

**LLOYD A. FRY FOUNDATION**

**FINANCIAL STATEMENTS**

June 30, 2019 and 2018

LLOYD A. FRY FOUNDATION  
Chicago, Illinois

FINANCIAL STATEMENTS  
June 30, 2019 and 2018

CONTENTS

INDEPENDENT AUDITOR'S REPORT .....	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION .....	3
STATEMENTS OF ACTIVITIES.....	4
STATEMENTS OF CASH FLOWS.....	5
NOTES TO FINANCIAL STATEMENTS .....	6

## 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, 2019 and 2018, 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 entity'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.

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(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, 2019 and 2018, 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.

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, the Foundation has adopted Accounting Standards Update 2016-14 - *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities* for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

*Crowe LLP*

Crowe LLP

Chicago, Illinois  
November 13, 2019

LLOYD A. FRY FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and equivalents	\$ 17,235,723	\$ 13,993,710
Accrued dividends and interest receivable	223,293	167,780
Prepaid expenses	3,501	8,603
Excise tax receivable	419,155	110,694
Investments	162,568,982	167,698,830
Beneficial interest in trusts held by others	7,121,957	7,121,957
Furniture and equipment, net	<u>26,196</u>	<u>26,703</u>
Total assets	<u>\$ 187,598,807</u>	<u>\$ 189,128,277</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accrued expenses	\$ 101,867	\$ 89,213
Unconditional grants payable	3,381,000	2,330,000
Federal excise tax	<u>497,781</u>	<u>521,624</u>
Total liabilities	3,980,648	2,940,837
Net assets without donor restrictions	176,496,202	179,065,483
Net assets with donor restrictions	<u>7,121,957</u>	<u>7,121,957</u>
Total net assets	<u>183,618,159</u>	<u>186,187,440</u>
Total liabilities and net assets	<u>\$ 187,598,807</u>	<u>\$ 189,128,277</u>

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See accompanying notes to financial statements.

LLOYD A. FRY FOUNDATION  
STATEMENTS OF ACTIVITIES  
Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Changes in net assets without donor restrictions		
Revenue:		
Interest income	\$ 672,531	\$ 406,740
Dividends, net of investment management fees	2,019,028	1,538,670
Release from restriction, distributions from trusts	485,908	4,694,579
Other	<u>9,929</u>	<u>5,550</u>
	<u>3,187,396</u>	<u>6,645,539</u>
Expenditures:		
Grants authorized	9,152,787	7,967,426
Administrative and other expenses	1,754,248	1,634,753
Federal excise tax expense	<u>178,196</u>	<u>279,337</u>
	<u>11,085,231</u>	<u>9,881,516</u>
Expenditures in excess of revenue	<u>(7,897,835)</u>	<u>(3,235,977)</u>
Net gains (losses) on investments:		
Realized	6,576,269	13,241,022
Unrealized	<u>(1,247,715)</u>	<u>(1,512,922)</u>
	<u>5,328,554</u>	<u>11,728,100</u>
(Decrease) increase in net assets without donor restrictions	(2,569,281)	8,492,123
Changes in net assets with donor restrictions		
Change in beneficial interests in trusts held by others	485,908	4,694,579
Release from restriction, distributions from trusts	<u>(485,908)</u>	<u>(4,694,579)</u>
Change in net assets with donor restrictions	<u>-</u>	<u>-</u>
Total change in net assets	(2,569,281)	8,492,123
Net assets		
Beginning of year	<u>186,187,440</u>	<u>177,695,317</u>
End of year	<u>\$ 183,618,159</u>	<u>\$ 186,187,440</u>

See accompanying notes to financial statements.

