

# Lloyd A. Fry Foundation

## Audited Financial Statements

*Years ended June 30, 2023 and 2022  
with Report of Independent Auditors*

Lloyd A. Fry Foundation  
Audited Financial Statements  
Years ended June 30, 2023 and 2022

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## Report of Independent Auditors

Board of Directors  
Lloyd A. Fry Foundation

### **Opinion**

We have audited the financial statements of the Lloyd A. Fry Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and 2022, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Emphasis of Matter - Adoption of New Accounting Standard**

As discussed in Note 1 to the financial statements, effective July 1, 2022, the Foundation adopted Financial Accounting Standards Board Accounting Standards Update 2016-02 and subsequent amendments, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

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

Park Ridge, Illinois  
November 17, 2023

Lloyd A. Fry Foundation  
Statements of Financial Position

As of June 30, 2023 and 2022

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 3,875,994	\$ 9,569,470
Accrued dividends and interest receivable	214,443	222,657
Prepaid expenses	6,463	3,500
Excise tax receivable	150,000	100,000
Investments	186,124,852	178,238,980
Beneficial interest in assets held by others	7,121,957	7,121,957
Furniture and equipment, net	55,516	51,309
Right of use asset – operating lease	456,375	-
	<b>\$ 198,005,600</b>	<b>\$ 195,307,873</b>
<b>Liabilities and net assets</b>		
Liabilities:		
Accrued expenses	\$ 120,114	\$ 166,303
Unconditional grants payable	3,498,000	4,802,500
Excise tax liability	650,000	500,000
Lease liability – operating lease	579,751	-
Total liabilities	4,847,865	5,468,803
Net Assets:		
Without donor restrictions	186,035,778	182,717,113
With donor restrictions	7,121,957	7,121,957
Total net assets	193,157,735	189,839,070
Total liabilities and net assets	<b>\$ 198,005,600</b>	<b>\$ 195,307,873</b>

*See accompanying notes to the financial statements.*

Lloyd A. Fry Foundation

Statements of Activities

Years ended June 30, 2023 and 2022

	2023	2022
<b>Changes in net assets without donor restrictions</b>		
Revenue:		
Interest income	\$ 951,616	\$ 622,357
Dividends, net	1,782,337	2,322,544
Distributions from trusts	764,536	610,008
Other	2,537	4,344
	<u>3,501,026</u>	<u>3,559,253</u>
Expenses:		
Grant making	9,462,920	12,629,563
Administrative	1,107,814	611,983
	<u>10,570,534</u>	<u>13,241,546</u>
Change in net assets without donor restrictions before non-operating items	(7,069,708)	(9,682,293)
Net gains (losses) on investments:		
Realized	657,982	3,433,062
Unrealized	9,730,391	(20,430,001)
	<u>10,388,373</u>	<u>(16,996,939)</u>
Change in net assets without donor restrictions	3,318,665	(26,679,232)
<b>Change in net assets without donor restrictions</b>		
Change in beneficial interests in assets held by others	764,536	610,008
Release from restriction, distributions from trusts	(764,536)	(610,008)
Change in net assets without donor restrictions	<u>-</u>	<u>-</u>
Total change in net assets	3,318,665	(26,679,232)
Net assets, beginning of year	<u>189,839,070</u>	<u>216,518,302</u>
Net assets, end of year	<u>\$ 193,157,735</u>	<u>\$ 189,839,070</u>

See accompanying notes to the financial statements.

Lloyd A. Fry Foundation

Statements of Cash Flows

Years ended June 30, 2023 and 2022

	2023	2022
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 3,318,665	\$ (26,679,232)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	12,833	9,255
Net realized and unrealized (gain) loss on investments	(10,388,373)	16,996,939
Noncash lease expense	111,643	-
Changes in operating assets and liabilities:		
Accrued dividends and interest receivable	8,214	(76,807)
Prepaid expense	(2,963)	(3,500)
Excise tax receivable	(50,000)	(15,000)
Accrued expenses	(46,189)	37,056
Unconditional grants payable	(1,304,500)	1,962,000
Excise tax liability	150,000	(300,000)
Lease liability	11,733	-
Net cash (used in) operating activities	<u>(8,178,937)</u>	<u>(8,069,289)</u>
<b>Cash flows from investing activities</b>		
Additions of furniture and equipment	(17,040)	(45,989)
Proceeds from sales of investments	67,620,272	75,313,618
Purchases of investments	<u>(65,117,771)</u>	<u>(72,636,756)</u>
Net cash provided by investing activities	<u>2,485,461</u>	<u>2,630,873</u>
Net change in cash and cash equivalents	(5,693,476)	(5,438,416)
Cash and cash equivalents, beginning of year	<u>9,569,470</u>	<u>15,007,886</u>
Cash and cash equivalents, end of year	<u>\$ 3,875,994</u>	<u>\$ 9,569,470</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for taxes	<u>\$ 110,000</u>	<u>\$ 112,000</u>

See accompanying notes to the financial statements.

