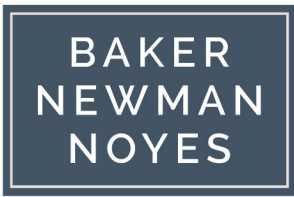


John T. Gorman Foundation

Audited Financial Statements

*Years Ended December 31, 2020 and 2019
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, 2020 and 2019, 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, 2020 and 2019, 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 30, 2021

JOHN T. GORMAN FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 699,005	\$ 510,661
Investments	219,212,110	195,479,619
Prepaid expenses and other assets	523,627	516,549
Funds due from broker	-	2,127,386
Property and equipment, net	519,171	606,597
Program related investment	<u>500,000</u>	<u>500,000</u>
Total assets	<u>\$ 221,453,913</u>	<u>\$ 199,740,812</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ <u>1,536,072</u>	\$ <u>845,131</u>
Total liabilities	1,536,072	845,131
Net assets:		
Without donor restrictions	<u>219,917,841</u>	<u>198,895,681</u>
Total liabilities and net assets	<u>\$ 221,453,913</u>	<u>\$ 199,740,812</u>

See accompanying notes.

JOHN T. GORMAN FOUNDATION

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Changes in net assets without donor restrictions:		
Revenue:		
Net investment return	\$ <u>31,102,802</u>	\$ <u>28,418,231</u>
Total contributions and investment returns	31,102,802	28,418,231
Expenses:		
Program:		
Grants	6,978,230	6,613,493
Program related expenses	<u>816,022</u>	<u>985,036</u>
Total program expenses	7,794,252	7,598,529
Administrative and grants management expense	1,614,241	1,539,664
Other:		
Excise tax expense	<u>672,149</u>	<u>277,463</u>
Total expenses	<u>10,080,642</u>	<u>9,415,656</u>
Change in net assets without donor restrictions	21,022,160	19,002,575
Net assets without donor restrictions, beginning of year	<u>198,895,681</u>	<u>179,893,106</u>
Net assets without donor restrictions, end of year	\$ <u>219,917,841</u>	\$ <u>198,895,681</u>

See accompanying notes.

JOHN T. GORMAN FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flow from operating activities:		
Change in net assets:	\$ 21,022,160	\$ 19,002,575
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized gain on investments	(30,293,205)	(27,177,280)
Depreciation	104,294	76,433
Deferred excise tax	566,478	267,459
Change in prepaid expenses and other assets	(7,078)	(123,317)
Change in accounts payable and accrued expenses	<u>124,463</u>	<u>(24,864)</u>
Net cash used by operating activities	(8,482,888)	(7,978,994)
Cash flows from investing activities:		
Proceeds from sale of investments	50,900,026	35,606,189
Purchase of investments	(42,211,926)	(26,355,537)
Purchase of fixed assets	(16,868)	(507,993)
Issuance of program related investments	<u>—</u>	<u>(500,000)</u>
Net cash provided by investing activities	<u>8,671,232</u>	<u>8,242,659</u>
Net increase in cash	188,344	263,665
Cash, beginning of year	<u>510,661</u>	<u>246,996</u>
Cash, end of year	<u>\$ 699,005</u>	<u>\$ 510,661</u>
Supplemental disclosure of cash flow information:		
Funds due from broker for investment sales	\$ 2,127,386	\$ 3,436,102

See accompanying notes.

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

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 (U.S. 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, 2020 and 2019, all activities of the Foundation were classified as without donor restrictions due to the lack of donor-imposed restrictions.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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 1.39% of net investment income (principally interest, dividends, and net realized capital gains, less expenses incurred in the production of investment income).

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 2019 has been met and the estimated 2020 requirement of approximately \$8,500,000 is expected to be met during 2021.

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 (FASB), 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, 2020 and 2019

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, equity securities, mutual funds, and fixed income 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/purchases that have not yet settled are recorded as funds due from/to 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, 2020 and 2019

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.

Net Investment Return

Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized investment gains and losses, less investment advisory, management and custodial fees.

Functional Expenses

Expenses are allocated to both programs and support services. Salaries and wages are allocated based on estimates of time spent by the members of the staff. All other expenses are charged to each functional area based on direct expenditures incurred or based on allocation of staff time by functional area. See note 10.

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 30, 2021, which is the date the financial statements were available to be issued.

Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) a pandemic. The COVID-19 outbreak could negatively impact, for some period of time, the overall economy as well as certain business segments. Investment markets have experienced increased volatility which may negatively affect the carrying value of the Foundation's investments. As a result, COVID-19 could adversely affect the Foundation's financial condition and results of operations. At the date of these financial statements, management is unable to quantify the potential effects of this pandemic on future operations.

