BAKER NEWMAN NOYES

John T. Gorman Foundation

Audited Financial Statements

Years Ended December 31, 2022 and 2021
With Independent Auditors' Report

BAKER NEWMAN NOYES

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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, 2022 and 2021, 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, 2022 and 2021, 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 27, 2023

JOHN T. GORMAN FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 539,693	$ 251,119
Investments	200,869,528	245,319,926
Prepaid expenses and other assets	606,899	545,588
Funds due from broker	–	581,027
Property and equipment, net	350,978	418,216
Program related investment	750,000	500,000
Operating lease right-of-use asset	841,472	–
Total assets	$ 203,958,570	$ 247,615,876
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 1,327,236	$ 2,021,892
Operating lease liability	850,069	–
Total liabilities	2,177,305	2,021,892
Net assets:		
Without donor restrictions	201,781,265	245,593,984
Total liabilities and net assets	$ 203,958,570	$ 247,615,876

See accompanying notes.

JOHN T. GORMAN FOUNDATION

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2022 and 2021

	2022	2021
Changes in net assets without donor restrictions:		
(Loss) revenue:		
Net investment return	$ (33,119,193)	$ 36,050,295
Total (loss) revenue	(33,119,193)	36,050,295
Expenses:		
Program:		
Grants	8,663,448	7,300,580
Program related expenses	955,737	794,519
Total program expenses	9,619,185	8,095,099
Administrative and grants management expense	1,484,566	1,674,857
Other:		
Excise tax (benefit) expense	(410,225)	604,196
Total expenses	10,693,526	10,374,152
Change in net assets without donor restrictions	(43,812,719)	25,676,143
Net assets without donor restrictions, beginning of year	245,593,984	219,917,841
Net assets without donor restrictions, end of year	$ 201,781,265	$ 245,593,984

See accompanying notes.

JOHN T. GORMAN FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2022 and 2021

	2022	2021
Cash flow from operating activities:		
Change in net assets:	$(43,812,719)	$ 25,676,143
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized loss (gain) on investments	33,580,268	(34,125,192)
Depreciation	70,254	102,397
Deferred excise tax (benefit) expense	(549,389)	303,256
Change in prepaid expenses and other assets	(61,311)	(21,961)
Change in accounts payable and accrued expenses	(145,267)	182,564
Non-cash operating lease expense	8,597	–
Net cash used by operating activities	(10,909,567)	(7,882,793)
Cash flows from investing activities:		
Proceeds from sale of investments	58,521,239	51,585,229
Purchase of investments	(47,070,082)	(44,148,880)
Purchase of property and equipment	(3,016)	(1,442)
Issuance of program related investments	(250,000)	–
Net cash provided by investing activities	11,198,141	7,434,907
Net increase (decrease) in cash	288,574	(447,886)
Cash, beginning of year	251,119	699,005
Cash, end of year	$ 539,693	$ 251,119
Supplemental disclosure of cash flow information:		
Funds due from broker for investment sales	$ 581,027	$ (581,027)

Supplemental disclosure of noncash transactions:

The Foundation adopted the provisions of Accounting Standards Update (ASU) 2016-02, effective January 1, 2022, which required the Foundation to record an operating right-of-use lease asset and liability of $974,409.

See accompanying notes.

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 people in Maine, particularly those experiencing poverty. To achieve the greatest impact, the Foundation has a special interest in strengthening children and 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, 2022 and 2021, 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 (the Code) and is a private foundation under Section 509(a) of the Code. The 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 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 2021 has been met and the estimated 2022 requirement of approximately $10,332,000 is expected to be met during 2023.

2. Summary of Significant Accounting Policies (Continued)

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.

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, 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.

2. Summary of Significant Accounting Policies (Continued)

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.

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 9.

Reclassifications

Certain 2021 amounts have been reclassified to permit comparison with the 2022 financial statements' presentation format.

2. Summary of Significant Accounting Policies (Continued)

Leases

Accounting Standards Codification (ASC) 842 became effective for the Foundation on January 1, 2022 and was adopted using the modified retrospective method for all leases that had commenced as of the effective date, along with certain available practical expedients. The Foundation elected to recognize any effects of applying the new standard as a cumulative-effect adjustment to the opening balance of net assets in the period of adoption, which there were none. In addition, the Foundation elected to adopt the package of practical expedients permitted under the transition guidance within the new standard. The practical expedient package applied to leases that commenced prior to the effective date of the new standard and permits a reporting entity not to: i) reassess whether any expired or existing contracts are or contain leases, ii) reassess the historical lease classification for any expired or existing leases, and iii) reassess initial direct costs for any existing leases. The reporting results for 2022 reflect the application of ASC 842 guidance while the historical results for 2021 were prepared under the guidance of ASC 840. The adoption of the new standard did not have a significant impact upon the Foundation's statements of activities and cash flows.