# Lloyd A. Fry Foundation

## Notes to the Financial Statements

Years ended June 30, 2023 and 2022

### **Note 1 - Nature of Activities and Significant Accounting Policies**

#### *Nature of Activities*

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

#### *Basis of Presentation*

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

#### *Adoption of Accounting Standard*

The Foundation adopted ASC Topic 842, *Leases* on July 1, 2022. Among other requirements, lessees are required to identify leases as either operating or finance and to recognize the following for all leases (with the exception of short-term leases) as of the date of adoption: 1) a lease liability, which is the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) a right-of use (ROU) asset, which is an asset that represents the lessee's ROU, or control the use of a specified asset for the lease term. On adoption, the Foundation elected to utilize the year of adoption modified retrospective approach and recorded a cumulative-effect adjustment to the opening balance of net assets without donor restriction of \$147,868. The Foundation also elected to apply all practical expedients applicable to the Foundation in the updated guidance for transition for leases in effect at adoption, including using hindsight to determine the lease term of existing leases, the option to not reassess whether an existing contract is a lease or contains a lease and whether the lease is an operating or finance lease. As a result of adopting, the Foundation recognized a ROU asset of \$568,018 and a lease liability of \$715,886 on July 1, 2022.

#### *Cash and Cash Equivalents*

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

## Lloyd A. Fry Foundation

### Notes to the Financial Statements (Continued)

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

##### *Investments*

The Foundation carries investments with readily determinable fair values at fair value. These investments include common stock, mutual funds, and fixed income funds. Interest is recorded as earned and dividends are recorded on the ex-dividend date. Interest and dividends are reported in the statement of activities. Dividends are reported less external investment fees. Gains and losses (both unrealized and realized) on investments are reported in the statement of activities.

Investments in ownership interests in private equity investments are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient and have not been classified in the fair value hierarchy. The Foundation has also made investments in equity securities for which the fair value is not readily determinable.

##### *Furniture and Equipment*

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

##### *Leases*

The Foundation determines if an arrangement is a lease or contains a lease at inception of a contract and classifies each lease as an operating or finance lease. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Foundation records a ROU asset for the right to use an underlying asset for the lease term and a lease liability, on a discounted basis, for the obligation to make lease payments arising from the lease. The Foundation has elected the risk free rate as the discount rate for all its underlying leased assets. The Foundation has elected for all classes of underlying assets the practical expedient to not separate lease and nonlease components and account for them as a single lease component. ROU assets are subject to review for impairment.

For operating leases, lease expense relating to fixed payments is recognized on a straight-line basis over the lease term and lease expense relating to variable payments is expensed as incurred. For finance leases, the amortization of the ROU asset is recognized over the shorter of the lease term or useful life of the underlying asset and interest expense is recorded using the effective interest rate method.

## Lloyd A. Fry Foundation

### Notes to the Financial Statements (Continued)

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

##### *Beneficial Interest in Trusts*

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

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

The beneficial interest in assets held by others for which the Foundation does not serve as trustee, amounted to \$7,121,957 as of June 30, 2023 and 2022, and is recorded in net assets with donor restrictions in the accompanying statements of financial position. Trust assets included fixed income securities.

The Trusts made distributions to the Foundation of approximately \$765,000 and \$610,000 during the years ended June 30, 2023 and 2022, respectively.

##### *Unconditional Grants Payable*

Grants are recorded as unconditional grants payable upon approval by the Board. Conditional grants that are subject to satisfaction of prior conditions by the intended recipients are not reflected in the financial statements. There were no conditional grants at June 30, 2023 and 2022.

##### *Measure of Operations*

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

## Lloyd A. Fry Foundation

### Notes to the Financial Statements (Continued)

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

##### *Net Assets*

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

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

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of June 30, 2023 and 2022, the Foundation had \$7,121,957 net assets with donor restrictions resulting from the beneficial interests in assets held by others. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose has been fulfilled, or both.

##### *Use of Estimates*

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

##### *Risks and Uncertainties*

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

##### *Income Tax Status*

The Foundation follows guidance issued by the FASB with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. Where tax positions do not meet the "more likely than not" test, no tax benefit is recorded. See Note 4 for additional details on uncertain tax positions recorded in the statement of financial position as of June 30, 2023 and 2022.

