BAPTIST COMMUNITY MINISTRIES

Audit of Consolidated Financial Statements

September 30, 2017 with Comparative
Totals for September 30, 2016

Contents

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Independent Auditor's Report

To the Board of Trustees
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, 2017, 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 (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Baptist Community Ministries as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information
We have previously audited Baptist Community Ministries' 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 5, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

LaPorte

A Professional Accounting Corporation

Metairie, LA
January 23, 2018

BAPTIST COMMUNITY MINISTRIES
Consolidated Statement of Financial Position
As of September 30, 2017
With Comparative Totals as of September 30, 2016
(In Thousands)

	2017				
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	2016 Total
Assets					
Current Assets					
Cash and Cash Equivalents	**$ 6,181**	**$ 74**	**$ -**	**$ 6,255**	$ 5,689
Accounts Receivable	**71**	**5**	**-**	**76**	96
Prepaid Expenses	**144**	**3**	**-**	**147**	227
Total Current Assets	**6,396**	**82**	**-**	**6,478**	6,012
Investments, at Market Value					
Unrestricted	**278,730**	**-**	**-**	**278,730**	263,937
Donor Restricted	**-**	**7,490**	**15,106**	**22,596**	21,333
Total Investments, at Market Value	**278,730**	**7,490**	**15,106**	**301,326**	285,270
Fixed Assets, Net	**191**	**-**	**-**	**191**	198
Total Assets	**$ 285,317**	**$ 7,572**	**$ 15,106**	**$ 307,995**	$ 291,480
Liabilities and Net Assets					
Current Liabilities					
Accounts Payable and Accrued Expenses	**$ 328**	**$ 1**	**$ -**	**$ 329**	$ 286
Grants Payable	**2,024**	**-**	**-**	**2,024**	1,930
Other Accrued Liabilities	**54**	**-**	**-**	**54**	112
Total Current Liabilities	**2,406**	**1**	**-**	**2,407**	2,328
Long-Term Liabilities					
Distribution Payable to Former Member	**290**	**-**	**-**	**290**	290
Other Long-Term Liabilities	**310**	**-**	**-**	**310**	318
Total Long-Term Liabilities	**600**	**-**	**-**	**600**	608
Total Liabilities	**3,006**	**1**	**-**	**3,007**	2,936
Net Assets	**282,311**	**7,571**	**15,106**	**304,988**	288,544
Total Liabilities and Net Assets	**$ 285,317**	**$ 7,572**	**$ 15,106**	**$ 307,995**	$ 291,480

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

BAPTIST COMMUNITY MINISTRIES
Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2017
With Comparative Totals for the Year Ended September 30, 2016
(In Thousands)

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue, Support, and Gains					
Investment Income, Net	$ 28,463	$ 2,422	$ -	$ 30,885	$ 22,343
Grants	100	-	-	100	-
Gifts and Pledges	-	-	-	-	10
Other Income	153	-	-	153	155
Net Assets Released from Restrictions	1,110	(1,110)	-	-	-
Total Revenue, Support, and Gains	29,826	1,312	-	31,138	22,508
Grants and Expenses					
Grants	10,268	-	-	10,268	12,097
Personnel Costs	3,455	-	-	3,455	3,355
Occupancy Costs	330	-	-	330	357
Operating Costs	542	-	-	542	485
Professional Fees	212	-	-	212	188
Depreciation and Amortization	74	-	-	74	107
Total Grants and Expenses	14,881	-	-	14,881	16,589
Increase in Net Assets Before Gain (Loss) from Discontinued Operations	14,945	1,312	-	16,257	5,919
Gain (Loss) from Discontinued Operations	187	-	-	187	(82)
Increase in Net Assets	15,132	1,312	-	16,444	5,837
Net Assets, Beginning of Year	267,179	6,259	15,106	288,544	282,707
Net Assets, End of Year	$ 282,311	$ 7,571	$ 15,106	$ 304,988	$ 288,544

