



BARNABAS FOUNDATION

COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017





REPORT OF INDEPENDENT AUDITOR

The Board of Directors
Barnabas Foundation
Crete, Illinois

We have audited the accompanying combined and consolidated financial statements of Barnabas Foundation (“the Foundation”), which consist of the combined and consolidated statements of financial position as of December 31, 2018 and 2017, the related combined and consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the combined and consolidated financial statements.

Management's Responsibility for the Combined and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these combined and 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 combined and 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 combined and consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined and consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined and consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the combined and 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 Foundation'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 combined and 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 combined and consolidated financial statements referred to above present fairly, in all material respects, the combined and consolidated financial position of Barnabas Foundation as of December 31, 2018 and 2017, the combined and consolidated changes in its net assets, and its combined and consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Battis Morrison Wales & Lee, P.A.

BATTIS MORRISON WALES & LEE, P.A.

Orlando, Florida
August 13, 2019

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BARNABAS FOUNDATION
 COMBINED AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2018	2017
Cash and cash equivalents	\$ 20,877,000	\$ 31,643,028
Investments	244,823,623	233,833,401
Funds held for others	86,138,245	84,782,617
Assets held in trust	54,288,229	63,981,775
Assets restricted for long-term purposes	7,692,432	8,401,367
Bequests receivable	17,900,000	—
Notes receivable	15,495,913	13,624,018
Other assets	2,310,182	2,058,971
Total assets	\$ 449,525,624	\$ 438,325,177

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 79,539	\$ 123,510
Liability for funds held for others	86,138,245	84,782,617
Trust liabilities	50,874,621	60,292,207
Grants payable	45,990,000	41,486,983
Annuities payable	14,328,705	13,591,382
Note payable	—	4,000,000
Total liabilities	197,411,110	204,276,699

NET ASSETS

Without donor restrictions		
Undesignated	(3,725,469)	2,346,423
Designated		
Donor advised funds and other	209,477,946	200,840,143
Gift annuity reserves	5,317,953	6,467,892
Total designated	214,795,899	207,308,035
Total without donor restrictions	211,070,430	209,654,458
With donor restrictions	41,044,084	24,394,020
Total net assets	252,114,514	234,048,478
Total liabilities and net assets	\$ 449,525,624	\$ 438,325,177

The Accompanying Notes are an Integral
 Part of These Combined and Consolidated Financial Statements

BARNABAS FOUNDATION
COMBINED AND CONSOLIDATED STATEMENTS OF ACTIVITIES

	For The Year Ended December 31, 2018			For The Year Ended December 31, 2017
	Without Donor Restrictions	With Donor Restrictions	Total	
Public support and revenue				
Contributions without donor restrictions	\$ 49,553,851	\$ —	\$ 49,553,851	\$ 16,235,799
Contributions with donor restrictions	—	3,830,794	3,830,794	2,085,142
Noncash contributions without donor restrictions	30,539,745	—	30,539,745	41,149,712
Noncash contributions with donor restrictions	—	19,560,311	19,560,311	2,155,160
Membership dues	997,783	—	997,783	948,764
Asset management reimbursement	806,905	—	806,905	782,561
Rental income	622,398	—	622,398	643,602
Other revenues	333,547	—	333,547	284,664
Investment (loss) income without donor restrictions	(9,138,945)	—	(9,138,945)	24,084,780
Investment (loss) income with donor restrictions	—	(1,045,968)	(1,045,968)	3,962,745
Change in value of charitable gift annuities and trusts without donor restrictions	(1,716,780)	—	(1,716,780)	(1,630,921)
Change in value of charitable gift annuities and trusts with donor restrictions	—	331,250	331,250	(228,547)
Total public support and operating revenue	71,998,504	22,676,387	94,674,891	90,473,461
Net assets released from time and use restrictions	6,026,323	(6,026,323)	—	—
Total public support and revenue and net assets released from time and use restrictions	78,024,827	16,650,064	94,674,891	90,473,461
Expenses				
Program activities				
Charitable grants	71,994,677	—	71,994,677	60,763,927
Other program activities	776,096	—	776,096	767,948
Total program activities	72,770,773	—	72,770,773	61,531,875
Supporting activities				
Management and general	2,353,231	—	2,353,231	1,709,825
Fundraising	1,484,851	—	1,484,851	1,394,812
Total supporting activities	3,838,082	—	3,838,082	3,104,637
Total expenses	76,608,855	—	76,608,855	64,636,512
Change in net assets without donor restrictions	1,415,972	—	1,415,972	25,582,808
Change in net assets with donor restrictions	—	16,650,064	16,650,064	254,141
CHANGE IN NET ASSETS	1,415,972	16,650,064	18,066,036	25,836,949
NET ASSETS - Beginning of year	209,654,458	24,394,020	234,048,478	208,211,529
NET ASSETS - End of year	\$ 211,070,430	\$ 41,044,084	\$ 252,114,514	\$ 234,048,478