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842) (ASU 2016-02). Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. ASU 2016-02 is effective for the Foundation on January 1, 2022, with early adoption permitted. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. The Foundation is currently evaluating the impact of the pending adoption of ASU 2016-02 on its financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-18). ASU 2018-18 clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because such classification affects the timing of contribution revenues and expense recognition. ASU 2018-08 was effective for transactions beginning January 1, 2020 in which the Foundation serves as the resource provider. The adoption of this guidance did not materially affect the Foundation's financial statements.

3. Investments

Investments are comprised of the following at December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 6,217,759	\$ 4,195,852
Equity securities	–	4,567,934
Fixed income	44,624,946	22,123,345
Marketable equities	109,462,667	112,990,093
Marketable alternatives	15,576,885	20,192,115
Private investments	43,329,853	31,360,911
Real assets	<u>–</u>	<u>49,369</u>
	<u>\$ 219,212,110</u>	<u>\$ 195,479,619</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.

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

3. Investments (Continued)

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.

The following tables summarize the Foundation's investments within the fair value hierarchy at December 31, 2020 and 2019:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2020</u>				
Cash and cash equivalents	\$ 6,217,759	\$ 6,217,759	\$ –	\$ –
Fixed income:				
U.S. Government Bond Mutual Fund	<u>44,624,946</u>	<u>44,624,946</u>	<u>–</u>	<u>–</u>
	50,842,705	<u>\$50,842,705</u>	<u>\$ –</u>	<u>\$ –</u>
Investments valued at NAV not classified by level:				
Marketable equities:				
U.S. Equity	31,396,768			
Non-U.S. Equity	29,650,442			
Global Equity	30,849,917			
Emerging Markets	<u>17,565,540</u>			
Total marketable equities	109,462,667			
Marketable alternatives:				
Hedge Funds	15,576,885			
Private investments	<u>43,329,853</u>			
	<u>\$ 219,212,110</u>			

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

3. Investments (Continued)

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2019</u>				
Cash and cash equivalents	\$ 4,195,852	\$ 4,195,852	\$ –	\$ –
Equity securities:				
U.S. Securities	4,567,934	4,567,934	–	–
Fixed income:				
U.S. Government Bond Mutual Fund	<u>22,123,345</u>	<u>22,123,345</u>	<u>–</u>	<u>–</u>
	30,887,131	<u>\$30,887,131</u>	<u>\$ –</u>	<u>\$ –</u>
Investments valued at NAV not classified by level:				
Marketable equities:				
U.S. Equity	25,203,162			
Non-U.S. Equity	35,434,740			
Global Equity	37,242,252			
Emerging Markets	<u>15,109,939</u>			
Total marketable equities	112,990,093			
Marketable alternatives:				
Hedge Funds	20,192,115			
Private investments	31,360,911			
Real assets:				
Commodity Futures	<u>49,369</u>			
	<u>\$ 195,479,619</u>			

Liquidity

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

	<u>Fair Value</u>		<u>Redemption</u>
	<u>2020</u>	<u>2019</u>	<u>Notice Period</u>
Daily	\$ 50,842,705	\$ 30,887,131	1 day
Semi-monthly	11,749,644	10,305,410	3 days
Semi-monthly	6,736,157	10,151,397	6 days
Monthly	53,729,226	63,399,075	10-30 days
Monthly	12,023,017	4,500,360	60 days
Quarterly	17,725,409	20,556,376	60 – 65 days
Semi-annually	–	1,232,756	60 days
2 years	3,347,174	2,984,207	90 days
3 years	12,364,116	13,088,270	30 days
3 years	7,364,809	4,455,386	60 days
3 years	<u>–</u>	<u>2,558,340</u>	90 days
Total liquid investments	175,882,257	164,118,708	
Illiquid investments	<u>43,329,853</u>	<u>31,360,911</u>	
Total investments	<u>\$ 219,212,110</u>	<u>\$ 195,479,619</u>	

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

3. Investments (Continued)

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.

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, 2020:

<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	\$ 5,015,792	\$ –	Monthly	30 days
Emerging Markets Funds	7,054,050	–	Monthly	60 days
Emerging Markets Funds	5,495,698	–	Quarterly	60 days
Non-U.S. Equity	9,166,343	–	Monthly	10 days
Non-U.S. Equity	8,150,323	–	Monthly	30 days
Non-U.S. Equity	4,968,967	–	Monthly	60 days
Non-U.S. Equity	7,364,809	–	Every 3 years	60 days
U.S. Equity	31,396,768	–	Monthly	30 days
Global Equity	12,364,116	–	Every 3 years	30 days
Global Equity	11,749,644	–	Semi-monthly	3 days
Global Equity	6,736,157	–	Semi-monthly	6 days
Marketable alternatives:				
Hedge Funds	12,229,711	–	Quarterly	60 – 65 days
Hedge Funds	3,347,174	–	Every 2 years	90 days
Private investments:				
Limited Partnerships	43,329,853	24,747,900	Illiquid	

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.

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

3. Investments (Continued)

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.

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 2020 and 2019 were \$78,202 and \$69,120, 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, 2020 and 2019, approximately \$383,000 and \$296,000, respectively, was accrued for this obligation.

