

LLOYD A. FRY FOUNDATION

FINANCIAL STATEMENTS

June 30, 2021 and 2020

LLOYD A. FRY FOUNDATION
Chicago, Illinois

FINANCIAL STATEMENTS
June 30, 2021 and 2020

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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, 2021 and 2020, 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.

(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, 2021 and 2020, 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 LLP
Crowe LLP

Chicago, Illinois
November 16, 2021

LLOYD A. FRY FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and equivalents	\$ 15,007,886	\$ 11,730,809
Accrued dividends and interest receivable	145,850	172,135
Excise tax receivable	85,000	285,000
Investments	197,912,781	160,168,595
Beneficial interest in trusts held by others	7,121,957	7,121,957
Furniture and equipment, net	<u>14,575</u>	<u>20,817</u>
 Total assets	 <u>\$ 220,288,049</u>	 <u>\$ 179,499,313</u>
LIABILITIES AND NET ASSETS		
Accrued expenses	\$ 129,247	\$ 108,308
Unconditional grants payable	2,840,500	3,285,000
Federal excise tax	<u>800,000</u>	<u>394,000</u>
Total liabilities	3,769,747	3,787,308
 Net assets without donor restrictions	 209,396,345	 168,590,048
Net assets with donor restrictions	<u>7,121,957</u>	<u>7,121,957</u>
Total net assets	<u>216,518,302</u>	<u>175,712,005</u>
 Total liabilities and net assets	 <u>\$ 220,288,049</u>	 <u>\$ 179,499,313</u>

See accompanying notes to financial statements.

LLOYD A. FRY FOUNDATION
STATEMENTS OF ACTIVITIES
Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Changes in net assets without donor restrictions		
Revenue:		
Interest income	\$ 473,505	\$ 694,225
Dividends, net of investment management fees	1,383,525	1,874,395
Release from restriction, distributions from trusts	542,765	618,796
Other	2,132	3,659
	<u>2,401,927</u>	<u>3,191,075</u>
Expenditures:		
Grants authorized	8,344,026	8,697,384
Administrative and other expenses	1,818,326	1,726,688
Federal excise tax expense	619,267	70,374
	<u>10,781,619</u>	<u>10,494,446</u>
Expenditures in excess of revenue	<u>(8,379,692)</u>	<u>(7,303,371)</u>
Net gains (losses) on investments:		
Realized	12,144,696	5,026,895
Unrealized	37,041,293	(5,629,678)
	<u>49,185,989</u>	<u>(602,783)</u>
(Decrease) increase in net assets without donor restrictions	40,806,297	(7,906,154)
Changes in net assets with donor restrictions		
Change in beneficial interests in trusts held by others	542,765	618,796
Release from restriction, distributions from trusts	<u>(542,765)</u>	<u>(618,796)</u>
Change in net assets with donor restrictions	<u>-</u>	<u>-</u>
Total change in net assets	40,806,297	(7,906,154)
Net assets		
Beginning of year	<u>175,712,005</u>	<u>183,618,159</u>
End of year	<u>\$ 216,518,302</u>	<u>\$ 175,712,005</u>

See accompanying notes to financial statements.

LLOYD A. FRY FOUNDATION
 STATEMENTS OF CASH FLOWS
 Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Net change in net assets	\$ 40,806,297	\$ (7,906,154)
Adjustments to reconcile change in net assets to net cash flow used in operating activities:		
Depreciation	9,492	11,537
Net realized and unrealized loss (gain) on investments	(49,185,989)	602,783
Changes in:		
Accrued dividends and interest receivable	26,285	51,158
Prepaid expenses	-	3,501
Excise tax receivable	200,000	134,155
Accrued expenses	20,939	6,441
Unconditional grants payable	(444,500)	(96,000)
Federal excise tax	406,000	(103,781)
Net cash used in operating activities	<u>(8,161,476)</u>	<u>(7,296,360)</u>
 Cash flows from investing activities		
Additions of furniture and equipment	(3,250)	(6,158)
Proceeds from sales of investments	78,008,204	64,516,127
Purchases of investments	<u>(66,566,401)</u>	<u>(62,718,523)</u>
Net cash provided by investing activities	<u>11,438,553</u>	<u>1,791,446</u>
 Net change in cash and cash equivalents	3,277,077	(5,504,914)
 Cash and equivalents		
Beginning of year	<u>11,730,809</u>	<u>17,235,723</u>
 End of year	<u>\$ 15,007,886</u>	<u>\$ 11,730,809</u>
 Supplemental cash flow disclosure		
Cash paid for taxes	<u>\$ 16,700</u>	<u>\$ 40,000</u>

See accompanying notes to financial statements.