The Accompanying Notes are an Integral
Part of These Combined and Consolidated Financial Statements

BARNABAS FOUNDATION
 COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Years Ended	
	December 31,	
	2018	2017
OPERATING CASH FLOWS		
Cash received from contributors	\$ 50,869,954	\$ 76,881,298
Investment income received	5,114,985	4,049,618
Asset management reimbursement and membership dues received	1,804,688	1,731,325
Other revenue received, net	955,945	928,266
Cash paid for operating activities and costs	(72,773,267)	(57,768,016)
Net operating cash flows	(14,027,695)	25,822,491
INVESTING CASH FLOWS		
Sales of investments	265,683,361	127,168,616
Purchases of investments and reinvestment of income	(257,258,734)	(132,477,413)
Loans made to others	(2,000,000)	(10,374,106)
Collections on notes receivable	128,105	63,205
Net release of (investment in) assets restricted for long-term purposes	708,935	(1,054,819)
Net investing cash flows	7,261,667	(16,674,517)
FINANCING CASH FLOWS		
Repayments	(4,000,000)	—
Borrowings	—	4,000,000
Net financing cash flows	(4,000,000)	4,000,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	(10,766,028)	13,147,974
CASH AND CASH EQUIVALENTS - Beginning of year	31,643,028	18,495,054
CASH AND CASH EQUIVALENTS - End of year	\$ 20,877,000	\$ 31,643,028

The Accompanying Notes are an Integral
 Part of These Combined and Consolidated Financial Statements

BARNABAS FOUNDATION
COMBINED AND CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2018

	Program activities			Supporting activities			Total expenses
	Charitable grants	Other program activities	Total program activities	Management and general	Fundraising	Total supporting activities	
Charitable grants	\$ 71,994,677	\$ —	\$ 71,994,677	\$ —	\$ —	\$ —	\$ 71,994,677
Personnel costs	—	551,674	551,674	724,761	1,041,433	1,766,194	2,317,868
Other expenses	—	57,239	57,239	1,320,989	144,144	1,465,133	1,522,372
Contracting and consulting expenses	—	96,897	96,897	213,767	192,944	406,711	503,608
Depreciation and occupancy expense	—	70,286	70,286	93,714	106,330	200,044	270,330
Total	\$ 71,994,677	\$ 776,096	\$ 72,770,773	\$ 2,353,231	\$ 1,484,851	\$ 3,838,082	\$ 76,608,855

The Accompanying Notes are an Integral
Part of These Combined and Consolidated Financial Statements

BARNABAS FOUNDATION
COMBINED AND CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2017

	Program activities			Supporting activities			Total expenses
	Charitable grants	Other program activities	Total program activities	Management and general	Fundraising	Total supporting activities	
Charitable grants	\$ 60,763,927	\$ —	\$ 60,763,927	\$ —	\$ —	\$ —	\$ 60,763,927
Personnel costs	—	511,438	511,438	782,168	878,895	1,661,063	2,172,501
Other expenses	—	94,092	94,092	591,824	258,257	850,081	944,173
Contracting and consulting expenses	—	102,356	102,356	209,537	172,503	382,040	484,396
Depreciation and occupancy expense	—	60,062	60,062	126,296	85,157	211,453	271,515
Total	\$ 60,763,927	\$ 767,948	\$ 61,531,875	\$ 1,709,825	\$ 1,394,812	\$ 3,104,637	\$ 64,636,512

The Accompanying Notes are an Integral
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BARNABAS FOUNDATION
NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES AND REPORTING ENTITY

The Barnabas Foundation (“the Foundation”) is a not-for-profit Illinois corporation founded in 1976. The Foundation exists to help Christians exercise biblical stewardship through thoughtful charitable gift planning to the benefit of member organizations and other charitable organizations. The Foundation seeks to serve individuals and families throughout the United States and encourage support of Christian ministries at the local, regional, and national levels. The Foundation’s name is from Acts 4:36-37, where Barnabas, whose name means “Son of Encouragement,” used money from the sale of some of his property to support and encourage the Lord’s work.

