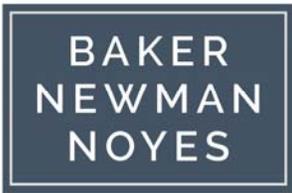


John T. Gorman Foundation

Audited Financial Statements

*Years Ended December 31, 2016 and 2015
With Independent Auditors' Report*



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
John T. Gorman Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of John T. Gorman Foundation, which comprise the statements of financial position as of December 31, 2016 and 2015, 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.

Auditors' 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of John T. Gorman Foundation as of December 31, 2016 and 2015, 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.

BAKER NEWMAN & NOYES LLC
Portland, Maine
September 26, 2017

JOHN T. GORMAN FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 756,193	\$ 152,945
Funds due from broker	24,563,576	—
Investments (note 3)	155,222,290	178,883,333
Prepaid expenses and other assets	153,549	93,046
Property and equipment, net	<u>265,640</u>	<u>300,082</u>
Total assets	<u>\$ 180,961,248</u>	<u>\$ 179,429,406</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses (notes 4 and 8)	\$ <u>414,223</u>	\$ <u>171,926</u>
Total liabilities	414,223	171,926
Net assets:		
Unrestricted net assets	<u>180,547,025</u>	<u>179,257,480</u>
Total liabilities and net assets	<u>\$ 180,961,248</u>	<u>\$ 179,429,406</u>

See accompanying notes.

JOHN T. GORMAN FOUNDATION

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Changes in unrestricted net assets:		
Contributions	\$ 147	\$ -
Investment income (loss):		
Interest and dividends	1,374,871	1,207,158
Net realized and unrealized gains (losses) on investments	<u>9,855,216</u>	<u>(7,379,297)</u>
Total investment income (loss)	<u>11,230,087</u>	<u>(6,172,139)</u>
Total contributions and investment income (loss)	11,230,234	(6,172,139)
Expenses:		
Program:		
Grants	6,982,160	7,191,508
Program related expenses	<u>510,335</u>	<u>494,136</u>
Total program expenses	7,492,495	7,685,644
Administrative and grants management expense	1,630,948	1,500,585
Other:		
Investment advisory, management and custodial fees	736,200	626,058
Excise tax expense (benefit)	<u>81,046</u>	<u>(76,106)</u>
Total other expenses	<u>817,246</u>	<u>549,952</u>
Total expenses	<u>9,940,689</u>	<u>9,736,181</u>
Change in unrestricted net assets	1,289,545	(15,908,320)
Unrestricted net assets, beginning of year	<u>179,257,480</u>	<u>195,165,800</u>
Unrestricted net assets, end of year	<u>\$ 180,547,025</u>	<u>\$ 179,257,480</u>

See accompanying notes.

JOHN T. GORMAN FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flow from operating activities:		
Change in net assets:	\$ 1,289,545	\$(15,908,320)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized (gains) losses on investments	(9,855,216)	7,379,297
Depreciation	52,199	47,901
Deferred excise tax expense (benefit)	2,632	(145,707)
Change in prepaid expenses and other assets	(60,503)	(7,724)
Change in accounts payable and accrued expenses	<u>239,665</u>	<u>22,370</u>
Net cash used by operating activities	(8,331,678)	(8,612,183)
Cash flows from investing activities:		
Proceeds from sale of investments	33,949,932	68,281,765
Purchase of investments	(24,997,249)	(59,841,538)
Purchase of fixed assets	<u>(17,757)</u>	<u>(5,727)</u>
Net cash provided by investing activities	<u>8,934,926</u>	<u>8,434,500</u>
Net increase (decrease) in cash	603,248	(177,683)
Cash, beginning of year	<u>152,945</u>	<u>330,628</u>
Cash, end of year	\$ <u><u>756,193</u></u>	\$ <u><u>152,945</u></u>
Supplemental disclosure of cash flow information:		
Funds due from broker for investment sales	\$ <u><u>24,563,576</u></u>	\$ <u><u>—</u></u>

See accompanying notes.

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015

1. Description of Organization

The John T. Gorman Foundation (the Foundation) is a not for profit organization in the state of Maine, founded by John Thomas Gorman, Jr. (Tom) in 1995.

