BAPTIST COMMUNITY MINISTRIES

Audit of Consolidated Financial Statements

September 30, 2013 with Comparative
Totals for September 30, 2012

LAPORTE
CPAs & BUSINESS ADVISORS

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Independent Auditor's Report

To the Board of Trustees of
Baptist Community Ministries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Baptist Community Ministries which comprise the consolidated statement of financial position as of September 30, 2013, the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 Baptist Community Ministries as of September 30, 2013, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the consolidated financial statements, the 2012 consolidated financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Baptist Community Ministries' 2012 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 14, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2012, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

LaPorte

A Professional Accounting Corporation

Metairie, LA
January 29, 2014

BAPTIST COMMUNITY MINISTRIES
Consolidated Statement of Financial Position
For the Year Ended September 30, 2013
With Comparative Totals for the Year Ended September 30, 2012
(In Thousands)

	2013				2012
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Assets					
Current Assets					
Cash and Cash Equivalents	$ 5,530	$ 419	$ -	$ 5,949	$ 5,012
Accounts Receivable	50	-	-	50	47
Prepaid Expenses	72	-	-	72	90
Total Current Assets	5,652	419	-	6,071	5,149
Investments, at Market Value					
Unrestricted	255,911	-	-	255,911	234,940
Donor Restricted	-	6,647	15,106	21,753	21,187
Total Investments, at Market Value	255,911	6,647	15,106	277,664	256,127
Fixed Assets, Net	351	-	-	351	321
Total Assets	$ 261,914	$ 7,066	$ 15,106	$ 284,086	$ 261,597
Liabilities and Net Assets					
Current Liabilities					
Accounts Payable and Accrued Expenses	$ 355	$ 9	$ -	$ 364	$ 463
Grants Payable	1,726	-	-	1,726	1,386
Other Accrued Liabilities	41	139	-	180	361
Total Current Liabilities	2,122	148	-	2,270	2,210
Long-Term Liabilities					
Distribution Payable to Former Member	304	-	-	304	304
Other Long-Term Liabilities	480	-	-	480	479
Total Long-Term Liabilities	784	-	-	784	783
Total Liabilities	2,906	148	-	3,054	2,993
Net Assets	259,008	6,918	15,106	281,032	258,604
Total Liabilities and Net Assets	$ 261,914	$ 7,066	$ 15,106	$ 284,086	$ 261,597

The accompanying notes are an integral part of these financial statements.

BAPTIST COMMUNITY MINISTRIES
Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2013
With Comparative Totals for the Year Ended September 30, 2012
(In Thousands)

	2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2012 Total
Revenue, Support and Gains					
Investment Income, Net	$ 34,029	$ 2,238	$ -	$ 36,267	$ 39,537
Gifts and Pledges	116	-	-	116	128
Other Income	95	-	-	95	64
Net Assets Released from Restrictions	985	(985)	-	-	-
Total Revenue, Support and Gains	35,225	1,253	-	36,478	39,729
Grants and Expenses					
Grants	9,336	-	-	9,336	7,324
Criminal Justice System Grant Expenditures	-	-	-	-	247
Personnel Costs	3,517	-	-	3,517	3,366
Occupancy Costs	356	-	-	356	358
Operating Costs	483	-	-	483	433
Friend/Fund Raising	55	-	-	55	66
Professional Fees	153	-	-	153	180
Depreciation and Amortization	138	-	-	138	113
Total Grants and Expenses	14,038	-	-	14,038	12,087
Increase in Net Assets Before Loss from Discontinued Operations	21,187	1,253	-	22,440	27,642
Loss from Discontinued Operations	(12)	-	-	(12)	(15)
Increase in Net Assets	21,175	1,253	-	22,428	27,627
Net Assets, Beginning of Year	237,039	5,958	15,607	258,604	230,977
Reclassification of Net Assets	794	(293)	(501)	-	-
Net Assets, End of Year	$ 259,008	$ 6,918	$ 15,106	$ 281,032	$ 258,604

The accompanying notes are an integral part of these financial statements.