The Foundation’s operations are supported by membership dues paid by the Foundation’s 200 member organizations. These member organizations represent a variety of Christian organizations including numerous Christian schools, Christian colleges, the Christian Reformed Church of North America and its denominational agencies, and other Christian organizations spreading the gospel of Jesus Christ or ministering to the needs of people in the name of Jesus Christ.

In conformity with accounting principles generally accepted in the United States of America (“GAAP”), the combined and consolidated financial statements of the Foundation include the accounts of the following organizations, which are separate legal entities. All significant inter-organization accounts and transactions have been eliminated in combination and consolidation.

- The Barnabas Foundation Common Trust Fund (“the CTF”) is a trust created in 1990 pursuant to a Declaration of Trust, with the Foundation serving as Trustee. The purpose of the CTF is to maintain investments for the Foundation, its member organizations, and others.
- California Annuitants of Barnabas Foundation is a trust created in 2003 pursuant to a Declaration of Trust, with the Foundation serving as Trustee. The purpose of the California Annuitants of Barnabas Foundation is to maintain the assets of charitable gift annuity agreements written for residents of California.
- Huize Baak Lender LLC is an Illinois limited liability company formed in 2015 to hold a note receivable and mortgage on certain property. The Foundation is the sole voting member of Huize Baak Lender LLC.
- John Mark Co. is a not-for-profit Illinois corporation founded in 1995 to accept gifts of real estate to support the activities of the Foundation. John Mark Co. shares a common board of directors and operates under common management with the Foundation.
- JMC I LLC is an Illinois limited liability company formed in 2005 to hold title to certain property. John Mark Co. is the sole voting member of JMC I LLC.
- JMC Properties LLC is a Montana limited liability company formed in 2005 to hold title to certain property. John Mark Co. is the sole voting member of JMC Properties LLC.
- Des Moines 4444 Delaware TPE, LLC is an Iowa limited liability company formed in 2012 to hold title to certain property. John Mark Co. is the sole voting member of Des Moines 4444 Delaware TPE, LLC.
- Covenant Properties LLC is an Illinois limited liability company formed in 2018 to hold an interest in a certain company. John Mark Co. is the sole voting member of Covenant Properties LLC.
- Marah Co. is a not-for-profit Illinois corporation founded in 1995 to accept gifts of real estate to support the activities of the Foundation. Marah Co. shares a common board of directors and operates under common management with the Foundation.

BARNABAS FOUNDATION
NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES AND REPORTING ENTITY (Continued)

- Schaaf Truck and Tractor Museum is a not-for-profit Illinois corporation founded in 1996 to operate an antique truck and tractor museum and to support the activities of the Foundation. The Foundation appoints the Schaaf Truck and Tractor Museum’s board of directors.
- Entrepreneurial Stewardship Fund is a not-for-profit Illinois corporation founded in 2010 to support the activities of the Foundation. The Foundation appoints a majority of the Entrepreneurial Stewardship Fund’s board of directors. Entrepreneurial Stewardship Fund did not engage in financial transactions during 2018 or 2017.

References to “the Foundation” in these footnotes include each of the organizations described above, unless otherwise noted.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue and support

The Foundation recognizes cash contributions as revenue when the contributions are received by the Foundation. Contributions are recorded as without or with donor restrictions, depending on the existence and/or nature of any donor restrictions or time restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined and consolidated statements of activities as “net assets released from time and use restrictions.”

From time to time, supporters of the Foundation express indications that they plan to make gifts to the Foundation. The Foundation recognizes any such gift as a contribution upon its receipt of sufficient documentary evidence that the timing of the gift is clearly specified (even if contingent upon the occurrence of some future event) and that the gift is unconditional, measurable, collectible, and irrevocable.

Cash and cash equivalents

The Foundation considers investments purchased or donated with original maturities of three months or less to be cash equivalents.