The mission of the Foundation is to advance ideas and opportunities that can improve the lives of disadvantaged people in Maine. To achieve the greatest impact, the Foundation has a special interest in strengthening families and helping communities provide them with the support and opportunities they need to thrive.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Foundation recognizes contributions as revenue in the period received or when an unconditional promise to give is received. Contributions, net assets, and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions. For the years ended December 31, 2016 and 2015, all activities of the Foundation were classified as unrestricted due to the lack of donor-imposed restrictions.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Foundation's management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income and Excise Taxes

The Foundation is a not-for-profit corporation recognized as income tax exempt under Section 501(c)(3) of the Internal Revenue Code and is a private foundation under Section 509(a) of the Code. The Internal Revenue Code imposes an excise tax on private foundations equal to 2% of net investment income (principally interest, dividends, and net realized capital gains, less expenses incurred in the production of investment income). This tax is reduced to 1% for foundations that meet certain distribution requirements.

The Internal Revenue Code provides that each year the Foundation must distribute within 12 months of the end of such year approximately 5% of the average fair value of its assets. The distribution requirement for 2015 has been met and the estimated 2016 requirement of approximately \$7,800,000 is expected to be met during 2017.

In certain circumstances, tax-exempt organizations may be required to record an obligation for income taxes as the result of a tax position they have historically taken on various tax exposure items including unrelated business income or tax status. Under guidance issued by the Financial Accounting Standards Board, assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the "more-likely-than-not" threshold, based upon the technical merits of the position. Estimated interest and penalties, if applicable, related to uncertain tax positions are included as a component of income tax expense.

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (Continued)

Management has evaluated the Foundation's tax positions and concluded that the Foundation has maintained its tax-exempt status, does not have any significant unrelated business income and has taken no uncertain tax positions that require adjustment to the financial statements.

Cash and Cash Equivalents

The Foundation considers all money market and highly liquid securities with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents residing within the Foundation's investment portfolio are reported as investments.

Investments and Investment Income

Investment securities are stated at fair value. The fair value of cash and cash equivalents and mutual funds are based on quoted market prices. The Foundation carries other investments (marketable equities, marketable alternatives, private investments and real assets) at estimated fair value as determined by management based upon valuations provided by the respective investment managers, which are generally based upon the fair values indicated in the investment's audited financial statements. Gains and losses on investments are computed on a specific identification basis. Purchases and sales are recorded on a trade date basis. Amounts due for sales that have not yet settled are recorded as Funds Due from Broker in the Statement of Financial Position. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

The Foundation has applied the accounting guidance in Accounting Standards Codification (ASC) Topic 820 which permits the use of net asset value (NAV) or its equivalent reported by each underlying other investment fund as a practical expedient to estimate the fair value of the investment. These investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements or operations of the underlying assets. However, it is possible that these redemption rights may be restricted by the fund manager in the future in accordance with the underlying fund agreements, as applicable. Changes in market conditions, the economic environment, or the funds' liquidity provisions may significantly impact the NAV of the funds, and consequently, the fair value of the Foundation's interest in such funds. Although certain investments may be sold in a secondary market, the secondary market is not public and individual transactions are not necessarily observable. It is therefore possible that if the Foundation were to sell its interest in a fund in the secondary market, the sale could occur at an amount materially different from the reported value.

The Foundation's management is responsible for the fair value measurement of investments reported in the financial statements. The Foundation has implemented policies and procedures to assess the reasonableness of the fair values provided. Because of the inherent uncertainty of valuation for these investments, the estimate of the fund manager or general partner may differ from actual values, and the differences could be significant. The Foundation believes that reported fair values of its other investments at the statement of financial position date are reasonable.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, liquidity and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. The Foundation's policy is to capitalize expenditures over \$500 as major improvements or equipment and charge maintenance and repairs for expenditures that do not exceed that amount. Depreciation is provided by the straight-line method in a manner which is intended to amortize the cost of the assets over their estimated useful life.

Grants

Grants are recorded when awarded and the payment of such grant is unconditional.

Investment Fees

The Foundation invests in marketable equities, fixed income, marketable alternatives, private investments and real assets. Several of the related funds and partnerships report income net of fees and the Foundation follows the same practice. As a result, some of the fees paid to investment managers are reflected as a reduction of investment income.

Disclosures About the Fair Value of Financial Instruments

The carrying value of the Foundation's cash and cash equivalents, funds due from broker, accounts payable and accrued expenses approximate their fair values due to the short term nature of the instruments.

See note 3 for fair value disclosures for investments.