BAPTIST COMMUNITY MINISTRIES
Consolidated Statement of Cash Flows
For the Year Ended September 30, 2013
With Comparative Totals for the Year Ended September 30, 2012
(In Thousands)

	2013				
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	2012 Total
Cash Flows from Operating Activities					
Increase in Net Assets	**$ 21,175**	**$ 1,253**	**$ -**	**$ 22,428**	$ 27,627
Adjustments to Reconcile Increase in Net Assets to Net Cash Used in Operating Activities					
Depreciation and Amortization	**138**	**-**	**-**	**138**	113
Net Realized and Unrealized Gains on Investments	**(30,980)**	**(1,915)**	**-**	**(32,895)**	(36,582)
(Increase) Decrease in Accounts Receivable	**(3)**	**-**	**-**	**(3)**	16
Decrease in Prepaid Expenses	**18**	**-**	**-**	**18**	22
(Decrease) Increase in Accounts Payable and Accrued Expenses	**(99)**	**-**	**-**	**(99)**	83
Increase (Decrease) in Grants Payable	**340**	**-**	**-**	**340**	(158)
(Decrease) Increase in Other Accrued Liabilities and Other Long-Term Liabilities	**(10)**	**(170)**	**-**	**(180)**	280
Net Cash Used in Operating Activities	**(9,421)**	**(832)**	**-**	**(10,253)**	(8,599)
Cash Flows from Investing Activities					
Purchases of Investments	**(58,165)**	**(8,597)**	**-**	**(66,762)**	(63,573)
Proceeds from Sales of Investments	**68,783**	**9,337**	**-**	**78,120**	69,696
Purchases of Fixed Assets	**(168)**	**-**	**-**	**(168)**	(118)
Net Cash Provided by Investing Activities	**10,450**	**740**	**-**	**11,190**	6,005
Net Increase (Decrease) in Cash and Cash Equivalents	**1,029**	**(92)**	**-**	**937**	(2,594)
Cash and Cash Equivalents, Beginning of Year	**4,501**	**511**	**-**	**5,012**	7,606
Cash and Cash Equivalents, End of Year	**$ 5,530**	**$ 419**	**$ -**	**$ 5,949**	$ 5,012

The accompanying notes are an integral part of these financial statements.

Note 1. Organization

The consolidated financial statements for Baptist Community Ministries (BCM) include the accounts of BCM and the C.E. McFarland and D.A. McFarland Trusts (the McFarland Trusts).

BCM is a private foundation organized under Section 509(a) of the Internal Revenue Code (IRC). BCM makes grants to qualifying charitable organizations in the five-parish river region, including Orleans and the four surrounding parishes. BCM's funding interests are primarily in the fields of health, education, public safety, and governmental oversight.

BCM operates The McFarland Institute. The McFarland Institute provides chaplaincy services in health care, criminal justice, and senior care facilities. Additionally, The McFarland Institute trains church nurses and supports wellness programs in congregations in the Greater New Orleans area.

The McFarland Trusts were established under the wills of C.E. McFarland and D.A. McFarland to provide endowment funds for BCM. BCM is the designated Trustee for both of the McFarland Trusts. The McFarland Trusts are private foundations within the meaning of Section 509(a) of the IRC.

On October 1, 2012, BCM merged with Christian Health Ministries Foundation (CHMF), a private foundation within the meaning of Section 509(a) of the IRC, to form the surviving entity, BCM. The merger occurred in order to simplify the corporate structure of the entities.

Following assets, liabilities and net assets were recognized in the merger as of October 1, 2012:

	CHMF
	(In Thousands)
Financial Assets	$ 26,897
Fixed Assets, Net	29
Financial Liabilities	(22)
Unrestricted Net Assets	(5,339)
Temporarily Restricted Net Assets	(5,958)
Permanently Restricted Net Assets	(15,607)

Prior to the merger, CHMF was consolidated in BCM's financial statements due to common ownership and control. CHMF maintained endowment and other funds and solicited and received contributions for and on behalf of BCM. No significant adjustments were made to conform the individual accounting policies of the merging entities.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements of BCM have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and they include all significant receivables, payables, and other liabilities.