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

5. Leases

The Foundation leases its office space under a noncancelable operating lease agreement expiring in December 2028. Rent expense under the lease was \$138,315 and \$136,745 for 2020 and 2019, respectively.

Future minimum lease payments under this lease are:

2021	\$135,846
2022	138,563
2023	141,334
2024	141,161
2025	147,044
Thereafter	459,016

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, 2020 are as follows:

2021	\$1,209,000
2022	<u>334,000</u>
	<u>\$1,543,000</u>

8. Excise Tax

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

	<u>2020</u>	<u>2019</u>
Current	\$105,671	\$ 10,004
Deferred	<u>566,478</u>	<u>267,459</u>
	<u>\$672,149</u>	<u>\$277,463</u>

The deferred tax liability of approximately \$950,000 and \$384,000 at December 31, 2020 and 2019, 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.

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

9. Donor Advised Fund

In 1992, the Foundation established the John T. Gorman donor advised fund at the Maine Community Foundation. The fund provides the Foundation with additional opportunities to further its mission and goals. Grants from the fund are made upon the recommendation of the board of Directors of the Foundation and acceptance by the Maine Community Foundation. At December 31, 2020 and 2019 the balances in the fund were \$4,536,232 and \$4,541,799, respectively, and are not reflected in the statements of financial position.

10. Functional Expenses

The Foundation provides support to programs and initiatives that improve the lives of disadvantaged people in Maine. Expenses related to providing these services are as follows for the years ended December 31:

	Program Expense	Administrative & Grants Management Expense	Total
<u>2020</u>			
Grants	\$6,978,230	\$ —	\$ 6,978,230
Salaries and wages	366,222	1,107,780	1,474,002
Employee benefits	47,152	131,676	178,828
Payroll taxes	21,598	65,331	86,929
Professional fees	281,950	58,889	340,839
Occupancy	46,018	121,009	167,027
Technology	12,771	33,584	46,355
Office expenses	3,266	3,302	6,568
Travel and conferences	3,674	2,731	6,405
Meetings	1,575	1,581	3,156
Insurance	1,693	9,199	10,892
Depreciation	28,734	75,560	104,294
Dues and other expenses	1,369	3,599	4,968
Excise taxes	—	672,149	672,149
Total	<u>\$7,794,252</u>	<u>\$2,286,390</u>	<u>\$10,080,642</u>

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

10. Functional Expenses (Continued)

	<u>Program Expense</u>	<u>Administrative & Grants Management Expense</u>	<u>Total</u>
<u>2019</u>			
Grants	\$6,613,493	\$ —	\$6,613,493
Salaries and wages	311,983	1,008,566	1,320,549
Employee benefits	41,139	118,033	159,172
Payroll taxes	18,324	59,236	77,560
Professional fees	424,358	104,387	528,745
Occupancy	45,400	119,174	164,574
Technology	11,690	30,216	41,906
Office expenses	7,809	7,656	15,465
Travel	23,870	9,715	33,585
Meetings, trainings and conferences	76,263	15,196	91,459
Insurance	1,520	8,501	10,021
Depreciation	21,058	55,375	76,433
Dues and other expenses	1,622	3,609	5,231
Excise taxes	<u>—</u>	<u>277,463</u>	<u>277,463</u>
Total	<u>\$7,598,529</u>	<u>\$1,817,127</u>	<u>\$9,415,656</u>

11. Liquidity and Availability

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation invests cash in excess of short-term operating requirements in various investments, which are occasionally subject to liquidity restrictions, as discussed in detail in note 3. The Foundation also has a line of credit at its disposal to meet cash flow needs. See note 13 for information about the Foundation's line of credit.

The following table reflects the Foundation's financial assets available for general expenditure within one year as of December 31, 2020. There were no assets with donor restrictions at December 31, 2020.

Cash and cash equivalents	\$ 699,005
Investments	219,212,110
Less illiquid investments and investments with a redemption frequency greater than one year	<u>(66,405,952)</u>
Financial assets available for general expenditures within one year	<u>\$ 153,505,163</u>

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

12. Program Related Investments

In addition to making grants, the Foundation may advance its mission through program-related investments (PRI). In April 2019, the Foundation advanced \$500,000 to The Genesis Fund as a PRI in the form of a loan bearing below-market interest. The loan agreement provides Genesis will use these funds to leverage capital for the acquisition of properties in the HUD Choice Neighborhood Census Tracts in Lewiston, Maine. The PRI agreement matures in 2029. As of December 31, 2020, there have been no repayments on the PRI.

13. Line of Credit

In September 2020, the Foundation executed a \$10,000,000 line of credit subject to renewal on September 22, 2023. The line is secured by certain investments. There was no outstanding balance on the line at December 31, 2020. The interest rate is based on LIBOR plus 1.50% and was 1.65% at December 31, 2020.