Reclassification

Certain 2015 amounts have been reclassified to conform to the current year presentation.

Subsequent Events

Events occurring after the date of the statement of financial position are evaluated by management to determine whether such events should be recognized or disclosed in the financial statements. Management has evaluated subsequent events through September 26, 2017, which is the date the financial statements were available to be issued.

New Accounting Pronouncement

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities (Topic 958)* (ASU 2016-14). Under ASU 2016-14, the existing three-category classification of net assets (i.e., unrestricted, temporarily restricted and permanently restricted) will be replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions". ASU 2016-14 also enhances certain disclosures regarding board designations, donor restrictions and qualitative information regarding management of liquid resources. In addition to reporting expenses by functional classifications, ASU 2016-14 will also require the financial statements to provide information about expenses by their nature, along with enhanced disclosures about the methods used to allocate costs among program and support functions. ASU 2016-14 is effective for the Foundation beginning on January 1, 2018, with early adoption permitted. The Foundation is currently evaluating the impact of the pending adoption of ASU 2016-14 on the financial statements.

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015

3. Investments

Investments are comprised of the following at December 31:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 990,163	\$ 941,953
Mutual funds	11,346,241	9,453,686
Fixed income	18,284,006	18,629,788
Marketable equities	73,314,496	93,304,176
Marketable alternatives	29,867,746	34,381,523
Private investments	11,752,583	7,843,732
Real assets	<u>9,667,055</u>	<u>14,328,475</u>
	<u>\$ 155,222,290</u>	<u>\$ 178,883,333</u>

Fair Value Measurements

The Foundation has adopted a framework for measuring fair value under generally accepted accounting principles for all financial instruments that are being measured and reported on a fair value basis.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are:

Level 1 – Valuations for assets and liabilities traded in active exchange markets for transactions involving identical assets or liabilities.

Level 2 – Valuations are based on inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There have been no changes in the valuation methodologies applied during the year.

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015

3. Investments (Continued)

The following tables summarize the Foundation's investments within the fair value hierarchy at December 31, 2016 and 2015:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2016</u>				
Cash and cash equivalents	\$ 990,163	\$ 990,163	\$ -	\$ -
Mutual funds:				
International Mutual Funds	4,597,373	4,597,373	-	-
Emerging Markets Mutual Funds	348,980	348,980	-	-
Large Growth Mutual Funds	<u>6,399,888</u>	<u>6,399,888</u>	<u>-</u>	<u>-</u>
Total mutual funds	11,346,241	11,346,241	-	-
Fixed income:				
U.S. Government Bond Mutual Fund	18,284,006	18,284,006	-	-
Real assets:				
Natural Resource Mutual Fund	<u>3,651,757</u>	<u>3,651,757</u>	<u>-</u>	<u>-</u>
	34,272,167	<u>\$34,272,167</u>	<u>\$ -</u>	<u>\$ -</u>
Investments valued at NAV not classified by level:				
Marketable equities:				
U.S. Equity	9,313,909			
Non-U.S. Equity	23,014,106			
Global Equity	16,981,257			
Emerging Markets	<u>24,005,224</u>			
Total marketable equities	73,314,496			
Marketable alternatives:				
Hedge Funds	29,867,746			
Private investments	11,752,583			
Real assets:				
Commodity Futures	2,680,714			
MLP Income Fund	<u>3,334,584</u>			
	<u>\$ 155,222,290</u>			

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015

3. Investments (Continued)

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2015</u>				
Cash and cash equivalents	\$ 941,953	\$ 941,953	\$ –	\$ –
Mutual funds:				
International Mutual Funds	2,448,345	2,448,345	–	–
Large Growth Mutual Funds	<u>7,005,341</u>	<u>7,005,341</u>	<u>–</u>	<u>–</u>
Total mutual funds	9,453,686	9,453,686	–	–
Fixed income:				
U.S. Government Bond Mutual Fund	15,055,691	15,055,691	–	–
Global Bond Mutual Fund	<u>3,574,097</u>	<u>3,574,097</u>	–	–
Total fixed income	18,629,788	18,629,788	–	–
Real assets:				
Natural Resource Mutual Fund	<u>3,653,991</u>	<u>3,653,991</u>	<u>–</u>	<u>–</u>
	32,679,418	<u>\$32,679,418</u>	<u>\$ –</u>	<u>\$ –</u>
Investments valued at NAV not classified by level:				
Marketable equities:				
U.S. Equity	26,024,988			
Non-U.S. Equity	24,219,792			
Global Equity	17,325,868			
Emerging Markets	<u>25,733,528</u>			
Total marketable equities	93,304,176			
Marketable alternatives:				
Hedge Funds	34,381,523			
Private investments	7,843,732			
Real assets:				
Diversified Inflatable Hedge Fund	4,058,350			
Commodity Futures	2,422,259			
MLP Income Fund	<u>4,193,875</u>			
	<u>\$ 178,883,333</u>			