LLOYD A. FRY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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 \$543,000 and \$619,000 during fiscal years 2021 and 2020, 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, 2021 and 2020.

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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, 2021 and 2020. 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, 2021. The Foundation has not yet implemented this ASU and is in the process of assessing the effect on the Foundation's financial statements.

Coronavirus Implications: A novel strain of coronavirus has spread around the world, with resulting business and social disruption during fiscal year 2020. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

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

Subsequent Events: The Foundation has performed an analysis of the activities and transactions subsequent to June 30, 2021, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2021. Management has performed their analysis through November 16, 2021, 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. |

(Continued)

LLOYD A. FRY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>(NAV)</u>	<u>Total</u>
Common stock					
Large cap	\$ 43,383,685	\$ -	\$ -	\$ -	\$ 43,383,685
Mid cap	8,870,833	-	-	-	8,870,833
Small cap	8,895,601	-	-	-	8,895,601
Mutual funds					
Equity	47,173,280	-	-	8,530,506	55,703,786
Fixed income					
Corporate bonds	-	9,620,855	-	-	9,620,855
Federal and agency bonds	24,330,151	-	-	-	24,330,151
International bonds	6,016,087	-	-	-	6,016,087
Certificate of deposit	-	750,000	-	-	750,000
Private equity and real estate	-	-	-	40,341,783	40,341,783
	<u>\$ 138,669,637</u>	<u>\$ 10,370,855</u>	<u>\$ -</u>	<u>\$ 48,872,289</u>	<u>\$ 197,912,781</u>
Beneficial interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,121,957</u>	<u>\$ -</u>	<u>\$ 7,121,957</u>

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>(NAV)</u>	<u>Total</u>
Common stock					
Large cap	\$ 35,145,698	\$ -	\$ -	\$ -	\$ 35,145,698
Mid cap	6,978,446	-	-	-	6,978,446
Small cap	7,642,593	-	-	-	7,642,593
Mutual funds					
Equity	36,904,183	-	-	5,691,750	42,595,933
Fixed income					
Corporate bonds	-	15,530,163	-	-	15,530,163
Federal and agency bonds	16,876,324	-	-	-	16,876,324
International bonds	6,366,962	-	-	-	6,366,962
Certificate of deposit	-	750,000	-	-	750,000
Private equity and real estate	-	-	-	28,282,476	28,282,476
	<u>\$ 109,914,206</u>	<u>\$ 16,280,163</u>	<u>\$ -</u>	<u>\$ 33,974,226</u>	<u>\$ 160,168,595</u>
Beneficial interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,121,957</u>	<u>\$ -</u>	<u>\$ 7,121,957</u>

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).

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NOTE 2 - INVESTMENTS AND FAIR VALUE DISCLOSURES (Continued)

Equity mutual funds: The fair value of investments in equity mutual funds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs – market approach). Certain equity 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).

Private equity and real estate: For 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).

(Continued)

LLOYD A. FRY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 2 - INVESTMENTS AND FAIR VALUE DISCLOSURES (Continued)

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis at June 30, 2021:

	Beneficial Interest in Assets Held by <u>Others</u>
Balance at June 30, 2020	\$ 7,121,957
Total gains included in changes in net assets:	
Unrealized	-
Realized	-
Purchases	-
Sales	-
	-
Balance at June 30, 2021	<u>\$ 7,121,957</u>

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis at June 30, 2020:

	Beneficial Interest in Assets Held by <u>Others</u>
Balance at June 30, 2019	\$ 7,121,957
Total gains included in changes in net assets:	
Unrealized	-
Realized	-
Purchases	-
Sales	-
	-
Balance at June 30, 2020	<u>\$ 7,121,957</u>

Description of Alternative Investments and Liquidity:

The private equity alternative investments are comprised of five private equity fund-of-funds investment portfolios and one direct investment portfolio. GCM Advance Fund I, Horsley Bridge VC XII and Horsley Bridge VC XIII are Delaware based partnerships. Three of the private equity managers (Adams Street, Abbott Capital, and GCM Grosvenor) are primary private equity investments with GCM Grosvenor focusing on diverse owned strategies, Collier Capital is a secondary private equity investment, Horsley Bridge is a venture capital private equity investment, and KKR Global Impact is a direct buyout private equity investment focused on global impact investing. The liquidity of the private equity fund-of-funds is estimated at 10 to 14 years with 3 one-year extensions, while the secondary fund is intended to distribute capital more quickly. The liquidity of the private equity direct fund is estimated at 11 years from the date of the initial investment with the ability to extend that by two one-year extensions. Distributions may be paid out throughout the life of the investment. Adams Street, Abbott Capital, and Collier are global multi-strategy funds covering buyout, venture capital, secondary, mezzanine, and other transaction types, GCM Grosvenor is a North America focused multi-strategy fund, Horsley Bridge is solely focused on venture capital transaction types, and KKR focuses on buyout transaction types.

