LLOYD A. FRY FOUNDATION

FINANCIAL STATEMENTS

June 30, 2014 and 2013

LLOYD A. FRY FOUNDATION
Chicago, Illinois

FINANCIAL STATEMENTS
June 30, 2014 and 2013

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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 statements of financial position as of June 30, 2014 and 2013, 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, 2014 and 2013, 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 21, 2014

LLOYD A. FRY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

	2014	2013
ASSETS		
Cash and equivalents	$ 7,154,983	$ 9,717,688
Accrued dividends and interest receivable	115,400	124,320
Prepaid expenses	8,034	-
Investments	168,384,279	147,488,731
Beneficial interest in Lloyd A. Fry Trusts held by others	7,121,957	7,121,957
Furniture and equipment, net	35,161	40,290
Total assets	$ 182,819,814	$ 164,492,986
LIABILITIES AND NET ASSETS		
Accrued expenses	$ 198,121	$ 98,808
Unconditional grants payable	2,105,000	1,793,000
Federal excise tax payable	611,549	534,345
Total liabilities	2,914,670	2,426,153
Unrestricted net assets	172,783,187	154,944,876
Temporarily restricted net assets	7,121,957	7,121,957
Total net assets	179,905,144	162,066,833
Total liabilities and net assets	$ 182,819,814	$ 164,492,986

See accompanying notes to financial statements.

LLOYD A. FRY FOUNDATION
STATEMENTS OF ACTIVITIES
Years ended June 30, 2014 and 2013

	2014	2013
Changes in unrestricted net assets		
Revenue:		
Interest income	$ 344,201	$ 537,100
Dividends	2,072,147	2,300,674
Release from restriction, distributions from Lloyd A. Fry Trusts	524,468	522,970
Other	10,949	3,482
	2,951,765	3,364,226
Expenses:		
Grants authorized	7,098,997	6,722,020
Administrative and other expenses	1,559,646	1,458,991
Investment management fees	913,147	828,926
Federal excise tax	361,690	432,254
	9,933,480	9,442,191
Expenses over revenue	(6,981,715)	(6,077,965)
Net gain on investments:		
Realized	9,641,218	3,339,117
Unrealized	15,178,808	10,367,979
	24,820,026	13,707,096
Increase in unrestricted net assets	17,838,311	7,629,131
Changes in temporarily restricted net assets		
Change in beneficial interests in Lloyd A. Fry Trusts held by others	524,468	522,970
Release from restriction, distributions from Lloyd A. Fry Trusts	(524,468)	(522,970)
Change in temporarily restricted net assets	-	-
Total change in net assets	17,838,311	7,629,131
Net assets		
Beginning of year	162,066,833	154,437,702
End of year	$179,905,144	$162,066,833

See accompanying notes to financial statements.

LLOYD A. FRY FOUNDATION
STATEMENTS OF CASH FLOWS
Years ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Net increase in net assets	$ 17,838,311	$ 7,629,131
Depreciation	16,754	16,714
Net realized and unrealized gains on investments	(24,820,026)	(13,707,096)
Changes in:		
Accrued dividends and interest receivable	8,920	44,209
Prepaid expenses	(8,034)	21,397
Accrued expenses	99,313	(5,526)
Unconditional grants payable	312,000	(646,100)
Federal excise tax payable	77,204	331,974
Net cash used in operating activities	(6,475,558)	(6,315,297)
Cash flows from investing activities		
Additions to furniture and equipment	(11,625)	(3,836)
Investment redemptions receivable	-	(2,647,328)
Proceeds from sales of investments	92,891,094	49,666,693
Purchases of investments	(88,966,616)	(38,793,544)
Net cash provided by investing activities	3,912,853	8,221,985
Increase (decrease) in cash and equivalent	(2,562,705)	1,906,688
Cash and equivalent		
Beginning of year	9,717,688	7,811,000
End of year	$ 7,154,983	$ 9,717,688
Supplemental cash flow disclosure		
Cash paid for taxes	$ 284,486	$ 117,819

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 $524,468 and $522,970 during fiscal years 2014 and 2013, respectively.

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, 2014 and 2013.

Net assets: The Foundation classifies its net assets as unrestricted, temporarily restricted, or permanently restricted. At June 30, 2014 and 2013, 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, 2014 and 2013. The Foundation is no longer subject to examination by U.S. federal taxing authorities for years before June 30, 2011, and for all state income taxes through June 30, 2011. 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, 2014, to determine the need for any adjustments to and/or disclosures within the financial statements for the year ended June 30, 2014. Management has performed their analysis through November 21, 2014, the date the financial statements were available to be issued.

NOTE 2 - INVESTMENTS

Investments consisted of the following:

	2014	2013
Common stock		
Large Cap	$ 17,988,292	$ 16,118,697
Mid Cap	12,217,711	10,468,710
Small Cap	5,059,919	4,240,111
Mutual funds		
Equity	30,759,855	28,515,202
Fixed income	13,599,727	13,630,578
Fixed Income		
Corporate Bonds	1,342,297	1,209,368
Federal and agency bonds	11,097,298	11,563,454
International bonds	6,723,371	6,721,025
Commingled Fund		
Equity	4,697,960	-
Real estate investment trusts	1,153,165	823,439
Certificate of deposit	750,000	750,000
Hedge funds	33,126,275	32,912,536
Private equity investments	29,868,409	20,535,611
	$ 168,384,279	$ 147,488,731

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.