Basis of Presentation

Because of common ownership and control, the accompanying financial statements include the consolidated accounts of BCM and the McFarland Trusts. All significant intercompany transactions and accounts are eliminated. For the year ended September 30, 2013, there are no significant transactions among BCM and the McFarland Trusts which require elimination.

The fiscal year 2013 financial statement presentation is in accordance with the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. Accordingly, BCM reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets are those whose use by BCM has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by BCM in perpetuity.

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's consolidated financial statements for the year ended September 30, 2012, from which the summarized information was derived.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

BCM considers highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Note 2. Summary of Significant Accounting Policies (Continued)

Investments

BCM carries investments at fair value in accordance with the *Not-for-Profit Entities* Topic of the FASB Accounting Standards Codification. Investments in equity securities are primarily publicly traded and are generally valued based upon the final sale prices as quoted on the primary exchange. Fixed income securities are generally valued based upon quoted market prices from brokers and dealers, which represent fair value. Investments also include an allocation to the asset class commonly referred to as alternative investments with net asset value (NAV) investments in private equity, real estate funds and a hedge fund. BCM has significant transparency into the underlying positions of the private equity funds. BCM cannot independently assess the value of these underlying positions through a public exchange or over the counter market. These investments are structured as limited liability corporations and are reported at NAV which approximates fair value.

BCM follows the concept of the “practical expedient” under U.S. GAAP. The practical expedient is an acceptable method under U.S. GAAP to determine the fair value of certain NAV investments (a) that do not have a readily determinable fair value predicated upon a public market and (b) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company under U.S. GAAP. As such, NAV investments are presented in the accompanying financial statements at fair value, as determined by BCM. Such fair value generally represents BCM’s proportionate share of the net assets of the NAV investment as reported by the underlying investment managers or general partners. Accordingly, the fair value NAV investments is generally increased by additional contributions and BCM’s share of net earnings from the NAV investments and decreased by distributions and BCM’s share of net losses from the NAV investments.

BCM believes that the carrying amount of its NAV investments is a reasonable estimate of fair value as of September 30, 2013 and 2012. Because these investments are not readily marketable, the estimated value is subject to uncertainty, therefore, results may differ from the value that would have been used had a ready market for the investment existed and such differences could be material.

Fair Value Measurements

BCM follows the provisions of the *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification. Accordingly, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The *Fair Value Measurements and Disclosures* Topic establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those which market participants would use in pricing the investment based on the best information available in the circumstances.

Note 2. Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments that BCM has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices which are observable for the investment either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 – Inputs that are unobservable and includes situations where there is little, if any, market activity for the investment.

Inputs are used in applying the various valuation techniques and refer to the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. BCM considers observable data to be market data which is readily available and reliable and provided by independent sources. The categorization of a financial instrument within the fair value hierarchy is therefore based upon the pricing transparency of the instrument and does not necessarily correspond to BCM's perceived risk of that instrument.

Investments whose values are based on quoted market prices in active markets are classified as Level 1 and generally include active listed equities and certain fixed income investments. BCM does not adjust the quoted price for such instruments.

Investments traded in markets that are not considered to be active under the accounting definition, but are valued on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs are classified as Level 2. Such inputs may include model based valuation techniques. These investments include certain U.S. government and sovereign obligations, government agency obligations, and investment grade corporate bonds.

Investments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value are based upon the best information in the circumstance and may require significant management judgment. Investments classified as Level 3 include BCM's alternative investments which are limited marketability funds that are not redeemable in the near terms or have significant restrictions.

Note 2. Summary of Significant Accounting Policies (Continued)

Fixed Assets, Net

Land consists of property which was donated to BCM and recorded at fair value determined at the date of donation. Equipment and furniture and fixtures are carried at cost. Management's threshold for capitalization is $500. Depreciation is calculated using the straight-line method at rates based on the estimated useful lives of the assets. The estimated useful life of equipment is three years and ten years for furniture and fixtures. Amortization of leasehold improvements was calculated using the straight-line method at rates based on the lesser of the lease term or the estimated useful lives of the assets.