## Lloyd A. Fry Foundation

### Notes to the Financial Statements (Continued)

#### **Note 1 - Nature of Activities and Significant Accounting Policies**

The Foundation is exempt from the payment of income taxes on their exempt activities under section 501(c)(3) of the Internal Revenue Code as a Private Foundation as described in 509(a). All domestic private foundations must calculate their distributable amount annually. The Foundation's distributable amount is the amount of qualifying distributions based upon certain criteria that needs to be granted by the end of the succeeding year to avoid an excise tax for failure to distribute income. Management has concluded that the Foundation has properly maintained their exempt status as of June 30, 2023.

#### *Functional Allocation of Expenses*

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

#### *Subsequent Events*

Subsequent events have been evaluated through November 17, 2023, which is the date the financial statements were available to be issued.

#### **Note 2 - Investments and Fair Value Measurements**

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

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

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

Lloyd A. Fry Foundation

Notes to the Financial Statements (Continued)

**Note 2 - Investments and Fair Value Measurements (Continued)**

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

The table below presents the balances of assets measured at fair value on a recurring basis as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Common stock:				
Large cap	\$ 34,634,120	\$ -	\$ -	\$ 34,634,120
Mid cap	6,673,411	-	-	6,673,411
Small cap	9,946,463	-	-	9,946,463
Mutual funds:				
Equity	40,026,804	-	-	40,026,804
Fixed income:				
Corporate bonds	13,012,448	2,444,043	-	15,456,491
Federal and agency bonds	30,132,522	-	-	30,132,522
Private equity investments	-	-	3,322,570	3,322,570
	<u>134,425,768</u>	<u>2,444,043</u>	<u>3,322,570</u>	<u>140,192,381</u>
Beneficial interests in trusts			7,121,957	
Certificates of deposit*				750,000
Investments measured at NAV**				
Private equity investments				37,650,488
Equity trust investment				<u>7,531,983</u>
Total investments				<u>\$ 186,124,852</u>

## Lloyd A. Fry Foundation

### Notes to the Financial Statements (Continued)

#### Note 2 - Investments and Fair Value Measurements (Continued)

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

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

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

\*\* - Certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy.

The following is a description of the valuation methodologies used for instruments measured at fair value applied on a consistent basis:

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

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

Lloyd A. Fry Foundation

Notes to the Financial Statements (Continued)

**Note 2 - Investments and Fair Value Measurements (Continued)**

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

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

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

	<u>&lt; 1 year</u>	<u>1 - 5 years</u>	<u>6 - 10 years</u>	<u>Thereafter</u>	<u>Total</u>
Private equity investments	\$ 595,611	\$12,610,228	\$22,525,511	\$ 5,241,708	\$40,973,058

The Foundation had unfunded commitments to make additional private equity investments at June 30, 2023 and 2022 of approximately \$18,300,000 and \$16,800,000, respectively.

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

Changes in Level 3 assets measured at fair value on a recurring basis at June 30, 2023:

	<u>Beneficial Interest in Assets Held by Others</u>	<u>Private Equity Investments</u>
Balance at June 30, 2022	\$ 7,121,957	\$ 4,576,370
Total gains included in changes in net assets:		
Unrealized	-	(660,285)
Realized	-	242,570
Purchases	-	120,300
Sales	-	(956,385)
Balance at June 30, 2023	<u>\$ 7,121,957</u>	<u>\$ 3,322,570</u>

Lloyd A. Fry Foundation

Notes to the Financial Statements (Continued)

**Note 2 - Investments and Fair Value Measurements (Continued)**

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

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

The following table sets forth a summary of the Foundation's investments reported at NAV as of June 30, 2023 and 2022.

	2023			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Note
Private equity	\$ 25,992,670	\$ 8,871,382	Illiquid	N/A
Real estate funds	11,657,818	7,074,384	Illiquid	N/A
Equity trust investments	<u>7,531,983</u>	<u>-</u>	Illiquid	N/A
	<u>\$ 45,182,471</u>	<u>\$ 15,945,766</u>		
	2022			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Note
Private equity	\$ 26,080,041	\$ 11,367,555	Illiquid	N/A
Real estate funds	10,621,748	3,116,273	Illiquid	N/A
Equity trust investments	<u>7,210,692</u>	<u>-</u>	Illiquid	N/A
	<u>\$ 43,912,481</u>	<u>\$ 14,483,828</u>		

## Lloyd A. Fry Foundation

### Notes to the Financial Statements (Continued)

#### **Note 2 - Investments and Fair Value Measurements (Continued)**

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

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

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

#### **Note 3 - Leases**

The Foundation entered into an operating lease for office space in Chicago, IL beginning January 1, 2000. The lease has been extended and runs through March 31, 2027.

At the end of the lease term, the Foundation has the option to renew the lease for one renewal term of 5 years. The Foundation is not reasonably certain to exercise this option as of the year ended June 30, 2023.