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, 2014:

	Level 1	Level 2	Level 3	Total
Common stock				
Large Cap	$ 17,988,292	$ -	$ -	$ 17,988,292
Mid Cap	12,217,711	-	-	12,217,711
Small Cap	5,059,919	-	-	5,059,919
Mutual funds	-			
Equity	30,759,855	-	-	30,759,855
Fixed income	4,995,183	8,604,544	-	13,599,727
Fixed income	-			
Corporate bonds	-	1,342,297	-	1,342,297
Federal and agency bonds	11,097,298	-	-	11,097,298
International bonds	-	6,723,371	-	6,723,371
Commingled Fund				
Equity	4,697,960	-	-	4,697,960
Real estate investment trusts	1,153,165	-	-	1,153,165
Certificate of deposit	-	750,000	-	750,000
Hedge funds	-	19,439,767	13,686,508	33,126,275
Private equity investments	-	-	29,868,409	29,868,409
Total investments	$ 87,969,383	$ 36,859,979	$ 43,554,917	$ 168,384,279
Beneficial interests in trusts	$ -	$ -	$ 7,121,957	$ 7,121,957

NOTE 3 - FAIR VALUE DISCLOSURES (Continued)

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

For the fiscal year ended June 30, 2014, 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).

NOTE 3 - FAIR VALUE DISCLOSURES (Continued)

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).

Commingled funds: The Foundation has one commingled fund which has an investment objective or achieving capital appreciation through investing in a diversified portfolio consisting primarily of equity securities. Equity securities consist of common stocks and securities convertible into common stocks, such as warrants, rights, convertible bonds, debentures or convertible preferred stock. Under normal market conditions the Fund will invest at least 75% of its assets in equity securities issued by companies that are in developing or emerging markets. The fair values of these securities are readily marketable and determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 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 30th 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.

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).

<u>Description of Alternative Investments and Liquidity</u>:

The hedge fund-of-funds alternative investments are comprised of two portfolios. Both portfolios are offshore hedge fund-of-funds investments which invests its capital into limited partnerships. The lock-up periods have expired from Evanston Weatherlow, but still apply for Maverick.

- Evanston Weatherlow provides quarterly liquidity with 65-day notice.
- Maverick provides quarterly liquidity with 95-day notice with a two-year rolling commitment period. The investor may redeem once every two years without penalty or may redeem at any quarter-end with cost.
- Common Sense Special Opportunities was completely liquidated in May of 2014, and Common Sense Long-Biased is in the process of being liquidated.

NOTE 3 - FAIR VALUE DISCLOSURES (Continued)

Both hedge fund-of-funds managers invest in 25 to 35 underlying hedge fund managers. Evanston Weatherlow is a multi-strategy hedge fund-of-funds manager who invests in equity long/short, credit, and global macro strategies. Maverick is a multi-strategy hedge fund-of-funds manager who invests in equity long/short, credit, and multi-strategy strategies. The objective for these 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 the entire 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 investments are comprised of two investment managers, Harrison Street (Fund III and Fund IV) and TA Associates (Fund X). 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.

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	$ -	$ 3,694,966	$ 26,173,443	$ -	$ 29,868,409

The Foundation had unfunded commitments to make additional private equity investments of approximately $16,070,000 at June 30, 2014.

NOTE 3 - FAIR VALUE DISCLOSURES (Continued)

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

	Hedge Funds	Private Equity Investments	Beneficial Interest in Trusts	Total
Balance, June 30, 2012	$ 10,877,858	$ 15,553,802	$ 7,121,957	$ 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	-	(2,505,135)	(522,970)	(3,028,105)
Fees	-	(631,806)	-	(631,806)
Investment redemption receivable	2,647,328	-	-	2,647,328
Change in beneficial interests	-	-	522,970	522,970
Balance, June 30, 2013	10,796,441	20,535,611	7,121,957	38,454,009
Net realized gain on investments	(1,647,226)	2,339,409	-	692,183
Net change in unrealized gain on investments	586,350	2,990,311	-	3,576,661
Purchases, sales, issuances and settlements, net :				
Investment Income	-	306,786	-	306,786
Purchases	6,000,000	8,430,886	-	14,430,886
Sales	(6,401,729)	(791,674)	-	(7,193,403)
Distributions	-	(3,397,192)	(524,468)	(3,921,660)
Fees	-	(545,728)	-	(545,728)
Investment redemption receipts	(2,647,328)	-	-	(2,647,328)
Purchase pending investment	7,000,000	-	-	7,000,000
Change in beneficial interests	-	-	524,468	524,468
Balance, June 30, 2014	$ 13,686,508	$ 29,868,409	$ 7,121,957	$ 50,676,874

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, 2014 and 2013.

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:

2015	$	126,119
2016		129,680
2017		133,241
2018		136,802
2019		140,363
	$	666,205

Rental expense (primarily for office space) was approximately $122,500 and $88,700 for fiscal year 2014 and 2013, 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 2014 and 2013.

NOTE 6 - GRANT DISTRIBUTIONS

Unconditional grants authorized but not distributed as of June 30, 2014 and 2013 totaled $2,105,000 and $1,793,000, respectively. Grant expense for the fiscal years 2014 and 2013 consisted of the following:

	2014	2013
Unconditional grants payable at beginning of year	$ (1,793,000)	$ (2,439,100)
Grants distributed	6,866,997	7,368,120
Grants returned	(80,000)	-
Unconditional grants payable at year-end	2,105,000	1,793,000
	$ 7,098,997	$ 6,722,020

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 2014 and 2013, were $55,685 and $88,224, respectively.