LLOYD A. FRY FOUNDATION  
STATEMENTS OF CASH FLOWS  
Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>		
Net change in net assets	\$ (2,569,281)	\$ 8,492,123
Adjustments to reconcile change in net assets to net cash flow used in operating activities:		
Depreciation	11,982	13,373
Gain on distributions from trusts	-	(4,195,325)
Net realized and unrealized gains on investments	(5,328,554)	(11,728,100)
Changes in:		
Accrued dividends and interest receivable	(55,513)	(71,637)
Prepaid expenses	5,102	11,575
Excise tax receivable	(308,461)	615,169
Accrued expenses	12,654	17,253
Unconditional grants payable	1,051,000	40,000
Federal excise tax	<u>(23,843)</u>	<u>(41,031)</u>
Net cash used in operating activities	(7,204,914)	(6,846,600)
<b>Cash flows from investing activities</b>		
Additions of furniture and equipment	(11,475)	-
Proceeds from sales of investments	59,926,377	67,628,854
Purchases of investments	<u>(49,467,975)</u>	<u>(56,334,093)</u>
Net cash provided by investing activities	<u>10,446,927</u>	<u>11,294,761</u>
Net change in cash and cash equivalents	3,242,013	4,448,161
Cash and equivalents		
Beginning of year	<u>13,993,710</u>	<u>9,545,549</u>
<b>End of year</b>	<u>\$ 17,235,723</u>	<u>\$ 13,993,710</u>
Supplemental cash flow disclosure		
Cash paid for taxes	<u>\$ 410,500</u>	<u>\$ 4,000</u>
Non-cash investing activities:		
Investments received through distributions from trusts	-	4,195,325

See accompanying notes to financial statements.

LLOYD A. FRY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

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**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 an original 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 or net asset value (NAV) as of the measurement date as 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 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.

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 \$485,908 and \$4,694,579 during fiscal years 2019 and 2018, respectively.

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, 2019 and 2018.

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(Continued)

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

Net Assets: The Foundation classifies its net assets as without donor restrictions or with donor restrictions.

- *Net assets without donor restrictions* – 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.
- *Net assets with donor restrictions* – 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 (“US GAAP”) 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: 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, 2019 and 2018. The Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Recent Accounting Guidance: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The main difference between previous US GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous US GAAP. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019. The Foundation has not yet implemented this ASU and is in the process of assessing the effect on the Foundation’s financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities: Topic 958*. The amendments in this Update affect not-for-profit entities (“NFP’s”) and the users of their general purpose financial statements. The amendments in this Update make certain improvements to the current net asset classification requirements and the information presented in financial statements and notes about a NFP’s liquidity, financial performance, and cash flows. The standard requires the Foundation to reclassify its net assets (i.e. unrestricted, temporarily restricted, and permanently restricted) into two categories: net assets without donor-imposed restrictions and net assets with donor-imposed restrictions, among other requirements. It requires the Foundation to provide qualitative and quantitative information that communicates how the Foundation manages liquid resources available to meet cash needs within one

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

year of the statement of net position date. It also requires the Foundation to disclose expenses by both natural and functional classification as well as methods used to allocate between program and support functions.. The amendments in the ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Foundation implemented this guidance for the year ended June 30, 2019, and retrospectively for all periods presented, except for the presentation of natural and functional expense classification, as permitted.

Reclassifications: Certain reclassifications have been made to prior year amounts to conform to the current year presentation. These reclassifications had no effect on the change in net assets or classification of net assets.

Subsequent Events: The Foundation has performed an analysis of the activities and transactions subsequent to June 30, 2019, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2019. Management has performed their analysis through November 13, 2019, the date the financial statements were available to be issued.

**NOTE 2 – INVESTMENTS AND 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.

LLOYD A. FRY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

**NOTE 2 - INVESTMENTS AND 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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>(NAV)</u>	<u>Total</u>
Common stock					
Large cap	\$ 19,968,053	\$ -	\$ -	\$ -	\$ 19,968,053
Mid cap	12,620,908	-	-	-	12,620,908
Small cap	8,792,023	-	-	-	8,792,023
Mutual funds					
Equity	40,446,677	-	-	7,329,807	47,776,484
Fixed income	-	-	-	9,945,962	9,945,962
Fixed income					
Corporate bonds	-	15,799,037	-	-	15,799,037
Federal and agency bonds	16,633,008	-	-	-	16,633,008
International bonds	69,871	-	-	-	69,871
Certificate of deposit	-	750,000	-	-	750,000
Private equity investments	-	-	-	30,213,636	30,213,636
	<u>\$ 98,530,540</u>	<u>\$ 16,549,037</u>	<u>\$ -</u>	<u>\$ 47,489,405</u>	<u>\$ 162,568,982</u>
Total investments					
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,121,957</u>	<u>\$ -</u>	<u>\$ 7,121,957</u>
Beneficial interests in trusts					