Investments

Investments that are traded on national or international securities exchanges are carried at estimated fair value, based upon quoted market prices provided by external investment managers and the Foundation’s custodian and accepted by the Foundation’s management. Investments in real estate and business enterprises (ownership interest in private businesses such as limited liability companies and limited partnerships) consist of gifts from donors and are carried at estimated fair value as determined on the date contributed, based on independent appraisals or other independent analyses. The estimated carrying value of such assets may be periodically updated. Nonpublicly traded investments include hedge funds, pooled investment funds, private equity funds, and private credit funds and are carried at estimated fair value. Estimated fair values for nonpublicly traded investments are provided initially by the investee and, after evaluation, determined by the Foundation’s management, taking into consideration information provided by the investee and other factors. Such investments are not readily marketable and are often highly illiquid. The estimated fair values of business enterprises and nonpublicly traded investments included in the accompanying combined and consolidated financial statements are subject to a high degree of uncertainty and the actual fair values could differ materially from the estimated fair values. Management of the Foundation believes that the Foundation’s business enterprises and nonpublicly traded investments are carried at reasonable estimates of their fair value.

BARNABAS FOUNDATION
NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds held for others

The Foundation holds as agent funds for member and non-member charitable organizations which consist primarily of investments which are carried at estimated fair value. The Foundation recognizes a liability to the beneficiary in an amount equal to the asset's carrying value. These assets are included in the accompanying combined and consolidated statements of financial position as "funds held for others" and the associated liabilities are included in the accompanying combined and consolidated statements of financial position as "liability for funds held for others."

Assets held in trust

The Foundation holds as trustee funds for charitable remainder trusts with revocable and irrevocable beneficiary interests. The assets held in trust consist primarily of notes receivable which are carried at cost and investments which are carried at estimated fair value.

Assets restricted for long-term purposes

Assets restricted for long-term purposes consist primarily of investments which are carried at estimated fair value. The assets are restricted pursuant to an endowment agreement.

Notes receivable

Notes receivable are carried at cost and are generally collateralized by real estate. Interest income is accrued based on the outstanding principal amount and contractual terms of each individual loan.

Allowance for uncollectable loans

Notes receivable are stated net of an allowance for uncollectable loans. The Foundation estimates the allowance based on an analysis of specific loans, taking into consideration collection history, the age of any past due amounts, and assessment of the debtor's ability to pay. Notes receivable are considered past due when payments are not made in accordance with specified terms. Notes receivable are written off upon management's determination that the amounts are uncollectible.

Split-interest gifts

For irrevocable split-interest arrangements such as charitable gift annuities, charitable remainder trusts, and similar arrangements in which the Foundation is a trustee or custodian, the assets of such arrangements are reflected in the combined and consolidated financial statements as further described in Note E. The carrying values of such investments conform to GAAP, which generally require that investment securities be carried at estimated fair value at all times and that other assets be carried at the estimated fair value of the assets on the date the assets are contributed, unadjusted for subsequent changes in value. Also, for arrangements in which the Foundation is a trustee or custodian, a liability is recognized for the estimated present value of benefits payable to other beneficiaries. For all irrevocable split-interest arrangements, regardless of whether or not the Foundation acts as trustee or custodian, contribution revenue without or with restrictions is recognized for the estimated present value of the Foundation's benefits under each such arrangement in the year the arrangement is established or in the year in which the Foundation is provided sufficient information about the existence and nature of the arrangement. Periodic adjustments are made for changes in estimated present values using applicable mortality tables and appropriate discount rates. State law imposes certain restrictions on the manner in which charitable gift annuity assets may be invested.

Donor-advised funds

The Foundation administers various donor-advised funds. Donor gifts to such funds are made irrevocably with the understanding that while the donor retains an advisory role in the distribution of funds, the Foundation retains ultimate control over the use of the funds. Accordingly, such gifts are reflected as contributions without donor restrictions and designated net assets in the accompanying combined and consolidated financial statements.

BARNABAS FOUNDATION
NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. The Board has designated a portion of net assets without donor restrictions for donor advised funds and similar activities, and for gift annuity reserves. Net assets with donor restrictions consist of amounts with uses limited by donor-imposed time and/or purpose restrictions.

Functional allocation of expenses

The combined and consolidated statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the various functional areas based primarily on employee time.

Income taxes

The Foundation, John Mark Co., Marah Co., Schaaf Truck and Tractor Museum, and Entrepreneurial Stewardship Fund are exempt from federal income tax as organizations described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to state law and are further classified as public charities and not private foundations for federal tax purposes. The CTF and California Annuitants of Barnabas Foundation are considered grantor trusts by the Foundation. Certain of the Foundation and CTF investments directly or indirectly in private equity interests may result in the Foundation and CTF incurring federal and state income taxes on unrelated business income. Taxes on unrelated business income are not material to the combined and consolidated financial statements and are generally recognized as expenses when paid. Huize Baak Lender LLC, JMC I LLC, JMC Properties LLC, Des Moines 4444 Delaware TPE, LLC, and Covenant Properties LLC are considered disregarded entities for income tax purposes.

