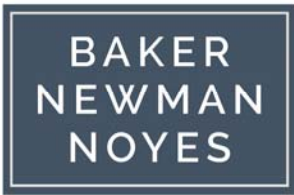


John T. Gorman Foundation

Audited Financial Statements

*Years Ended December 31, 2021 and 2020
With Independent Auditors' Report*



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
John T. Gorman Foundation

Opinion

We have audited the accompanying financial statements of John T. Gorman Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2021 and 2020, 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 December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditors' 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.

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 within one year after the date the financial statements are issued or are available to be issued.

To the Board of Directors
John T. Gorman Foundation

Auditors' 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 auditors' 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.

BAKER NEWMAN & NOYES LLC

Portland, Maine
September 29, 2022

JOHN T. GORMAN FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 251,119	\$ 699,005
Investments	245,319,926	219,212,110
Prepaid expenses and other assets	545,588	523,627
Funds due from broker	581,027	-
Property and equipment, net	418,216	519,171
Program related investment	<u>500,000</u>	<u>500,000</u>
Total assets	<u>\$ 247,615,876</u>	<u>\$ 221,453,913</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	<u>\$ 2,021,892</u>	<u>\$ 1,536,072</u>
Total liabilities	2,021,892	1,536,072
Net assets:		
Without donor restrictions	<u>245,593,984</u>	<u>219,917,841</u>
Total liabilities and net assets	<u>\$ 247,615,876</u>	<u>\$ 221,453,913</u>

See accompanying notes.

JOHN T. GORMAN FOUNDATION

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Changes in net assets without donor restrictions:		
Revenue:		
Net investment return	\$ <u>36,050,295</u>	\$ <u>31,102,802</u>
Total revenue	36,050,295	31,102,802
Expenses:		
Program:		
Grants	7,300,580	6,978,230
Program related expenses	<u>794,519</u>	<u>816,022</u>
Total program expenses	8,095,099	7,794,252
Administrative and grants management expense	1,674,857	1,614,241
Other:		
Excise tax expense	<u>604,196</u>	<u>672,149</u>
Total expenses	<u>10,374,152</u>	<u>10,080,642</u>
Change in net assets without donor restrictions	25,676,143	21,022,160
Net assets without donor restrictions, beginning of year	<u>219,917,841</u>	<u>198,895,681</u>
Net assets without donor restrictions, end of year	\$ <u>245,593,984</u>	\$ <u>219,917,841</u>

See accompanying notes.

JOHN T. GORMAN FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flow from operating activities:		
Change in net assets:	\$ 25,676,143	\$ 21,022,160
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized gain on investments	(34,125,192)	(30,293,205)
Depreciation	102,397	104,294
Deferred excise tax	303,256	566,478
Change in prepaid expenses and other assets	(21,961)	(7,078)
Change in accounts payable and accrued expenses	<u>182,564</u>	<u>124,463</u>
Net cash used by operating activities	(7,882,793)	(8,482,888)
Cash flows from investing activities:		
Proceeds from sale of investments	51,585,229	50,900,026
Purchase of investments	(44,148,880)	(42,211,926)
Purchase of fixed assets	<u>(1,442)</u>	<u>(16,868)</u>
Net cash provided by investing activities	<u>7,434,907</u>	<u>8,671,232</u>
Net (decrease) increase in cash	(447,886)	188,344
Cash, beginning of year	<u>699,005</u>	<u>510,661</u>
Cash, end of year	\$ <u>251,119</u>	\$ <u>699,005</u>
Supplemental disclosure of cash flow information:		
Funds due from broker for investment sales	\$ (581,027)	\$ 2,127,386

See accompanying notes.

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

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, 2021 and 2020, 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 2020 has been met and the estimated 2021 requirement of approximately \$10,821,000 is expected to be met during 2022.

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, 2021 and 2020

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 and private investments) 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, 2021 and 2020

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 29, 2022, which is the date the financial statements were available to be issued.

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. 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 and does not anticipate that there will be a material impact.

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

3. Investments

Investments are comprised of the following at December 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 9,954,946	\$ 6,217,759
Fixed income	40,238,299	44,624,946
Marketable equities	113,805,785	109,462,667
Marketable alternatives	20,446,878	15,576,885
Private investments	<u>60,874,018</u>	<u>43,329,853</u>
	<u>\$ 245,319,926</u>	<u>\$ 219,212,110</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, 2021 and 2020

3. Investments (Continued)

The following tables summarize the Foundation's investments within the fair value hierarchy at December 31, 2021 and 2020:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2021</u>				
Cash and cash equivalents	\$ 9,954,946	\$ 9,954,946	\$ —	\$ —
Fixed income:				
U.S. Government Bond Mutual Fund	<u>40,238,299</u>	<u>40,238,299</u>	<u>—</u>	<u>—</u>
	50,193,245	<u>\$50,193,245</u>	<u>\$ —</u>	<u>\$ —</u>
Investments valued at NAV not classified by level:				
Marketable equities:				
U.S. Equity	33,608,766			
Non-U.S. Equity	25,359,428			
Global Equity	27,584,954			
Emerging Markets	<u>27,252,637</u>			
Total marketable equities	113,805,785			
Marketable alternatives:				
Hedge Funds	20,446,878			
Private investments	<u>60,874,018</u>			
	<u>\$ 245,319,926</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, 2021 and 2020