At the inception of an arrangement, the Foundation determines whether the arrangement is, or contains, a lease based on the unique facts and circumstances present in the arrangement. A lease is a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration. The Foundation determines if the contract conveys the right to control the use of an identified asset for a period of time. The Foundation assesses throughout the period of use whether the Foundation has both of the following: (1) the right to obtain substantially all of the economic benefits from use of the identified asset, and (2) the right to direct the use of the identified asset. This determination is reassessed if the terms of the contract are changed.

Leases are classified as operating or finance leases based on the terms of the lease agreement and certain characteristics of the identified asset. Leases with a term greater than one year are recognized on the statement of financial position as right-of-use assets and lease liabilities, as applicable.

The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Foundation elected to utilize the risk-free rate as the discount rate.

Operating lease expense is recognized on a straight-line basis over the lease term.

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 27, 2023, which is the date the financial statements were available to be issued.

3. Investments

Investments are comprised of the following at December 31:

	2022	2021
Cash and cash equivalents	$ 5,280,679	$ 9,954,946
Fixed income	24,119,464	25,552,941
Mutual Funds	10,836,981	14,685,358
Marketable equities	78,851,285	113,805,785
Marketable alternatives	22,506,056	20,446,878
Private investments	59,275,063	60,874,018
	$ 200,869,528	$ 245,319,926

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.

3. Investments (Continued)

The following tables summarize the Foundation's investments within the fair value hierarchy at December 31, 2022 and 2021:

	Total	Level 1	Level 2	Level 3
2022				
Cash and cash equivalents	$ 5,280,679	$ 5,280,679	$ –	$ –
Fixed income	24,119,464	24,119,464	–	–
Mutual funds	10,836,981	10,836,981	–	–
	40,237,124	$40,237,124	$ –	$ –
Investments valued at NAV not classified by level:				
Marketable equities:				
U.S. Equity	30,109,686			
Non-U.S. Equity	6,530,994			
Global Equity	27,644,242			
Emerging Markets	14,566,363			
Total marketable equities	78,851,285			
Marketable alternatives:				
Hedge Funds	22,506,056			
Private investments	59,275,063			
	$ 200,869,528			
2021				
Cash and cash equivalents	$ 9,954,946	$ 9,954,946	$ –	$ –
Fixed income	25,552,941	25,552,941	–	–
Mutual funds	14,685,358	14,685,358	–	–
	50,193,245	$50,193,245	$ –	$ –
Investments valued at NAV not classified by level:				
Marketable equities:				
U.S. Equity	38,469,226			
Non-U.S. Equity	13,805,548			
Global Equity	41,562,857			
Emerging Markets	19,968,154			
Total marketable equities	113,805,785			
Marketable alternatives:				
Hedge Funds	20,446,878			
Private investments	60,874,018			
	$ 245,319,926			

3. Investments (Continued)

Liquidity

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

	Fair Value 2022	Fair Value 2021	Redemption Notice Period
Daily	$ 40,237,124	$ 50,193,245	1 day
Semi-monthly	7,105,177	8,086,340	3 days
Semi-monthly	8,215,809	9,063,921	6 days
Monthly	33,431,040	54,883,499	10-30 days
Quarterly	9,004,188	12,144,943	60 days, 25% limit
Quarterly	36,618,198	42,865,940	60 – 65 days
Semi-annually	1,889	14,232	60 days
2 years	365,562	500,368	90 days
3 years	2,272,938	6,693,420	60 days
5 years	4,342,540	–	150 days
Total liquid investments	141,594,465	184,445,908	
Illiquid investments	59,275,063	60,874,018	
Total investments	$ 200,869,528	$ 245,319,926	

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 2035.