Use of estimates

Management uses estimates and assumptions in preparing combined and consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these combined and consolidated financial statements include those used in estimating the fair value of investments, the collectibility of notes receivable, and the liabilities for annuities and trusts. Actual results could differ from the estimates.

Reclassifications

Certain amounts included in the December 31, 2017 combined and consolidated financial statements have been reclassified to conform to classifications adopted during the year ended December 31, 2018. The reclassifications had no material effect on the accompanying combined and consolidated financial statements.

Subsequent events

The Foundation has evaluated for possible financial reporting and disclosure subsequent events through August 13, 2019, the date as of which the combined and consolidated financial statements were available to be issued.

BARNABAS FOUNDATION
NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available within one year of the date of the combined and consolidated statements of financial position for general expenditure are as follows:

	December 31,	
	2018	2017
Cash and cash equivalents	\$ 20,877,000	\$ 31,643,028
Bank deposit and money market accounts	1,121,031	2,681,577
Investments	391,821,498	387,144,272
Total financial assets available within one year	413,819,529	421,468,877
Less amounts unavailable for general expenditures within one year due to:		
Board-designations	(214,795,899)	(207,308,035)
Amounts held for others as agent	(86,138,245)	(84,782,617)
Amounts held as trustee for revocable and irrevocable trusts	(54,288,229)	(62,808,464)
Donor-imposed restrictions	(23,144,084)	(24,394,020)
Net financial assets available within one year	\$ 35,453,072	\$ 42,175,741

The Foundation is primarily supported by contributions. As part of the Foundation’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management of the Foundation believes the Foundation has sufficient investments available for general operations that may be drawn upon in the event of unanticipated financial distress or an immediate liquidity need (see Note E). The Foundation also has available a \$250,000 revolving line of credit (see Note M).

NOTE D – CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Foundation has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

The Foundation’s investment securities are exposed to various risks, such as interest rate risk, market risk, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of the investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect investment account balances and the amounts reported in the accompanying combined and consolidated financial statements.

As of December 31, 2018 and 2017, approximately \$155,000,000 and \$165,000,000, respectively, of the Foundation’s cash and cash equivalents and investment funds were under the custody of one financial institution. An officer at the financial institution also served as a Foundation board member during a portion of 2017.

BARNABAS FOUNDATION
NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE E – INVESTMENTS

The Foundation holds investments of various types both in its capacity as trustee or custodian and in its capacity as owner. Investments are carried at estimated fair value. Investments were held for the following purposes or activities:

<u>Category</u>	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Investments held for donor advised funds	\$194,485,283	\$193,246,852
Investments held for others as agent	85,376,904	83,218,500
Investments held as trustee for revocable and irrevocable trusts	53,939,298	61,702,268
Investments held for general operations and other	45,020,387	34,118,657
Investments held for endowment agreement	7,681,673	8,390,103
Investments held for gift annuity reserves	<u>5,317,953</u>	<u>6,467,892</u>
Total investments	<u>\$391,821,498</u>	<u>\$387,144,272</u>

Investments (including investments within funds held for others, assets held in trust, and assets restricted for long-term purposes on the combined and consolidated statements of financial position) consisted of the following:

<u>Category</u>	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Mutual funds	\$128,919,636	\$149,264,392
Government securities	35,805,246	5,643,646
Common stock	30,869,366	33,199,167
Certificates of deposit	23,866,043	28,209,466
Real estate	10,429,832	8,798,347
Business enterprises	7,774,617	6,478,932
Corporate and municipal bonds	4,438,669	7,039,120
Reinsurance agreements	1,148,013	1,214,587
Cash surrender value – life insurance	805,125	770,519
Other investments	327,722	410,478
Other nonpublicly traded investments	<u>147,437,229</u>	<u>146,115,618</u>
Total investments	<u>\$391,821,498</u>	<u>\$387,144,272</u>

The above investments are reported in the accompanying combined and consolidated statements of financial position as follows (see Notes F through H):