3. Investments (Continued)

Liquidity

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

	<u>Fair Value</u>		<u>Redemption Notice Period</u>
	<u>2021</u>	<u>2020</u>	
Daily	\$ 50,193,245	\$ 50,842,705	1 day
Semi-monthly	8,086,340	11,749,644	3 days
Semi-monthly	9,063,921	6,736,157	6 days
Monthly	67,028,442	53,729,226	10-30 days
Monthly	7,638,330	12,023,017	60 days
Quarterly	24,792,917	17,725,409	60 – 65 days
2 years	514,600	3,347,174	90 days
3 years	10,434,693	12,364,116	30 days
3 years	<u>6,693,420</u>	<u>7,364,809</u>	60 days
Total liquid investments	184,445,908	175,882,257	
Illiquid investments	<u>60,874,018</u>	<u>43,329,853</u>	
Total investments	<u>\$ 245,319,926</u>	<u>\$ 219,212,110</u>	

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 2031.

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, 2021:

<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	\$14,753,668	\$ –	Monthly	30 days
Emerging Markets Funds	7,638,330	–	Monthly	60 days
Emerging Markets Funds	4,860,639	–	Quarterly	60 days
Non-U.S. Equity	10,207,324	–	Monthly	10 days
Non-U.S. Equity	8,458,684	–	Monthly	30 days
Non-U.S. Equity	\$ 6,693,420	\$ –	Every 3 years	60 days

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

3. Investments (Continued)

<u>Investment</u>	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Marketable equities (continued):				
U.S. Equity	33,608,766	–	Monthly	30 days
Global Equity	10,434,693	–	Every 3 years	30 days
Global Equity	8,086,340	–	Semi-monthly	3 days
Global Equity	9,063,921	–	Semi-monthly	6 days
Marketable alternatives:				
Hedge Funds	19,932,278	–	Quarterly	60 – 65 days
Hedge Funds	514,600	–	Every 2 years	90 days
Private investments:				
Limited Partnerships	60,874,018	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.

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.

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

3. Investments (Continued)

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 2021 and 2020 were \$83,050 and \$78,202, 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. The assets of the plan are the legal assets of the Foundation until they are distributed to participants and, therefore, the Foundation has included the related amounts in the statements of financial position in prepaid expenses and other assets with a corresponding amount in accounts payable and accrued expenses. At December 31, 2021 and 2020, approximately \$472,000 and \$383,000, respectively, was recorded related to this plan.

5. Leases

The Foundation leases its office space under a noncancelable operating lease agreement expiring in December 2028. Rent expense under the lease was \$141,144 and \$138,315 for 2021 and 2020, respectively.

Future minimum lease payments under this lease are:

2022	\$138,563
2023	141,334
2024	144,161
2025	147,044
2026	149,985
Thereafter	309,031

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

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, 2021 are as follows:

2022	<u>\$1,334,000</u>
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8. Excise Tax

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

	<u>2021</u>	<u>2020</u>
Current	\$300,940	\$105,671
Deferred	<u>303,256</u>	<u>566,478</u>
	<u>\$604,196</u>	<u>\$672,149</u>

The deferred tax liability of approximately \$1,254,000 and \$950,000 at December 31, 2021 and 2020, 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.

9. Donor Advised Fund

In 2011, 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, 2021 and 2020 the balances in the fund were \$4,577,198 and \$4,536,232, respectively, and are not reflected in the statements of financial position.

JOHN T. GORMAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

10. Functional Expenses

The Foundation provides support to programs and initiatives that are aligned with its mission. Expenses related to providing these services are as follows for the years ended December 31:

	Program Expense	Administrative & Grants Management Expense	Total
<u>2021</u>			
Grants	\$ 7,300,580	\$ –	\$ 7,300,580
Salaries and wages	383,681	1,148,301	1,531,982
Employee benefits	49,574	137,916	187,490
Payroll taxes	22,243	66,571	88,814
Professional fees	243,934	72,758	316,692
Occupancy	46,659	122,696	169,355
Technology	13,223	34,771	47,994
Office expenses	2,237	1,842	4,079
Travel and conferences	695	54	749
Meetings	570	1,500	2,070
Insurance	1,792	9,795	11,587
Depreciation	28,212	74,185	102,397
Dues and other expenses	1,699	4,468	6,167
Excise taxes	–	604,196	604,196
	<u>–</u>	<u>604,196</u>	<u>604,196</u>
Total	<u>\$ 8,095,099</u>	<u>\$ 2,279,053</u>	<u>\$ 10,374,152</u>
<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
	<u>–</u>	<u>672,149</u>	<u>672,149</u>
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, 2021 and 2020

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, 2021. There were no assets with donor restrictions at December 31, 2021.

Cash and cash equivalents	\$ 251,119
Investments	245,319,926
Less illiquid investments and investments with a redemption frequency greater than one year	<u>(78,516,731)</u>
Financial assets available for general expenditures within one year	<u>\$ 167,054,314</u>

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 that 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, 2021, 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, 2021 and 2020. The interest rate is based on LIBOR plus 1.50% and was 2.03% at December 31, 2021.