At September 30, 2013 and 2012, fixed assets consisted of the following (dollars in thousands):

	2013	2012
Equipment	**$ 766**	$ 659
Furniture and Fixtures	**338**	321
Leasehold Improvements	**182**	179
Land	**29**	29
Less: Accumulated Depreciation	**(964)**	(867)
Fixed Assets, Net	**$ 351**	$ 321

Temporarily Restricted Net Assets

Temporarily restricted net assets are subject to donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Temporarily restricted net assets primarily consist of net assets that are available to fund the operations of The McFarland Institute. See Note 6 and 7 for further disclosure of temporarily restricted net assets and releases of restricted assets.

Permanently Restricted Net Assets

Permanently restricted net assets consist primarily of the McFarland Trusts. The income from these trusts is used to support the operation of The McFarland Institute. The balance of permanently restricted net assets is approximately $15,106,000 and $15,607,000, for the years ended September 30, 2013 and 2012, respectively. See Note 17 regarding the reclassification of net assets.

Investment Income, Net

Investment income includes interest income, dividends, net realized and unrealized gains and losses on investments, and rental income and loss, net of expenses, including custodial fees, investment advisory and management fees, Federal excise taxes, and unrelated business income taxes.

Note 2. Summary of Significant Accounting Policies (Continued)

Investment Income, Net (Continued)

Net investment income for the years ended September 30, 2013 and 2012, is summarized in the table below (dollars in thousands):

	2013	2012
Net Realized and Unrealized Gains	**$ 32,895**	$ 36,582
Interest and Dividends	**4,309**	4,449
Rental Gain (Loss)	**283**	(374)
Federal Excise Taxes	**(353)**	(255)
Unrelated Business Income Taxes	**-**	(3)
Management Fees	**(867)**	(862)
Investment Income, Net	**$ 36,267**	$ 39,537

Grants

The Board of Trustees approves the issuance of grant contracts. Grants are recorded when a Grant Award Agreement is executed by the grantee and BCM.

BCM and the McFarland Trusts are subject to the distribution requirements of IRC Section 4942 and, accordingly, must distribute grants that, together with certain related expenses, equal 5% of the average market value of their noncharitable-use assets held during the year, as defined by the IRC, within one year after the end of each year. BCM and the McFarland Trusts exceeded their distribution requirements during both fiscal 2013 and 2012.

Gifts, Pledges and Bequests

Unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Income Tax

The Internal Revenue Service has determined that each of BCM and the McFarland Trusts are exempt from Federal income tax under Section 501(c)(3) of the IRC. These entities are private foundations and are subject to certain taxes on their net investment income.

BCM follows the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB Accounting Standards Codification. All tax returns have been appropriately filed by BCM. BCM recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. BCM's tax filings are subject to audit by various taxing authorities. BCM's Federal tax returns for fiscal years 2012, 2011, and 2010 are subject to examination by the IRS, generally for three years after they were filed. As of September 30, 2013, management evaluated BCM's tax position and concluded that BCM has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance.

Note 2. Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation. Such reclassifications had no effect on net income.

Note 3. Discontinued Operations

BCM was previously involved in the operation and support of Mercy+Baptist Medical Center (MBMC), which operated acute health care facilities located in New Orleans, Louisiana. MBMC was created on February 1, 1994, upon completion of the merger of Southern Baptist Hospital (SBH) and Mercy Hospital of New Orleans. MBMC was sold to NME Hospitals, Inc. on August 22, 1995. BCM received cash proceeds of approximately $205 million from the sale and retained certain assets and liabilities as part of the transaction. St. John's Place of New Orleans, Inc. (SJP), an affiliate of Sisters of Mercy Health System-St. Louis, withdrew as a member of BCM on December 15, 1995. SJP's share of the net assets from discontinued operations (35%) is being distributed to SJP over time by BCM.

Distributions to SJP have been made over time as the liabilities were settled. Through September 30, 2013, BCM has distributed $67.9 million to SJP. BCM has also accrued the estimated final amount due to SJP ($304,000 as a long-term liability) in the accompanying consolidated financial statements. The liabilities from discontinued operations are based on estimates that, in some cases, may take several years to finally settle.