<u>Category</u>	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Investments	\$244,823,623	\$233,833,401
Funds held for others	85,376,904	83,218,500
Assets held in trust	53,939,298	61,702,268
Assets restricted for long-term purposes	<u>7,681,673</u>	<u>8,390,103</u>
Total investments	<u>\$391,821,498</u>	<u>\$387,144,272</u>

BARNABAS FOUNDATION
NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE F – FUNDS HELD FOR OTHERS

Funds held for others consisted of the following:

Category	December 31,	
	2018	2017
Bank deposit and money market accounts	\$ 761,341	\$ 1,564,117
Investments	<u>85,376,904</u>	<u>83,218,500</u>
Total funds held for others	<u>\$ 86,138,245</u>	<u>\$ 84,782,617</u>

NOTE G – ASSETS HELD IN TRUST

Assets held in trust consisted of the following:

Category	December 31,	
	2018	2017
Bank deposit and money market accounts	\$ 348,931	\$ 1,106,196
Investments	53,939,298	61,702,268
Note receivable	<u>—</u>	<u>1,173,311</u>
Total assets held in trust	<u>\$ 54,288,229</u>	<u>\$ 63,981,775</u>

Liabilities and net assets held in trust consisted of the following:

Category	December 31,	
	2018	2017
Revocable charitable beneficiary liabilities	\$ 46,211,755	\$ 55,342,077
Irrevocable charitable beneficiary liabilities	<u>4,662,866</u>	<u>4,950,130</u>
Total trust liabilities	50,874,621	60,292,207
Net assets with donor restrictions for irrevocable charitable remainder trusts	<u>3,413,608</u>	<u>3,689,568</u>
Total assets held in trust	<u>\$ 54,288,229</u>	<u>\$ 63,981,775</u>

NOTE H – ASSETS RESTRICTED FOR LONG-TERM PURPOSES

Assets restricted for long-term purposes consisted of the following:

Category	December 31,	
	2018	2017
Bank deposit and money market accounts	\$ 10,759	\$ 11,264
Investments	<u>7,681,673</u>	<u>8,390,103</u>
Total assets restricted for long-term purposes	<u>\$ 7,692,432</u>	<u>\$ 8,401,367</u>

BARNABAS FOUNDATION
NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE H – ASSETS RESTRICTED FOR LONG-TERM PURPOSES (Continued)

Assets restricted for long-term purposes were restricted for the following purposes:

Category	December 31,	
	2018	2017
Endowment corpus	\$ 7,399,834	\$ 7,538,642
Appreciation on endowment	119,598	562,725
Total net assets restricted for long-term purposes	7,519,432	8,101,367
Grant payable for endowment distributions	173,000	300,000
Total assets restricted for long-term purposes	\$ 7,692,432	\$ 8,401,367

NOTE I – FAIR VALUE MEASUREMENTS

GAAP defines fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of “inputs” an organization may use in determining or estimating fair value. The inputs are categorized into “levels” that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). 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.

Following is a description of each of the three levels of input within the fair value hierarchy:

Level 1 – unadjusted quoted market prices in active markets for identical items

Level 2 – other significant observable inputs (such as quoted prices for similar items)

Level 3 – significant unobservable inputs (such values are primarily based on information provided by the investee entity)

Estimated fair value of certain assets and (liabilities) measured on a recurring basis at December 31, 2018, are as follows:

	Total	Level 1	Level 2	Level 3
Mutual funds	\$ 128,919,636	\$ 128,919,636	\$ —	\$ —
Government securities	35,805,246	35,805,246	—	—
Other nonpublicly traded investments	34,583,215	—	—	34,583,215
Common stock	30,869,366	30,869,366	—	—
Certificates of deposit	23,866,043	23,866,043	—	—
Real estate	10,429,832	—	10,429,832	—
Business enterprises	7,774,617	—	—	7,774,617
Corporate and municipal bonds	4,438,669	—	4,438,669	—
Subtotal	276,686,624	\$ 219,460,291	\$ 14,868,501	\$ 42,357,832

BARNABAS FOUNDATION
NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE I – FAIR VALUE MEASUREMENTS (Continued)

Fair value measured at net asset value – other nonpublicly traded investments*	\$ 112,854,014			
Other investments not subject to fair value hierarchy	<u>2,280,860</u>			
Total	<u>\$ 391,821,498</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Liabilities for annuities	\$ (14,328,705)	\$ —	\$ (14,328,705)	\$ —
Liabilities for irrevocable trusts	<u>(4,662,866)</u>	<u>—</u>	<u>(4,662,866)</u>	<u>—</u>
Total	<u>\$ (18,991,571)</u>	<u>\$ —</u>	<u>\$ (18,991,571)</u>	<u>\$ —</u>

