are offshore hedge fund-of-funds investments which invests its capital into limited partnerships. The lock-up periods have expired from all three of the hedge fund-of-funds investments.

- Evanston Weatherlow provides quarterly liquidity with 65-day notice.
- Common Sense Investors (CSI) and Common Sense Special Opportunities (CSSO) provide annual liquidity with 100-day notice. CSI also offers quarterly liquidity with the ability to withdraw 25% with 100-day notice.

All three hedge fund-of-funds managers invest in 25 to 40 underlying hedge fund managers. CSI is a net long equity long/short hedge fund-of-funds which only invests in equity long/short funds. This fund tends to invest in domestic managers with a focus in managers with smaller assets bases. CSSO is a net long hedge fund-of-funds comprised of underlying hedge fund managers' best ideas. Evanston Weatherlow is a multi-strategy hedge fund-of-funds manager who invests in equity long/short, credit, and global macro strategies. The objective for this hedge fund-of-funds is equity like returns with half the risk of the S&P 500 Index over a full market cycle. Historically, the hedge fund-of-funds investments will not capture all of the equity market rally, but will preserve capital better during a down period in the equity markets.

The private equity alternative investments are comprised of three private equity fund-of-funds investment portfolios that are offshore limited partnerships. Two of the private equity managers (Adams Street and Abbott Capital) are primarily private equity investments while Coller Capital is a secondary private equity investment. The liquidity of the private equity fund-of-funds is estimated at 10 to 12 years with 3 one-year extensions with the expectation that the secondary private equity investment will be quicker to distribute. Distributions will be paid out throughout the life of the investment. All managers tend to invest globally with a basis toward buyouts, venture capital, secondaries, and mezzanine. The three private equity fund-of-funds managers invest in underlying limited partners and direct companies with each fund investing in well over 500 to 1500 individual companies. The typical areas of investments for the private equity managers are within the following sectors: technology, health care, services, consumer-related, energy, telecom, financial, etc. The exit strategy for the private equity managers underlying companies are typically the IPO market, a strategic buyer, or another private equity firm.

The real estate investment is comprised of two investment managers, Harrison Street and TA Associates. Harrison Street is an opportunistic/value-added real estate manager focused on medical offices, college housing, senior housing, and storage. TA Associates is a value-added real estate manager focused on residential, industrial and office. The liquidity on these investments is estimated to be 5 to 7 years. Distributions will be paid out throughout the life of the investments. These investments will be diversified geographically throughout the entire US. There will be between 90 and 110 investment properties in each fund. The exit strategy for the real estate investments will either be public REITs, strategic buyers, pension funds and/or insurance companies.

(Continued)

NOTE 3 - FAIR VALUE DISCLOSURES (Continued)

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

	< 1 year	1 - 5 years	5 - 10 years	Thereafter	Total
Limited partnerships:					
Private equity	$ -	3,740,960	16,794,651	-	20,535,611

The Foundation had unfunded commitments to make additional private equity investments of approximately $24,518,523 at June 30, 2013.

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	Beneficial Interest in Trusts	Hedge Funds	Private Equity Investments	Total
Balance, June 30, 2011	$ 7,241,093	$ 17,623,878	$ 11,122,771	$ 35,987,742
Net realized gain on investments	-	-	899,376	899,376
Net change in unrealized gain on investments	-	239,699	170,650	410,349
Purchases, sales, issuances and settlements, net :				
Investment Income	-	-	9,914	9,914
Purchases	-	-	4,910,509	4,910,509
Sales	-	(6,985,719)	-	(6,985,719)
Distributions	(548,167)	-	(1,184,163)	(1,732,330)
Fees	-	-	(375,255)	(375,255)
Change in beneficial interests	429,031	-	-	429,031
Balance, June 30, 2012	7,121,957	10,877,858	15,553,802	33,553,617
Net realized gain on investments	-	-	1,485,136	1,485,136
Net change in unrealized gain on investments	-	322,178	850,814	1,172,992
Purchases, sales, issuances and settlements, net :				
Investment Income	-	-	243,472	243,472
Purchases	-	-	5,539,328	5,539,328
Sales	-	(3,050,923)	-	(3,050,923)
Distributions	(522,970)	-	(2,505,135)	(3,028,105)
Fees	-	-	(631,806)	(631,806)
Change in beneficial interests	522,970	-	-	522,970
Balance, June 30, 2013	$ 7,121,957	$ 8,149,113	$ 20,535,611	$ 35,806,681

(Continued)

NOTE 3 - FAIR VALUE DISCLOSURES (Continued)

Management recognizes all changes in fair value classification at year end. All unrealized gains (losses) shown in the table above relate to investments still held by the Foundation at June 30, 2013 and 2012.

NOTE 4 - OTHER COMMITMENTS

The Foundation is required to make the following minimum annual rental payments under a non-cancelable lease for office space through 2020:

2014	$ 122,558
2015	126,119
2016	129,680
2017	133,241
2018	136,802
Thereafter	247,786
	$ 896,185

Rental expense (primarily for office space) was approximately $88,700 and $86,400 for fiscal year 2013 and 2012, respectively.

NOTE 5 - FEDERAL EXCISE 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 currently payable on net investment income, including realized net gains on sales of securities. In addition, in fiscal year 2013, a liability for deferred excise taxes was provided on the unrealized gain on investments and accrued investment income. The tax was provided for at a 2 percent rate. Private foundations are also required to make minimum annual distributions of grants in accordance with a specified formula. The Foundation met the distribution requirement for fiscal years 2013 and 2012.

NOTE 6 - GRANT DISTRIBUTIONS

Grants paid during the years ended June 30, 2013 and 2012, were $7,389,379 and $6,513,388, respectively. Returned grants totaled $21,259. Unconditional grants authorized but not distributed as of June 30, 2013 and 2012 totaled $1,793,000 and $2,439,100, respectively. Grant expense for the fiscal years 2013 and 2012 consisted of the following:

	2013	2012
Unconditional grants payable at beginning of year	$ (2,439,100)	$ (1,911,863)
Grants distributed	7,368,120	6,513,388
Unconditional grants payable at year-end	1,793,000	2,439,100
	$ 6,722,020	$ 7,040,625

(Continued)

NOTE 7 - EMPLOYEE BENEFIT PLAN

The Foundation maintains a Section 403(b) salary reduction retirement plan. The plan covers all employees. The plan agreement provides for employer contributions based on a set percentage of salary up to the annual maximum. The Foundation's contributions for 2013 and 2012 were $88,224 and $87,792, respectively.