Loss from discontinued operations in the consolidated statement of activities and changes in net assets is comprised primarily of net investment income earned on cash and investments that are being held to pay the retained liabilities, any adjustments to estimated amounts payable on the retained liabilities, and accruals for estimated distributions due to SJP related to these amounts.

Note 4. Investments

Investments held as of September 30th are summarized below (dollars in thousands):

	2013			
	BCM	**McFarland Trusts**	**Total**	2012
Equities				
Large Cap	**$ 97,704**	**$ 5,029**	**$ 102,733**	$ 87,586
Small/Mid Cap	**31,690**	**4,385**	**36,075**	28,492
Emerging Markets	**-**	**921**	**921**	1,252
International	**33,783**	**2,127**	**35,910**	30,027
Real Estate	**-**	**1,100**	**1,100**	1,405
Energy	**-**	**1,013**	**1,013**	1,160
Total Equities	**163,177**	**14,575**	**177,752**	149,922
Fixed Income	**50,566**	**5,715**	**56,281**	65,340
Alternative Investments				
Hedge Fund	**20,145**	**-**	**20,145**	16,899
Private Equity	**10,804**	**-**	**10,804**	11,258
Real Estate	**12,164**	**-**	**12,164**	11,841
Natural Resources	**-**	**518**	**518**	867
Total Alternative Investments	**43,113**	**518**	**43,631**	40,865
Total Investments	**$ 256,856**	**$ 20,808**	**$ 277,664**	$ 256,127

BCM has engaged the services of professional investment consultants and investment managers to actively manage their investment portfolios. Managers are required to manage their portfolios in accordance with investment guidelines approved by the Board of Trustees of BCM.

The investment policy of BCM calls for a 20% allocation to the asset class of alternative investments.

As noted above, BCM invests in certain alternative investments. The market value of one such investment experienced significant impairments in fiscal year 2011 that were considered other than temporary. Accordingly, BCM adjusted the carrying value to reflect those impairments. BCM did not recognize any other-than-temporary impairment charges against investments during the years ended September 30, 2013 and 2012.

Note 4. Investments (Continued)

The classification of investments by level within the valuation hierarchy as of September 30, 2013, is as follows (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Equity Securities	**$ 177,752**	**$ -**	**$ -**	**$ 177,752**
Fixed Income Securities	**28,257**	**28,024**	**-**	**56,281**
Alternative Investments	**-**	**-**	**43,631**	**43,631**
Total	**$ 206,009**	**$ 28,024**	**$ 43,631**	**$ 277,664**

The classification of investments by level within the valuation hierarchy as of September 30, 2012, is as follows (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Equity Securities	$ 149,922	$ -	$ -	$ 149,922
Fixed Income Securities	32,857	32,483	-	65,340
Alternative Investments	-	-	40,865	40,865
Total	$ 182,779	$ 32,483	$ 40,865	$ 256,127

The following table summarizes Level 3 activity for the year ended September 30, 2013, are as follows (dollars in thousands):

	Level 3 Beginning Balance	Net Realized and Unrealized Gains	Net Purchases and Sales	Level 3 Ending Balance
Alternative Investments	**$ 40,865**	**$ 3,223**	**$ (457)**	**$ 43,631**
Total	**$ 40,865**	**$ 3,223**	**$ (457)**	**$ 43,631**

The following table summarizes Level 3 activity for the year ended September 30, 2012, are as follows (dollars in thousands):

	Level 3 Beginning Balance	Net Realized and Unrealized Gains	Net Purchases and Sales	Level 3 Ending Balance
Alternative Investments	$ 32,765	$ 1,558	$ 6,542	$ 40,865
Total	$ 32,765	$ 1,558	$ 6,542	$ 40,865

Note 4. Investments (Continued)

The following table lists investments in other investment companies as of September 30, 2013 that have been valued using the NAV as a practical expedient, classified by major investment category:

Category of Investment	Investment Strategy and Structure	Number of Investments	Fair Value Using NAV (in thousands)	Unfunded Commitments (in thousands)	Remaining Life	Redemption Terms	Redemption Restrictions and Terms	Redemption Restrictions and Terms in Place at Year End
Alternative Investments:								
Private Equity	Investments in the equity and credit of primarily private companies through private partnerships and holding companies. Benchmark is the global stock markets (as measured by the MCSI World Index).	4	$ 10,805	$ 3,940	4 to 7 years	Original terms range between 4 to 6 years with five additional one-year periods at the discretion of the Manager. Redemption not permitted during the life of the fund. Distributions may be made at the discretion of the general partners.	Not applicable - no redemption ability	Not applicable - no redemption ability
Real Estate Limited Partnership	Investments in real estate assets.	1	5,885	-	Open Ended	Quarterly written notice prior to valuation date.	Value as of the last day of the calendar quarter immediately preceding the redemption date subject to the extent as liquid assets permit	Value as of the last day of the calendar quarter immediately preceding the redemption date subject to the extent as liquid assets permit
Real Estate Investment Trust	Investments in real estate assets.	1	6,279	-	Open Ended	90 days' written notice	The Limited Partner may revoke a Redemption Notice with 15 days' prior written notice of such revocation the receipt of which has been acknowledged by the General Partner	The Limited Partner may revoke a Redemption Notice with 15 days' prior written notice of such revocation the receipt of which has been acknowledged by the General Partner
Hedge Fund	Investments in commingled vehicles commonly known as hedge funds.	1	20,144	-	Open Ended	Annually at December 31 subject to 100 days' written notice before end of calendar year	If redemption not made at the end of any applicable lock-up period, they will remain outstanding and will be subject to a new lock-up period	If redemption not made at the end of any applicable lock-up period, they will remain outstanding and will be subject to a new lock-up period
Natural Resources	Investments in securities offering exposure to the varous natural resources sectors. Benchmark is the Euromoney Global Mining 100 Index with controlled risk.	2	518	-	Open Ended	30 days written notice	Redemption not later than the next Valuation Date (4 p.m. eastern time on the last business day of each calendar month) as long as such date is not less than 30 days of such written request.	Redemption not later than the next Valuation Date (4 p.m. eastern time on the last business day of each calendar month) as long as such date is not less than 30 days of such written request.
			$ 43,631	$ 3,940				

Note 5. Grants Payable

Amounts that are currently obligated under contract as grants payable totaled $1.7 million and $1.4 million, as of September 30, 2013 and 2012, respectively.

Probable future funding commitments under grants which are to be disbursed over multiple years, pending continued satisfactory achievement of stated program objectives by grantee organizations, totaled $8.8 million as of September 30, 2013.

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes (dollars in thousands):

Distributions to BCM for Operation of The McFarland Institute	$ 6,277
Rosenthal – Heart and Cancer Patients	501
New Orleans Innovation Fund – Criminal Justice Projects	140
Total	$ 6,918

Note 7. Release of Restricted Assets

Net assets were released from restrictions by incurring expenses satisfying the following restricted purposes (dollars in thousands):

Restrictions Accomplished:

Distributions to BCM for Operation of The McFarland Institute	$ 816
Criminal Justice System	169
Total	$ 985

Note 8. Leases

On August 18, 2006, BCM entered into a lease agreement for office space on the 29th floor of 400 Poydras Street which expires on February 28, 2017. Rental expenses on this lease were approximately $126,700 during fiscal year 2013 and $121,600 during fiscal year 2012. Average future minimum payments required under this lease are approximately $126,000 per year or $430,400 in total as of September 30, 2013.

On April 1, 2006, BCM entered into a lease agreement for office space on the 25th floor of 400 Poydras Street which expires on September 30, 2016. Rental expenses on this lease were approximately $82,000 during fiscal year 2013 and approximately $79,000 during fiscal year 2012. Average future minimum payments required under this lease are approximately $81,700 per year or $245,000 in total as of September 30, 2013.

Note 9. Retirement Plans

Since August 22, 1995, BCM has offered a qualified tax-deferred plan to eligible employees. Employer discretionary contributions for eligible employees are based on 5% of wages plus an additional 5% of wages in excess of the Social Security wage base. In addition, BCM makes matching contributions up to 75% of the first 4% of wages contributed by eligible employees on a salary reduction basis under Section 401(k) of the IRC. Fidelity Investments was appointed as the third party administrator and trustee of the 401(k) Plan. Total employer contributions were $213,000 and $212,000, in fiscal years 2013 and 2012, respectively.