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

BAPTIST COMMUNITY MINISTRIES
Consolidated Statement of Cash Flows
For the Year Ended September 30, 2017
With Comparative Totals for the Year Ended September 30, 2016
(In Thousands)

	2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2016 Total
Cash Flows from Operating Activities					
Increase in Net Assets	$ 15,132	$ 1,312	$ -	$ 16,444	$ 5,837
Adjustments to Reconcile Increase in Net Assets to Net Cash Used in Operating Activities					
Depreciation and Amortization	74	-	-	74	107
Net Realized and Unrealized Gains on Investments	(26,024)	(1,959)	-	(27,983)	(19,182)
(Increase) Decrease in:					
Accounts Receivable	(5)	25	-	20	(42)
Prepaid Expenses	75	5	-	80	(131)
Increase (Decrease) in:					
Accounts Payable and Accrued Expenses	48	(5)	-	43	(153)
Grants Payable	94	-	-	94	550
Other Accrued Liabilities and Long-Term Liabilities	(5)	(61)	-	(66)	69
Net Cash Used in Operating Activities	(10,611)	(683)	-	(11,294)	(12,945)
Cash Flows from Investing Activities					
Purchases of Investments	(75,793)	(54)	-	(75,847)	(44,498)
Proceeds from Sales of Investments	87,025	737	-	87,762	55,985
Proceeds from Class Action Settlements	-	-	-	-	3
Proceeds from Non-Dividend Distributions	-	13	-	13	12
Purchases of Fixed Assets	(68)	-	-	(68)	(55)
Net Cash Provided by Investing Activities	11,164	696	-	11,860	11,447
Net Increase (Decrease) in Cash and Cash Equivalents	553	13	-	566	(1,498)
Cash and Cash Equivalents, Beginning of Year	5,628	61	-	5,689	7,187
Cash and Cash Equivalents, End of Year	$ 6,181	$ 74	$ -	$ 6,255	$ 5,689

The accompanying notes are an integral part of these consolidated 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.

Chaplaincy Services provides pastoral care in health care, criminal justice, and senior care facilities. Additionally, Congregational Wellness trains nurses and lay persons and supports wellness programs in congregations in the Greater New Orleans area. Together Chaplaincy Services and Congregational Wellness comprise the direct charitable service activities of BCM (direct charitable services).

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.

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, 2017, there are no significant transactions among BCM and the McFarland Trusts which require elimination.

The fiscal year 2017 consolidated financial statement presentation is in accordance with the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). 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.

Note 2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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 BCM's consolidated financial statements for the year ended September 30, 2016, 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.

Investments

BCM carries investments at fair value in accordance with the *Not-for-Profit Entities* Topic of the FASB ASC. 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 consolidated 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 investment managers or general partners. Accordingly, the fair value of 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.

Note 2. Summary of Significant Accounting Policies (Continued)

Investments (Continued)

BCM believes that the carrying amount of its NAV investments is a reasonable estimate of fair value as of September 30, 2017 and 2016. 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 Measurement

BCM follows the provisions of the *Fair Value Measurement* Topic of the FASB ASC. 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 Measurement* 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.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

Fair Value Measurement (Continued)

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.

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 is 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, 2017 and 2016, fixed assets consisted of the following (dollars in thousands):

	2017	2016
Equipment	**$ 693**	$ 660
Furniture and Fixtures	**455**	442
Leashold Improvements	**186**	182
Land	**29**	29
Less: Accumulated Depreciation	**(1,172)**	(1,115)
Fixed Assets, Net	**$ 191**	$ 198

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 consolidated 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 direct charitable services. See Notes 6 and 7 for further disclosure of temporarily restricted net assets and releases of restricted net assets.

Note 2. Summary of Significant Accounting Policies (Continued)

Permanently Restricted Net Assets

Permanently restricted net assets consist primarily of the McFarland Trusts. The income from these trusts is used to support direct charitable services. The balance of permanently restricted net assets is approximately $15,106,000 for the years ended September 30, 2017 and 2016. See Note 8 for further disclosure of permanently restricted 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.