Estimated fair value of certain assets and (liabilities) measured on a recurring basis at December 31, 2017, are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 149,264,392	\$ 149,264,392	\$ —	\$ —
Common stock	33,199,167	33,199,167	—	—
Certificates of deposit	28,209,466	28,209,466	—	—
Other nonpublicly traded investments	26,381,147	—	—	26,381,147
Real estate	8,798,347	—	8,798,347	—
Corporate and municipal bonds	7,039,120	—	7,039,120	—
Business enterprises	6,478,932	—	—	6,478,932
Government securities	<u>5,643,646</u>	<u>5,643,646</u>	<u>—</u>	<u>—</u>
Subtotal	265,014,217	<u>\$ 216,316,671</u>	<u>\$ 15,837,467</u>	<u>\$ 32,860,079</u>
Fair value measured at net asset value – other nonpublicly traded investments*	119,734,471			
Other investments not subject to fair value hierarchy	<u>2,395,584</u>			
Total	<u>\$ 387,144,272</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Liabilities for annuities	\$ (13,591,382)	\$ —	\$ (13,591,382)	\$ —
Liabilities for irrevocable trusts	<u>(4,950,130)</u>	<u>—</u>	<u>(4,950,130)</u>	<u>—</u>
Total	<u>\$ (18,541,512)</u>	<u>\$ —</u>	<u>\$ (18,541,512)</u>	<u>\$ —</u>

* GAAP permits nonpublicly traded investments whose fair value is measured using net asset value to be omitted from the fair value hierarchy.

BARNABAS FOUNDATION
NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE I – FAIR VALUE MEASUREMENTS (Continued)

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

Balance, January 1, 2017	\$ 30,547,641
Contributions	4,150,000
Net redemptions	(5,137,788)
Net income	928,066
Net gains	<u>2,372,160</u>
Balance, December 31, 2017	32,860,079
Contributions	57,000
Net purchases	10,363,515
Net income	459,990
Net losses	<u>(1,382,752)</u>
Balance, December 31, 2018	<u>\$ 42,357,832</u>

The estimated fair value of investments in real estate (valued using Level 2 inputs) is based on independent appraisals or other independent analyses. The estimated fair value of investments in corporate and municipal bonds (valued using Level 2 inputs) is based on quoted prices for similar securities.

Other nonpublicly traded investments include various hedge funds, pooled investment funds, private equity funds, and private credit funds which use an array of diversified investment strategies focused on long-term capital appreciation, risk diversification, and low volatility. These nontraditional investment opportunities seek to exceed the returns offered by traditional investments. From time-to-time, certain investments may limit withdrawals within a specified timeframe of the initial investment, or there may be a fee associated with such withdrawals. There are generally no other lock-up periods or other redemption restrictions associated with nonpublicly traded investments, and such investments can generally be liquidated at an amount approximating net asset value in the near-term with proper notice. The reported estimated fair values of nonpublicly traded investments are generally based on amounts provided initially by the investee and, after evaluation, determined by the Foundation's management, taking into consideration information provided by the investee and other factors. The estimated fair value of investments in business enterprises is based on independent appraisals or other independent analyses. Generally, such investments cannot be liquidated in the near term at the direction of the Foundation. It is at least reasonably possible that changes in the values of investment securities and business enterprises will occur in the near term, and that such changes could materially affect investment account balances and the amounts reported in the accompanying combined and consolidated financial statements.

Liabilities for annuities and irrevocable trusts (valued using Level 2 inputs) are based on estimated present value, applying certain assumptions regarding interest rates and life expectancies.

As of December 31, 2018, the estimated fair values and unfunded commitments for other nonpublicly traded investments are as follows:

	<u>Estimated Fair Value</u>	<u>Unfunded Commitments</u>
Investments in hedge funds	\$ 37,962,383	\$ —
Investments in pooled investment funds	43,619,660	110,000
Investments in private equity funds	63,590,781	14,126,208
Investments in private credit funds	<u>2,264,405</u>	<u>3,225,000</u>
Total	<u>\$ 147,437,229</u>	<u>\$ 17,461,208</u>

BARNABAS FOUNDATION
 NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE I – FAIR VALUE MEASUREMENTS (Continued)

Other nonpublicly traded investments are included in the fair value table located above as follows:

Category	December 31,	
	2018	2017
Investments valued using net asset value	\$112,854,014	\$119,734,471
Investments valued using Level 3 inputs	34,583,215	26,381,147
Total	\$147,437,229	\$146,115,618

NOTE J – BEQUESTS RECEIVABLE

During the year ended December 31, 2018, the Foundation was notified that it is named as a beneficiary of two estates with an estimated fair value of approximately \$17,900,000. Pursuant to the documentation for each estate, the Foundation is required to hold in perpetuity the assets received or to be received, with distributions from the income earned on the underlying assets to be granted to certain charities as specified in the estate documentation. The Foundation recognized its net beneficial interest in these estates within “noncash contributions with donor restrictions” revenue in the accompanying combined and consolidated 2018 statement of activities.

NOTE K – NOTES RECEIVABLE

Notes receivable consisted of the following:

Category	December 31,	
	2018	2017
Gross notes receivable	\$ 16,093,413	\$ 15,494,829
Less: Allowance for uncollectible loans	(597,500)	(697,500)
Net notes receivable	\$ 15,495,913	\$ 14,797,329

Notes receivable are reported in the combined and consolidated statements of financial position as follows:

Category	December 31,	
	2018	2017
Notes receivable	\$ 15,495,913	\$ 13,624,018
Notes receivable included within “assets held in trust” (see Note G)	—	1,173,311
Total notes receivable	\$ 15,495,913	\$ 14,797,329

BARNABAS FOUNDATION
NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE L – GRANTS PAYABLE

The Foundation makes grants to various organizations. Grants payable are scheduled to be paid in approximate amounts as follows:

<u>Year Ending</u> <u>December 31,</u>	
2019	\$ 10,112,000
2020	4,985,000
2021	4,940,000
2022	4,951,000
2023	1,893,000
Thereafter	<u>19,109,000</u>
Total grants payable	<u>\$ 45,990,000</u>

NOTE M – NOTE PAYABLE

Note payable consists of a promissory note payable to an individual. The note is unsecured and carries interest at the prime rate (4.50% per annum as of December 31, 2017). The note and all accrued interest was paid in full during 2018.

The Foundation has available a revolving line of credit in an amount up to \$250,000. The line of credit requires monthly interest payments at the prime rate (5.25% per annum as of December 31, 2018), but not less than 4.75% per annum. No amount was outstanding on the line of credit at December 31, 2018.

NOTE N – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes:

<u>Category</u>	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Bequests receivable – assets upon receipt to be held in perpetuity	\$ 17,900,000	\$ —
Endowment corpus	7,399,834	7,538,642
Donor restricted accounts for various program activities	6,837,362	7,293,650
Charitable trusts (irrevocable trusts)	3,413,608	3,689,568
Appreciation on endowment held for others – Legacy Foundation		
Accounts	3,408,050	3,643,833
Schaaf Truck and Tractor Museum	1,782,731	1,438,702
Other	182,901	226,900
Appreciation on endowment	<u>119,598</u>	<u>562,725</u>
Total net assets with donor restrictions	<u>\$ 41,044,084</u>	<u>\$ 24,394,020</u>

Net assets released from time and use restrictions were \$6,026,323 and \$7,720,359 during the years ended December 31, 2018 and 2017, respectively.

BARNABAS FOUNDATION
NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE N – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The Foundation holds an endowment wherein the corpus is required to be invested in perpetuity. Distributions are restricted for various charitable organizations. Pursuant to a donor agreement, the Foundation reinvests 30% of allowable investment income, if any, into corpus. The Foundation preserves the estimated fair value of the endowment gift as of the gift date which management deems is in compliance with state law. Accordingly, the Foundation classifies as “endowment corpus” (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The Foundation has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to supported programs while seeking to maintain the purchasing power of the endowment assets and to preserve the invested capital. The Foundation seeks the advice of investment counsel, as well as management and certain committees of the Board, when determining amounts to be spent on supported programs.

NOTE O – RETIREMENT BENEFITS

The Foundation maintains a tax-deferred annuity retirement plan (“the Plan”) as prescribed by Section 403(b) of the Internal Revenue Code. The Plan covers eligible Foundation employees as defined in the Plan document. Participating employees may elect to make salary deferral contributions to the Plan. The Foundation may provide a discretionary annual matching contribution to the Plan for participating employees. During 2018 and 2017, the Foundation contributed approximately \$112,000 and \$105,000 to the Plan.