Two executives participate in separate deferred compensation plans under Section 457 of the IRC. The plans are provided for in the terms of their respective employment agreements (see Note 14). Employer contribution amounts and distribution terms vary according to each plan. Since the plans are unfunded, BCM records a liability to reserve for the future distributions to be paid under the plans. During the years ended September 30, 2013 and 2012, BCM accrued plan expenses of approximately $43,000 and $33,000, respectively. As of September 30, 2013 and 2012, the plan liabilities totaled approximately $159,000 and $117,000, respectively.

Note 10. Functional Expense Allocation

Expenses by function for the years ended September 30, 2013 and 2012, were as follows:

	2013	2012
Expenses		
Program Services		
Grantmaking	**$ 10,619**	$ 8,896
Direct Charitable Activities	**1,665**	1,454
Supporting Services		
Management and General	**1,699**	1,671
Fundraising	**55**	66
Total Expenses	**$ 14,038**	$ 12,087

Note 11. Fair Value of Financial Instruments

The following disclosure is made in accordance with the *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification. Financial instruments are defined as cash and contractual rights and obligations that require settlement, directly or indirectly, in cash.

Note 11. Fair Value of Financial Instruments (Continued)

Listed below are the carrying amounts of financial instruments which approximate fair value.

	September 30, 2013		September 30, 2012	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	(In Thousands)			
Financial Assets				
Cash and Cash Equivalents	**$ 5,949**	**$ 5,949**	$ 5,012	$ 5,012
Accounts Receivable	**50**	**50**	47	47
Investments	**277,664**	**277,664**	256,127	257,511
Financial Liabilities				
Accounts Payable and Accrued Expenses	**$ 364**	**$ 364**	$ 463	$ 463
Grants Payable	**1,726**	**1,726**	1,386	1,386
Other Accrued Liabilities	**180**	**180**	361	361
Distribution Payable to Former Member	**304**	**304**	304	304
Other Long-Term Liabilities	**480**	**480**	479	479

Note 12. Concentration of Credit Risk

The financial instruments that potentially subject BCM to a concentration of credit risk consist primarily of cash deposits and investments. BCM's policy is to maintain balances below the U.S. Federal Deposit Insurance Corporation limit. At times, deposits may exceed the covered amounts. BCM has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash. Investments are subject to market risk which may result in losses.

Note 13. Commitments and Contingencies

During fiscal year 2010, BCM entered into a cooperative endeavor agreement (CEA) with the City of New Orleans to manage and oversee agreed upon justice innovation projects. BCM agreed to utilize its grants and contract management process to continue and/or initiate projects in seven goal areas outlined in the CEA. All funds under management are being used to support direct efforts within the goal areas, and no indirect and/or administrative costs are being charged against these funds for fiscal and project management duties performed by BCM. For the year ended September 30, 2012, the amount re-granted and/or expended totaled approximately $247,000. As of September 30, 2012 BCM fulfilled its obligation under the CEA.

Note 14. Employment Agreement

On October 1, 2012, BCM entered into an employment agreement with the President of BCM. The agreement was to continue for 48 consecutive months, ending on September 30, 2016. BCM terminated the agreement in November 2013 (see Note 18). The employment agreement included a covenant not-to-compete for a period of two years after termination of employment, as well as provisions for a 457 plan (see Note 9).

On October 1, 2013, BCM entered into an employment agreement with the Senior Consultant of BCM who is also the President of the McFarland Institute Council. The agreement shall continue for one year ending on September 30, 2014, and includes a provision for a 457 plan (see Note 9). BCM may terminate the agreement prior to the end of the agreement with at least 90 days notice.