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, 2022:

Investment	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Marketable equities:				
Emerging Markets Funds	$ 4,890,228	$ –	Monthly	30 days
Emerging Markets Funds	9,676,135	–	Quarterly	60 days
Non-U.S. Equity	6,432,303	–	Monthly	10 days
Non-U.S. Equity	98,691	–	Monthly	30 days
U.S. Equity	4,342,540	–	Every 5 years	150 days

3. Investments (Continued)

Investment	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Marketable equities (continued):				
U.S. Equity	$22,009,818	$ –	Monthly	30 days
U.S. Equity	3,757,328	–	Quarterly	60 days, 25% limit
Global Equity	2,272,938	–	Every 3 years	60 days
Global Equity	7,105,177	–	Semi-monthly	3 days
Global Equity	8,215,809	–	Semi-monthly	6 days
Global Equity	4,803,458	–	Quarterly	60 days
Global Equity	5,246,860	–	Quarterly	60 days, 25% limit
Marketable alternatives:				
Hedge Funds	1,889	–	Semi-annually	60 days
Hedge Funds	22,138,605	–	Quarterly	60 – 65 days
Hedge Funds	365,562	–	Every 2 years	90 days
Private investments:				
Limited Partnerships	59,275,063	33,500,000	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.

3. Investments (Continued)

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 employee's compensation into the plan and contributes on a dollar-for-dollar basis, of eligible employee contributions up to 3% of compensation. The total Foundation contributions in 2022 and 2021 were approximately $48,000 and $83,000, 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, 2022 and 2021, approximately $396,000 and $472,000, respectively, was recorded related to this plan.

5. Leases

The Foundation leases office space under an operating lease agreement. The lease term expires December 31, 2028, with a renewal option of five years. The Foundation is not reasonably certain it will exercise the renewal option. Therefore, the renewal is not included in the lease term for purposes of determining its operating lease liability. The related operating lease expense totaled $147,160 for the year ended December 31, 2022 and $141,144 for the year ended December 31, 2021 and is recorded in administrative and grants management expense on the accompanying statement of activities.

The weighted-average lease term and discount rate for the operating lease are as follows as of December 31, 2022 and for the year then ended:

Weighted-average remaining lease term	6 years
Weighted-average discount rate	1.55%

Fixed operating lease cash flows were $138,563 for the year ended December 31, 2022.

Commitments relating to noncancelable operating leases obligations for each of the next five years after December 31, 2022, and the years thereafter, are as follows:

2023	$141,334
2024	144,162
2025	147,044
2026	149,985
2027	152,985
Thereafter	156,045
Total minimum future payments	891,555
Less imputed interest	(41,486)
Total lease obligations	$850,069

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. Excise Tax

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

	2022	2021
Current	$ 139,164	$300,940
Deferred	(549,389)	303,256
	$(410,225)	$604,196

7. Excise Tax (Continued)

The deferred tax liability of approximately $705,000 and $1,254,000 at December 31, 2022 and 2021, 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.

8. 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, 2022 and 2021 the balances in the fund were $3,946,159 and $4,577,198, respectively, and are not reflected in the statements of financial position.

9. 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
2022			
Grants	$ 8,663,448	$ –	$ 8,663,448
Salaries and wages	312,521	997,793	1,310,314
Employee benefits	39,599	100,045	139,644
Payroll taxes	19,399	61,786	81,185
Professional fees	401,960	83,101	485,061
Occupancy	54,362	122,817	177,179
Technology	15,464	34,936	50,400
Office expenses	14,667	4,860	19,527
Travel and conferences	8,371	2,009	10,380
Meetings	63,242	13,040	76,282
Insurance	2,237	10,149	12,386
Depreciation	21,555	48,699	70,254
Dues and other expenses	2,360	5,331	7,691
Excise tax benefit	–	(410,225)	(410,225)
Total	$ 9,619,185	$ 1,074,341	$ 10,693,526

9. Functional Expenses (Continued)

2021	Program Expense	Administrative & Grants Management Expense	Total
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 tax expense	–	604,196	604,196
Total	$8,095,099	$2,279,053	$10,374,152

10. 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 12 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, 2022. There were no assets with donor restrictions at December 31, 2022.

Cash and cash equivalents	$ 539,693
Investments	200,869,528
Less illiquid investments and investments with a redemption frequency greater than one year	(66,256,103)
Financial assets available for general expenditures within one year	$ 135,153,118

11. 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, 2022, there have been no repayments on the PRI.

In May 2022, the Foundation advanced $250,000 to Welcome Home Downeast as a PRI in the form of a loan bearing below-market interest. The loan agreement provides that Welcome Home Downeast will use these funds for the dual purpose of increasing the year-round workforce and providing affordable home ownership opportunities in Washington County, Maine. Interest only payments are due annually. The PRI agreement matures in 2027 at which time the principal and any accrued but unpaid interest is due.

12. 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, 2022 and 2021. The interest rate is based on LIBOR plus 1.50% and was 6.98% at December 31, 2022.