Net investment income for the years ended September 30, 2017 and 2016, is summarized in the table below (dollars in thousands):

		2017		2016
Net Unrealized and Realized Gains	**$**	**27,983**	$	19,182
Interest and Dividends		**4,114**		4,207
Federal Excise Taxes		**(301)**		(73)
Management Fees		**(911)**		(973)
Investment Income, Net	**$**	**30,885**	$	22,343

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 years 2017 and 2016.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

Income Tax

The Internal Revenue Service has determined that each 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.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. BCM and the McFarland Trusts believe that they have appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the consolidated financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

Recent Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958),* which amends the existing requirements for the financial statements and notes of not-for-profit entities (NFP). This update is the first phase of the FASB's two phase project. Entities are required to present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. That is, a NFP will report amounts for *net assets without donor restrictions,* as well as the currently required amount for total net assets. There are additional enhanced disclosure requirements included in this update. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. The amendments in this update should be applied on a retrospective basis in the year that the update is first applied. However, if presenting comparative financial statements, a NFP has the option to omit certain information for any periods presented before the period of adoption.

In January 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2019.

Management is currently evaluating the impact of adopting ASU 2016-02 and ASU 2016-14 on its consolidated financial statements.

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, 2017, BCM has distributed $67.9 million to SJP. BCM has also accrued the estimated final amount due to SJP ($290,000 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.

Gain (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):

	2017 BCM	2017 McFarland Trusts	2017 Total	2016
Equities				
Large Cap	**$ 99,296**	**$ -**	**$ 99,296**	$ 96,836
Small/Mid Cap	**32,282**	**-**	**32,282**	29,118
Stock Index Fund	**-**	**11,642**	**11,642**	10,589
Developed Markets Index Fund	**-**	**2,150**	**2,150**	1,801
Emerging Markets	**-**	**1,162**	**1,162**	1,002
International	**39,437**	**-**	**39,437**	33,563
Real Estate	**-**	**1,004**	**1,004**	1,049
Total Equities	**171,015**	**15,958**	**186,973**	173,958
Fixed Income	**55,914**	**5,992**	**61,906**	61,857
Alternative Investments				
Hedge Fund	**21,934**	**-**	**21,934**	21,810
Private Equity	**12,288**	**-**	**12,288**	10,625
Real Estate	**18,225**	**-**	**18,225**	17,020
Total Alternative Investments	**52,447**	**-**	**52,447**	49,455
Total Investments	**$ 279,376**	**$ 21,950**	**$ 301,326**	$ 285,270

Note 4. Investments (Continued)

BCM has engaged the services of a professional investment consultant 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 classification of investments by level within the valuation hierarchy as of September 30, 2017 and 2016, is as follows (dollars in thousands):

September 30, 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity Securities	**$ 104,116**	**$ 82,857**	**$ -**	**$ 186,973**
Fixed Income Securities	**5,992**	**55,914**	**-**	**61,906**
Total Assets in the Fair Value Hierarchy	**$ 110,108**	**$ 138,771**	**$ -**	**248,879**
Investments Measured at Net Asset Value [(a)]				**52,447**
Investments, at Fair Value				**$ 301,326**

September 30, 2016	Level 1	Level 2	Level 3	Total
Equity Securities	$ 125,419	$ 48,539	$ -	$ 173,958
Fixed Income Securities	6,147	55,710	-	61,857
Total Assets in the Fair Value Hierarchy	$ 131,566	$ 104,249	$ -	235,815
Investments Measured at Net Asset Value [(a)]				49,455
Investments, at Fair Value				$ 285,270

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statement of financial position.

The following table lists investments in other investment companies as of September 30, 2017 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
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).	9	$ 12,288	$ 14,176	2 to 10 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	9,447	-	Open Ended	90 days written notice.	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.