During 2016, the Foundation re-assessed the presentation of its investment categories, including those valued at NAV, to more closely align with its current investment strategies. As such, certain 2015 investments have been reclassified to conform with the current year presentation.

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015

3. Investments (Continued)

Liquidity

Following are additional details regarding the liquidity of investments as of December 31:

	Fair Value		<u>Redemption Notice Period</u>
	<u>2016</u>	<u>2015</u>	
Daily	\$ 36,806,532	\$ 33,679,338	1 day
Semi-monthly	8,947,888	9,379,986	3 days
Monthly	34,592,096	63,547,994	5-30 days
Monthly	3,526,362	3,203,104	60 days
Quarterly	10,902,361	11,297,591	30 days
Quarterly	22,042,149	15,036,995	60 – 65 days
Quarterly	1,169,948	5,526,578	90 days
Semi-annually	5,767,808	6,121,394	60 days
Annually	1,259,519	4,859,598	45 days
2 years	6,066,028	5,721,886	90 days
3 years	8,033,369	7,945,882	30 days
3 years	4,355,647	4,719,255	90 days
 Total liquid investments	 143,469,707	 171,039,601	
 Illiquid investments	 11,752,583	 7,843,732	
 Total investments	 \$ 155,222,290	 \$ 178,883,333	

The illiquid investments noted above generally are investments which require a long-term investment commitment, are not publicly traded, and are intended to be held for the life of the investment fund or partnership. Accordingly, any attempt to sell these investments before the end of their investment period could result in the Foundation realizing less than fair value at the time of any early redemptions. The Foundation intends to hold the investments for the life of the investment fund or partnership, which is expected to be from 2025 to 2030.

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015

3. Investments (Continued)

NAV per Share

Certain investments are measured at NAV and are redeemable with the funds or partnerships at NAV under the original terms of the subscription agreement and/or partnership agreements. The majority of such redemptions require 90 days or less written notice prior to the redemption period. The following table discloses the fair value and redemption frequency of those assets whose fair value is estimated using net asset value per share at December 31, 2016:

<u>Investment</u>	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Marketable equities:				
Emerging Markets Funds	\$ 6,713,864	\$ —	Monthly	10 days
Emerging Markets Funds	3,204,475	—	Monthly	30 days
Emerging Markets Funds	3,526,362	—	Monthly	60 days
Emerging Markets Funds	4,122,817	—	Quarterly	30 days
Emerging Markets Funds	2,566,805	—	Semi-annually	60 days
Emerging Markets Funds	3,870,901	—	Quarterly	60 days
Non-U.S. Equity	15,913,943	—	Monthly	10 days
Non-U.S. Equity	2,744,516	—	Monthly	30 days
Non-U.S. Equity	4,355,647	—	Every 3 years	90 days
U.S. Equity	2,534,365	—	Daily	1 day
U.S. Equity	6,779,544	—	Quarterly	30 days
Global Equity	8,033,369	—	Every 3 years	30 days
Global Equity	8,947,888	—	Semi-monthly	3 days
Marketable alternatives				
Hedge Funds	18,171,248	—	Quarterly	60 – 65 days
Hedge Funds	1,169,948	—	Quarterly	90 days
Hedge Funds	3,201,003	—	Semi-annually	60 days
Hedge Funds	6,066,028	—	Every 2 years	90 days
Hedge Funds	1,259,519	—	Annually	45 days
Private investments:				
Limited Partnerships	11,752,583	13,618,527	Illiquid	
Real Assets:				
MLP Income Fund	3,334,584	—	Monthly	30 days
Commodity Futures	2,680,714	—	Monthly	5 days

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015

3. Investments (Continued)

Unfunded Commitments

These amounts are generally payable within 10 days of the receipt of the capital call notice. It is currently anticipated that the Foundation will be required to fund the majority of these commitments within the next 10 years, but the specific timing is ultimately subject to the discretion of the fund manager. Capital calls for the unfunded commitments will be made from marketable investments in U.S. equities.