The Foundation's lease costs, terms and discount rates are as follows for the year ending June 30, 2023:

	<u>2023</u>
<b>Lease cost</b>	
Operating lease cost	<u>\$ 130,114</u>
<b>Other Information</b>	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 154,607
Weighted-average remaining lease term - operating leases	3.75 years
Weighted-average discount rate - operating leases	2.88%

Lloyd A. Fry Foundation

Notes to the Financial Statements (Continued)

**Note 3 - Leases (Continued)**

Future minimum lease payments and reconciliation to the statement of financial position as of June 30, 2023 are as follows:

2024	\$ 158,168
2025	161,729
2026	165,290
2027	<u>126,118</u>
Total undiscounted lease payments	611,305
Less: present value adjustment	<u>(31,554)</u>
Lease liability	<u>\$ 579,751</u>

**Note 4 - Federal Income Taxes**

The Foundation is classified as a private foundation pursuant to Section 509(a) of the Internal Revenue Code and, therefore, is subject to an excise tax on net investment income, including realized net gains on sales of securities. In addition, in fiscal years 2023 and 2022, a liability for deferred excise taxes was provided on the unrealized gain on investments and accrued investment income. Effective December 20, 2019, Bill H.R. 1865 was signed, simplifying the excise tax rate on net investment income by repealing the reduced tax provisions of §4940 when certain distribution requirements are met. This act replaces the current two-tiered system (1% and 2% rates) with a flat rate of 1.39% for tax years starting after December 20, 2019. Therefore, the tax was provided for at a rate of 1.39% for the years ended June 30, 2023 and 2022.

The Foundation's current excise tax receivable at June 30, 2023 and 2022, was \$150,000 and \$100,000 while the deferred excise tax liability was \$650,000 and \$500,000, respectively. The provision for current and deferred federal excise taxes for the years ended June 30, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Current excise tax	\$ 60,000	\$ 97,000
Deferred excise tax (benefit)	<u>150,000</u>	<u>(300,000)</u>
Total	<u>\$ 210,000</u>	<u>\$ (203,000)</u>

Lloyd A. Fry Foundation

Notes to the Financial Statements (Continued)

**Note 5 - Grant Distributions**

Unconditional grants authorized but not distributed as of June 30, 2023 and 2022, totaled \$3,498,000 and \$4,802,500, respectively. Some grants are payable in installments, generally over a two or three year period. As of June 30, 2023, management has determined that the effect of discounting grants payable due beyond one year would be immaterial. Grant expense for the years ended June 30, 2023 and 2022 consisted of the following:

	2023	2022
Unconditional grants payable, beginning of year	\$ (4,802,500)	\$ (2,840,500)
Grants distributed	9,435,043	9,377,009
Unconditional grants payable, end of year	<u>3,498,000</u>	<u>4,802,500</u>
	<u>\$ 8,130,543</u>	<u>\$ 11,339,009</u>

Grants approved but unpaid as of June 30, 2023 and 2022 are payable as follows:

	2023	2022
2023	\$ -	\$ 4,302,500
2024	3,198,000	250,000
2025	250,000	250,000
2026	<u>50,000</u>	<u>-</u>
Total	<u>\$ 3,498,000</u>	<u>\$ 4,802,500</u>

**Note 6 - Employee Benefit Plan**

The Foundation sponsors a Section 403(b) salary reduction retirement plan covering all eligible permanent employees. The Foundation makes employer contributions based on a set percentage of salary up to the annual maximum. For the years ended June 30, 2023 and 2022, the Foundation contributed \$114,000 and \$107,000, respectively to the plan.

**Note 7 - Expenses by Nature**

The table below presents these functional expenses by their natural classification for the year ended June 30, 2023:

	Grant Making	Administrative	Total
Grants	\$ 8,130,543	\$ -	\$ 8,130,543
Compensation and benefits	1,332,377	89,516	1,421,893
Administrative expenses	-	808,298	808,298
Federal excise tax expense	<u>-</u>	<u>210,000</u>	<u>210,000</u>
Total grants and expenses	<u>\$ 9,462,920</u>	<u>\$ 1,107,814</u>	<u>\$ 10,570,734</u>

## Lloyd A. Fry Foundation

### Notes to the Financial Statements (Continued)

#### **Note 7 - Expenses by Nature (Continued)**

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

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

#### **Note 8 - Liquidity and Availability**

The Foundation's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statements of financial position, are comprised of the following as of June 30, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 3,875,994	\$ 9,569,470
Accrued dividends and interest receivable	214,443	222,657
Excise tax receivable	150,000	100,000
Investments	145,747,405	137,220,100
	<u>\$ 149,987,842</u>	<u>\$ 147,112,227</u>

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

A portion of the Foundation's portfolio is invested in private equity funds where long-term lock-up provisions are in effect. These investments in the amount of approximately \$40,377,000 and \$41,019,000 as of June 30, 2023 and 2022, respectively, have been excluded from the schedule above.