Note 4. Investments (Continued)

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
Real Estate Investment Trust	Investments in real estate assets.	1	8,778	-	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
Hedge Fund	Investments in commingled vehicles commonly known as hedge funds.	1	21,934	-	Open Ended	Annually at December 31 subject to 100 days' written notice before end of calendar year.	If redemption is 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 is 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.
			$ 52,447	$ 14,176				

Note 5. Grants Payable

Amounts that are currently obligated under contract as grants payable totaled approximately $2.0 million and $1.9 million, as of September 30, 2017 and 2016, 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 $8.4 million as of September 30, 2017.

Note 6. Temporarily Restricted Net Assets

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

	2017	2016
Distributions to BCM for Direct Charitable Services	**$ 7,370**	$ 5,958
Rosenthal - Heart and Cancer Patients	**202**	301
Total	**$ 7,572**	$ 6,259

Note 7. Releases of Restricted Net Assets

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

Restrictions Accomplished	2017	2016
Distributions to BCM for Direct Charitable Services	$ 1,010	$ 1,054
Rosenthal Funds Released	100	100
McFarland Trusts Professional Fees	-	1
Total	$ 1,110	$ 1,155

Note 8. Permanently Restricted Net Assets

Permanently restricted net assets consist of the following endowment fund assets to be held indefinitely (dollars in thousands):

	2017	2016
D.A. McFarland Trust	$ 12,466	$ 12,466
C.E. McFarland Trust	2,196	2,196
Andrew Stewart	369	369
Nippert	75	75
Total	$ 15,106	$ 15,106

Note 9. Leases

On August 18, 2006, BCM entered into a lease agreement for office space on the 29th floor of 400 Poydras Street which was originally set to expire on February 28, 2017. On July 26, 2016, the lease was extended through May 31, 2027. Rental expenses on this lease were approximately $121,000 during fiscal year 2017 and $129,900 during fiscal year 2016. Average future minimum payments required under this lease are approximately $131,000 per year or $1,268,354 in total as of September 30, 2017.

On April 1, 2006, BCM entered into a lease agreement for office space on the 25th floor of 400 Poydras Street which expired on September 30, 2016 and was extended on a month-to-month basis until December 31, 2016. Rental expenses on this lease were approximately $20,400 during fiscal year 2017 and $84,300 during fiscal year 2016.

On July 22, 2016, BCM entered into a lease agreement for office space at 2222 Lakeshore Drive which expires on September 30, 2021. Rental expenses on this lease were approximately $61,000 during fiscal year 2017 and $-0- during fiscal year 2016. Average future minimum payments required under this lease are approximately $61,000 per year or $245,232 in total as of September 30, 2017.

Note 10. 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 approximately $205,000 and $183,000, in fiscal years 2017 and 2016, respectively.

A former executive participated in a deferred compensation plan under Section 457 of the IRC. The plan was provided for in the terms of an employment agreement. See Note 15.

The plan is unfunded. BCM records a liability to reserve the future distributions to be paid under the plan. During the years ended September 30, 2017 and 2016, BCM accrued plan expenses of approximately $14,000 and $9,000, respectively. As of September 30, 2017 and 2016, the plan liability totaled approximately $116,000 and $127,000, respectively.

Note 11. Functional Expense Allocation

Expenses by function for the years ended September 30, 2017 and 2016, were as follows:

	2017	2016
Expenses		
Program Services		
Grantmaking	**$ 11,377**	$ 13,197
Direct Charitable Activities	**1,822**	1,774
Supporting Services		
Management and General	**1,682**	1,618
Total Expenses	**$ 14,881**	$ 16,589

Note 12. Fair Value of Financial Instruments

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

Note 12. Fair Value of Financial Instruments (Continued)