The significant investment strategies of the investment categories which are carried at fair value based on NAV are as follows:

Marketable Equities

The role of the marketable equity investments is to generate long-term growth for the portfolio. Investments are made with managers that have various regional specializations, but generally can be categorized as global equity, U.S. equity, developed ex-U.S. equity, and emerging market equity. Managers are expected to invest in equity securities of publicly traded companies domiciled within their geographical region of focus. Some managers may be permitted the flexibility to invest in other types of securities, such as fixed income securities, closed end funds, or money market instruments.

Marketable Alternatives

The role of marketable alternative (MALT) investments is to increase portfolio diversification by offering sources of return that have a lower correlation to traditional equity and fixed income markets. The objective of MALT investments is to provide relatively consistent returns in most markets and some principal protection in significantly down equity markets, reducing overall volatility of the portfolio. Investments in MALT managers may take the form of direct investment in the limited partnership of a single manager or investment in a fund-of-funds. MALT managers may invest in liquid and illiquid equity and debt instruments, may use leverage, and may engage in the use of derivative instruments (options/futures/forwards) as part of their investment strategy. MALT investment vehicles are also generally less liquid than their marketable equity counterparts and may come with an initial lock-up.

Private Investments

The purpose of private investments is to provide increased return potential and to reduce overall volatility of the portfolio through greater diversification. Private investments may take the form of direct investment in the limited partnership of a single manager or investment in a fund-of-funds. These assets are less liquid and require a longer investment horizon. Most require a multi-year commitment of capital for a minimum of ten years.

Real Assets

Real assets include investments in liquid instruments, such as inflation-linked bonds, commodity futures, natural resource equities, and MLPs. Investments are made in financial assets which are related to or strongly influenced by the value of one or more underlying tangible assets. The purpose of the real asset allocation is to provide a source of growth in an inflationary environment when other investments may underperform. Liquidity terms are monthly or less with no lock-ups.

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015

4. Retirement Plans

On May 1, 2012, the Foundation established the John T. Gorman Foundation 403(b) retirement plan. The Foundation contributes 3% of eligible employees' compensation into the plan and contributes a match, on a dollar for dollar basis, of eligible employee contributions up to 3% of compensation. The total Foundation contributions in 2016 and 2015 were \$64,925 and \$55,732, respectively. Employees may elect to contribute the maximum allowed by the Internal Revenue Service (IRS) into the plan.

On November 1, 2015, the Foundation adopted a 457(b) deferred compensation plan for its key employees. The purpose of this plan is to provide supplemental retirement income and the retention of key employees by offering benefits comparable with similar organizations. The Foundation adopted the plan as an unfunded, nonqualified deferred compensation plan, and thus, there are no employer contributions. Employees may elect to contribute the maximum allowed by the IRS into the plan. At December 31, 2016 and 2015, approximately \$125,000 and \$18,000, respectively, was accrued for this obligation.

5. Leases

The Foundation leases its office space under a noncancelable operating lease agreement expiring in July 2021. Rent expense under the lease was \$77,547 and \$75,741 for 2016 and 2015, respectively.

Future minimum lease payments under this lease are:

2017	\$76,713
2018	78,247
2019	79,817
2020	81,423
2021	48,051

6. Concentration of Credit Risk

The Foundation maintains its cash in a demand deposit account which, at times, may exceed federally insured limits. The Foundation has not experienced any losses with respect to this account and management believes it is not exposed to any significant risk with respect to this account.

7. Grant Commitments

The Foundation has approved conditional grants to various organizations, contingent upon the organizations' performance or obligation as specified in the grant agreements. Future estimated obligations related to these grants subsequent to December 31, 2016 are as follows:

2017	\$1,038,000
2018	<u>100,000</u>
	<u>\$1,138,000</u>

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015

8. Excise Tax

Federal excise tax expense (benefit) consists of the following for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Current	\$78,414	\$ 69,601
Deferred	<u>2,632</u>	<u>(145,707)</u>
	<u>\$81,046</u>	<u>\$ (76,106)</u>

The deferred tax liability of approximately \$42,000 and \$39,000 at December 31, 2016 and 2015, respectively, relates to temporary differences related to unrealized gains on investments and has been included in accounts payable and accrued expenses in the statement of financial position.