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LLOYD A. FRY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 2 - INVESTMENTS AND FAIR VALUE DISCLOSURES (Continued)

The five private equity fund-of-funds manager 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 one private equity direct fund manager invests in underlying direct companies with the fund investing in 15 to 25 individual companies. The typical areas of investments are within the following sectors: consumer products and services, business products and services, financial services, materials, and resources. The exit strategy for the private equity managers underlying companies are typically the IPO market, a strategic buyer or another private equity firm.

The private 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>< 1 year</u>	<u>1 - 5 years</u>	<u>6 - 10 years</u>	<u>Thereafter</u>	<u>Total</u>
Private equity and real estate	\$ 480,284	\$ 16,265,746	\$ 16,297,432	\$ 7,298,321	\$ 40,341,783

The Foundation had unfunded commitments to make additional private equity investments at June 30, 2021 and 2020 of approximately \$20,800,000 and \$15,500,000, 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:

2022	\$ 151,046
2023	154,607
2024	158,168
2025	160,279
2026	163,260
2027	<u>126,118</u>
	<u>\$ 913,478</u>

Rental expense for office space was approximately \$111,000 and \$144,000 for fiscal year 2021 and 2020, respectively.

(Continued)

LLOYD A. FRY FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021 and 2020

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 2021 and 2020, a liability for deferred excise taxes was provided on the unrealized gain on investments and accrued investment income. Effective December 20, 2019, Bill H.R. 1865 was signed, simplifying the excise tax rate on net investment income by repealing the reduced tax provisions of §4940 when certain distribution requirements are met. This act replaces the current two-tiered system (1% and 2% rates) with a flat rate of 1.39% for tax years starting after December 20, 2019. Therefore, the tax was provided for at a 1.39% rate for the year ended June 30, 2021 and 2% for the year ended June 30, 2020.

The Foundation's current excise tax receivable at June 30, 2021 and 2020, was \$85,000 and \$285,000 while the deferred excise tax liability was \$800,000 and \$394,000, respectively. The provision for current and deferred federal excise taxes for the years ended June 30, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Current excise tax	\$ 213,267	\$ 174,155
Deferred excise (benefit) tax	<u>406,000</u>	<u>(103,781)</u>
 Total	 <u>\$ 619,267</u>	 <u>\$ 70,374</u>

NOTE 5 - GRANT DISTRIBUTIONS

Unconditional grants authorized but not distributed as of June 30, 2021 and 2020, totaled \$2,840,500 and \$3,285,000, respectively. Grant expense for the fiscal years 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Unconditional grants payable at beginning of year	\$ (3,285,000)	\$ (3,381,000)
Grants distributed	8,788,526	8,793,384
Unconditional grants payable at year end	<u>2,840,500</u>	<u>3,285,000</u>
	 <u>\$ 8,344,026</u>	 <u>\$ 8,697,384</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 2021 and 2020, were approximately \$98,000 and \$107,000, respectively.

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LLOYD A. FRY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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, 2021:

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

The table below presents these functional expenses by their natural classification for the year ended June 30, 2020:

	<u>Grant Making</u>	<u>Administrative</u>	<u>Total</u>
Grants	\$ 8,697,384	\$ -	\$ 8,697,384
Compensation and benefits	1,069,379	84,270	1,153,649
Administrative expenses	-	573,039	573,039
Federal excise tax expense	<u>-</u>	<u>70,374</u>	<u>70,374</u>
Total grants and expenses	<u>\$ 9,766,763</u>	<u>\$ 727,683</u>	<u>\$10,494,446</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>2021</u>	<u>2020</u>
Cash and equivalents	\$ 15,007,886	\$ 11,730,809
Accrued dividends and interest receivable	145,850	172,135
Excise tax receivable	85,000	285,000
Investments	<u>158,051,282</u>	<u>132,470,447</u>
	<u>\$173,290,018</u>	<u>\$144,658,391</u>

(Continued)

LLOYD A. FRY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 8 - LIQUIDITY AND AVAILABILITY (Continued)

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, 2021 and 2020 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 \$39,861,000 and \$27,698,000 as of June 30, 2021 and 2020, respectively, have been excluded from the schedule above.