Note 15. Endowments

In 2013 BCM's endowment consists of four donor-restricted individual funds established for supporting operations/programs. In 2012 its endowment included both donor-restricted funds and a board-designated unrestricted fund. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In the past, BCM received contributions which were subject to specific restrictions which were imposed by the donors. BCM believes these contributions have been recorded in accordance with the documents governing these contributions. Additionally, BCM receives gifts, bequests and contributions whose use is not restricted by the donor. The Board of Trustees of BCM has the ability to distribute such gifts as the Board, in its sole discretion, shall determine. As a result, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

The *Not-for-Profit Entities* Topic of the FASB Accounting Standards Codification provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). This Topic also requires additional disclosures about an organization’s endowment funds.

Note 15. Endowments (Continued)

The Board of Trustees of BCM has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, BCM classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by BCM in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, BCM considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of BCM, and (7) BCM's investment policies.

Endowment Investment and Spending Policies. BCM has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. BCM’s spending and investment policies work together to achieve this objective.

The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is five percent (5%) plus inflation, net of investment fees. Actual returns in any given year may vary from this amount. To satisfy its long-term rate of return objectives, BCM relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). BCM targets a diversified asset allocation that places an emphasis on equity-based and fixed income investments to achieve its long-term return objectives within prudent risk parameters. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The spending policy calculates the amount of money annually distributed from BCM’s various endowed funds. The current spending policy is to distribute an amount equal to 5% of the prior years’ average of the fair market value of the endowment funds. Accordingly, over the long-term, BCM expects its current spending policy to allow its endowment assets to grow at the rate of inflation annually. This is consistent with BCM’s objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Note 15. Endowments (Continued)

Endowment net asset composition by type of fund as of September 30, 2013, is as follows (dollars in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-Restricted Endowments	$ -	$ 6,918	$ 15,106	$ 22,024
Total	$ -	$ 6,918	$ 15,106	$ 22,024

Changes in endowment net assets as of September 30, 2013, are as follows (dollars in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment Net Assets, Beginning of Year	$ 5,339	$ 5,958	$ 15,607	$ 26,904
Transfer of CHMF Assets to BCM	(5,339)	(795)	(945)	(7,079)
Reclassification of Net Assets - BCM	-	501	444	945
Net Investment Income	-	323	-	323
Net Appreciation/Depreciation	-	1,915	-	1,915
Expenditures/Distributions	-	(984)	-	(984)
Endowment Net Assets, End of Year	$ -	$ 6,918	$ 15,106	$ 22,024

Note 16. Agency Funds

Agency Funds are funds for which BCM acts as a trustee and has duty to hold and manage assets for the benefit of a specific beneficiary. Funds held in an agency capacity are reported in temporarily restricted cash and cash equivalents, and the related agency liabilities are reported in other accrued liabilities. As of September 30, 2013 and 2012, agency funds held by BCM and the related liabilities totaled approximately $140,000 and $309,000, respectively.

Note 17. Reclassification of Net Assets

During the year, management researched the original restrictions placed on several of BCM's permanently restricted funds. BCM obtained an attorneys opinion which resulted in the reclassification of net assets for one fund from permanently restricted to temporarily restricted in the amount of $501,000. As a result of this reclassification, $534,000 of net assets related to this fund that was previously reported as temporarily restricted for time until appropriated by the board was reclassified to unrestricted net assets as it was no longer deemed an endowment requiring such accounting treatment.

For two other permanently restricted funds, a total of $260,000 previously reported as temporarily restricted for time until appropriated by the board was deemed to have been released prior to the fiscal year ended September 30, 2013. This resulted in a reclassification of this amount from temporarily restricted net assets to unrestricted net assets.

Also as a result of the reclassifications of net assets, cash and cash equivalents totaling $185,000 were also reclassified from temporarily restricted to unrestricted. These reclassifications had no net effect on total net assets.

Note 18. Subsequent Events

Subsequent to year end, separation agreements were negotiated with three former BCM employees. The agreements provided lump-sum payments totaling $615,000 and future COBRA insurance coverage beginning January 2014 totaling $42,179.

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, January 29, 2014, and determined that no events, except for the events described above and in Note 14, occurred that require disclosure. No subsequent events occurring after January 29, 2014, have been evaluated for inclusion in these consolidated financial statements.