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>(NAV)</u>	<u>Total</u>
Common stock					
Large cap	\$ 22,031,624	\$ -	\$ -	\$ -	\$ 22,031,624
Mid cap	13,997,098	-	-	-	13,997,098
Small cap	7,397,724	-	-	-	7,397,724
Mutual funds					
Equity	37,606,978	-	-	5,679,436	43,286,414
Fixed income	6,298,872	-	-	9,695,986	15,994,858
Fixed income					
Corporate bonds	-	7,690,222	-	-	7,690,222
Federal and agency bonds	17,931,165	-	-	-	17,931,165
International bonds	54,129	-	-	-	54,129
Certificate of deposit	-	750,000	-	-	750,000
Hedge funds	-	-	-	7,309,749	7,309,749
Private equity investments	-	-	-	31,255,847	31,255,847
	<u>\$ 105,317,590</u>	<u>\$ 8,440,222</u>	<u>\$ -</u>	<u>\$ 53,941,018</u>	<u>\$ 167,698,830</u>
Total investments					
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,121,957</u>	<u>\$ -</u>	<u>\$ 7,121,957</u>
Beneficial interests in trusts					

**NOTE 2 - INVESTMENTS AND FAIR VALUE DISCLOSURES (Continued)**

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). Equity and fixed income mutual funds are held at net asset value ("NAV") and are not quoted on a nationally recognized securities exchange; however, the amount is priced daily with no redemption restrictions. 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 and international bonds reflect closing prices reported in the active markets in which the securities are traded. (Level 1 inputs – market approach). 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. (Level 2 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 – income 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"). The Foundation also reviews 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. In some cases, the Foundation is able to redeem these funds within 90 days of June 30 at the NAV. 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).

LLOYD A. FRY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

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**NOTE 2 - INVESTMENTS AND FAIR VALUE DISCLOSURES (Continued)**

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis at June 30, 2019:

	Beneficial Interest in Assets Held by <u>Others</u>
Balance at June 30, 2018	\$ 7,121,957
Total gains included in changes in net assets:	
Unrealized	-
Realized	-
Purchases	-
Sales	-
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Balance at June 30, 2019	<u>\$ 7,121,957</u>

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis at June 30, 2018:

	Beneficial Interest in Assets Held by <u>Others</u>
Balance at June 30, 2017	\$ 7,121,957
Total gains included in changes in net assets:	
Unrealized	-
Realized	-
Purchases	-
Sales	-
	<hr/>
Balance at June 30, 2018	<u>\$ 7,121,957</u>

Description of Alternative Investments and Liquidity:

The private equity alternative investments are comprised of four private equity fund-of-funds investment portfolios that are offshore limited partnerships. Two of the private equity managers (Adams Street and Abbott Capital) are primary private equity investments while Collier Capital is a secondary private equity investment and Horsley Bridge is a venture capital private equity investment. The liquidity of the private equity fund-of-funds is estimated at 10 to 12 years with 3 one-year extensions, while the secondary fund is intended to distribute capital more quickly. Distributions may be paid out throughout the life of the investment. All managers have a global strategy; while Adams Street, Abbott Capital, and Collier are multi-strategy funds covering buyout, venture capital, secondary, mezzanine, and other transaction types, Horsley Bridge is solely focused on venture capital transaction types.

The four private equity fund-of-funds managers invest in underlying limited partnerships and direct companies with each fund investing in well over 500 to 1,500 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 and financial. The exit strategy for the private equity managers underlying companies are typically the IPO market, a strategic buyer or another private equity firm.