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

	September 30, 2017		September 30, 2016	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	(In Thousands)			
Financial Assets				
Cash and Cash Equivalents	**$ 6,255**	**$ 6,255**	$ 5,689	$ 5,689
Accounts Receivable	**76**	**76**	96	96
Prepaid Expenses	**147**	**147**	227	227
Investments	**301,326**	**301,326**	285,270	285,270
Financial Liabilities				
Accounts Payable and Accrued Expenses	**$ 329**	**$ 329**	$ 286	$ 286
Grants Payable	**2,024**	**2,024**	1,930	1,930
Other Accrued Liabilities	**54**	**54**	112	112
Distribution Payable to Former Member	**290**	**290**	290	290
Other Long-Term Liabilities	**310**	**310**	318	318

Note 13. 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 14. Commitments and Contingencies

Since fiscal year 2012, BCM has entered into various Cooperative Endeavor Agreements (CEA) 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 agreed upon goal areas stipulated in each 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 years ended September 30, 2017 and 2016, the amounts re-granted and/or expended totaled approximately $61,000 and $301,000, respectively. As of September 30, 2017 and 2016, BCM has approximately $-0- and $61,000, respectively, reported as other accrued liabilities on the consolidated statement of financial position (see Note 17).

Note 15. Employment Agreement

On July 1, 2016, BCM entered into an employment agreement with the President and Chief Executive Officer (CEO) of BCM. The agreement automatically renews annually until terminated by either the President and CEO or the Board of Trustees of BCM.

Note 16. Endowments

BCM's endowments consist of four donor-restricted individual funds established for supporting operations/programs. 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 ASC 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.

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.

Note 16. Endowments (Continued)

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.

Endowment net asset composition by type of fund as of September 30, 2017 and 2016, is as follows (dollars in thousands):

September 30, 2017	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total Net Endowment Assets**
Donor-Restricted Endowments	**$ -**	**$ 7,370**	**$ 15,106**	**$ 22,476**
Total	**$ -**	**$ 7,370**	**$ 15,106**	**$ 22,476**

September 30, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-Restricted Endowments	$ -	$ 5,958	$ 15,106	$ 21,064
Total	$ -	$ 5,958	$ 15,106	$ 21,064

Note 16. Endowments (Continued)

Changes in endowment net assets as of September 30, 2017 and 2016, are as follows (dollars in thousands):

September 30, 2017	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total Net Endowment Assets**
Endowment Net Assets, Beginning of Year	**$ -**	**$ 5,958**	**$ 15,106**	**$ 21,064**
Net Investment Income	**-**	**543**	**-**	**543**
Net Appreciation/Depreciation	**-**	**1,879**	**-**	**1,879**
Expenditures/Distributions	**-**	**(1,010)**	**-**	**(1,010)**
Endowment Net Assets, End of Year	**$ -**	**$ 7,370**	**$ 15,106**	**$ 22,476**

September 30, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment Net Assets, Beginning of Year	$ -	$ 4,795	$ 15,106	$ 19,901
Net Investment Income	-	470	-	470
Net Appreciation/Depreciation	-	1,748	-	1,748
Expenditures/Distributions	-	(1,055)	-	(1,055)
Endowment Net Assets, End of Year	$ -	$ 5,958	$ 15,106	$ 21,064

Note 17. Agency Funds

Agency funds are funds for which BCM acts as a trustee and has a 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, 2017 and 2016, agency funds held by BCM and the related liabilities totaled approximately $-0- and $61,000, respectively (see Note 14).

Note 18. Related Party Transactions

Various board members of BCM also volunteer and serve as board members of other charitable organizations that may occasionally receive funding from BCM. Total funding provided to these organizations for the years ended September 30, 2017 and 2016, was approximately $1,365,000 and $1,693,000, respectively.

Additionally, in July 2016, BCM entered into a lease agreement for office space with an organization that shares at least one board member with BCM. See Note 9 for further disclosure of the lease.

Note 19. Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, January 23, 2018, and determined that no events occurred that require disclosure. No subsequent events occurring after January 23, 2018, have been evaluated for inclusion in these consolidated financial statements.