LLOYD A. FRY FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019 and 2018

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**NOTE 2 - INVESTMENTS AND FAIR VALUE DISCLOSURES (Continued)**

The real estate investment trusts are comprised of two investment managers, Harrison Street and TA Associates. Harrison Street is an opportunistic/value-added real estate manager focused on multifamily, education, healthcare, and storage. TA Associates is a value-added real estate manager focused on multi-family, industrial and office. The liquidity on these investments is estimated to be 10 years. Distributions may be paid out throughout the life of the investments. These investments will be diversified geographically throughout the entire US. On average, there have been 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:

	<u>&lt; 1 year</u>	<u>1 - 5 years</u>	<u>6 - 10 years</u>	<u>Thereafter</u>	<u>Total</u>
Limited partnerships:					
Private equity and real estate	\$ -	\$ 17,836,084	\$ 11,206,262	\$ 1,171,290	\$ 30,213,636

The Foundation had unfunded commitments to make additional private equity investments at June 30, 2019 and 2018 of approximately \$15,933,000 and \$11,860,000, respectively.

**NOTE 3 - OTHER 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:

2020	\$ 143,924
2021	147,485
2022	151,046
2023	154,607
2024	158,168
Thereafter	<u>449,657</u>
	<u>\$ 1,204,887</u>

Rental expense for office space was approximately \$129,000 and \$123,000 for fiscal year 2019 and 2018, respectively.

LLOYD A. FRY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

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**NOTE 4 - 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 on net investment income, including realized net gains on sales of securities. In addition, in fiscal years 2019 and 2018, 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.

The Foundation's current excise tax receivable at June 30, 2019 and 2018, was \$419,155 and \$110,694 while the deferred excise tax liability was \$497,781 and \$521,624, respectively. The provision for current and deferred federal excise taxes for the years ended June 30, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Current excise tax	\$ 202,039	\$ 320,368
Deferred excise (benefit) tax	<u>(23,843)</u>	<u>(41,031)</u>
Total	<u>\$ 178,196</u>	<u>\$ 279,337</u>

**NOTE 5 - GRANT DISTRIBUTIONS**

Unconditional grants authorized but not distributed as of June 30, 2019 and 2018, totaled \$3,381,000 and \$2,330,000, respectively. Grant expense for the fiscal years 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Unconditional grants payable at beginning of year	\$ (2,330,000)	\$ (2,290,000)
Grants distributed	8,101,787	7,927,426
Unconditional grants payable at year end	<u>3,381,000</u>	<u>2,330,000</u>
	<u>\$ 9,152,787</u>	<u>\$ 7,967,426</u>

**NOTE 6 - 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 2019 and 2018, were approximately \$108,000 and \$106,000, respectively.

LLOYD A. FRY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

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**NOTE 7 - EXPENSES BY NATURE**

The statements of activities report certain categories of expenses attributable to the programs and supporting functions of the Foundation. Program Activities include grant making and the costs of other charitable programs. The table below presents these functional expenses by their natural classification for the year ended June 30, 2019:

	<u>Grant Making</u>	<u>Administrative</u>	<u>2019 Total</u>	<u>2018 Total</u>
Grants	\$ 9,152,787	\$ -	\$ 9,152,787	\$ 7,967,426
Compensation and benefits	1,119,241	74,035	1,193,276	1,119,277
Administrative expenses	-	560,972	560,972	515,476
Federal excise tax expense	<u>-</u>	<u>178,196</u>	<u>178,196</u>	<u>279,337</u>
 Total grants and expenses	 <u>\$10,272,028</u>	 <u>\$ 813,203</u>	 <u>\$11,085,231</u>	 <u>\$ 9,881,516</u>

The allocations of certain categories of expenses are attributable to more than one program or supporting function. Compensation and benefits expenses are allocated based on time worked in a department. Most expenses are directly charged to the department or function incurring the expenses.

**NOTE 8 - LIQUIDITY AND AVAILABILITY**

The Foundation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2019</u>	<u>2018</u>
Cash and equivalents	\$ 17,235,723	\$ 13,993,710
Accrued dividends and interest receivable	223,293	167,780
Excise tax receivable	419,155	110,694
Investments	<u>132,355,346</u>	<u>136,442,983</u>
	<u>\$150,233,517</u>	<u>\$150,715,167</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.

The beneficial interest in trusts held by others of approximately \$7,122,000 as of June 30, 2019 and 2018 have not been included due to availability.

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 approximately \$30,214,000 and \$31,256,000 as of June 30, 2019 and 2018, respectively, have been excluded from the schedule above.