Barr Foundation

FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

BARR FOUNDATION

Contents
December 31, 2015 and 2014

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Independent Auditor's Report

To the Board of Trustees of
Barr Foundation:

We have audited the accompanying financial statements of Barr Foundation (a Massachusetts charitable trust, not for profit) (the Foundation) which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to 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 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 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 Barr Foundation as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Alexander, Aronson, Finning & Co., P.C.

Boston, Massachusetts
December 7, 2016

(000 Omitted)

BARR FOUNDATION

Statements of Financial Position
December 31, 2015 and 2014

Assets	**2015**	**2014**
Current Assets:		
Cash and cash equivalents	$ 21,990	$ 23,235
Other receivables	743	3
Prepaid expenses	560	49
Taxes receivable	1,924	2,233
Total current assets	25,217	25,520
Investments, at fair value	1,591,233	1,600,397
Property and Equipment, net	21	34
Total assets	$ 1,616,471	$ 1,625,951
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	$ 1,055	$ 1,091
Payable to related party	734	72
Total current liabilities	1,789	1,163
Deferred Federal Excise Taxes	9,063	10,232
Total liabilities	10,852	11,395
Unrestricted Net Assets	1,605,619	1,614,556
Total liabilities and net assets	$ 1,616,471	$ 1,625,951

The accompanying notes are an integral part of these statements.

(000 Omitted)

BARR FOUNDATION

Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2015 and 2014

	2015	2014
Investment Activity:		
Investment income	$ 7,998	$ 5,856
Net unrealized and realized gains on investments	51,114	122,037
Net investment activity	59,112	127,893
Expenses:		
Grants awarded	55,127	48,945
Management and general	8,084	8,142
Current provision for taxes	6,007	1,218
Deferred federal excise taxes	(1,169)	(1,023)
Total expenses	68,049	57,282
Changes in unrestricted net assets	(8,937)	70,611
Unrestricted Net Assets:		
Beginning of year	1,614,556	1,543,945
End of year	$ 1,605,619	$ 1,614,556

The accompanying notes are an integral part of these statements.

(000 Omitted)

BARR FOUNDATION

Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities:		
Changes in unrestricted net assets	$ (8,937)	$ 70,611
Adjustments to reconcile changes in unrestricted net assets to net cash used in operating activities:		
Depreciation	13	13
Net unrealized and realized gains on investments	(51,114)	(122,037)
Deferred federal excise taxes	(1,169)	(1,023)
Changes in operating assets and liabilities:		
Other receivables	3	6
Prepaid expenses	(511)	(5)
Taxes receivable	309	161
Accounts payable and accrued expenses	(36)	718
Payable to related party	662	62
Net cash used in operating activities	(60,780)	(51,494)
Cash Flows from Investing Activities:		
Other receivables	(743)	11,996
Purchase of property and equipment	-	(8)
Purchase of marketable securities	(26,649)	(208,398)
Purchase of limited liquidity investments	(76,711)	(99,088)
Proceeds from sale of marketable securities	88,656	205,680
Receipts from and liquidation of limited liquidity investments	74,982	73,704
Net cash provided by (used in) investing activities	59,535	(16,114)
Net Change in Cash and Cash Equivalents	(1,245)	(67,608)
Cash and Cash Equivalents:		
Beginning of year	23,235	90,843
End of year	$ 21,990	$ 23,235
Supplemental Disclosure of Cash Flow Information:		
Cash paid for taxes	$ 5,623	$ 1,820
Securities distributed from limited liquidity investments	$ 2,317	$ 3,300

The accompanying notes are an integral part of these statements.

1. ORGANIZATION AND TAX STATUS

The Barr Foundation (the Foundation) was formed on December 12, 1987, as a non-operating private foundation. Unrestricted contributions may be accepted by the Foundation at the discretion of the Board of Trustees. Donations are made to charitable organizations also at the discretion of the Board of Trustees.

The Foundation is exempt from Federal income taxes as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (the Code). The Foundation is also exempt from state income taxes. Donors may deduct contributions made to the Foundation within the requirements of the Code. The Code imposes an excise tax on private foundations equal to 2% of the net investment income (principally interest, dividends, and net realized capital gains, less expenses incurred in the production of investment income). The tax is reduced to 1% when a foundation meets certain distribution requirements under Section 4940(e) of the Code (see Note 4). Certain income defined as unrelated business income by the Code may be subject to ordinary trust income tax rates.

2. SIGNIFICANT ACCOUNTING POLICIES

The Foundation prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Accounting Principle Adoption

In 2015, the Foundation adopted FASB Accounting Standards Update 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent),* removing the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. As early application is allowed, the Foundation has used the retrospective approach for all periods presented whereby investments for which fair value is measured using the net asset value per share practical expedient have been removed from the fair value hierarchy.

Estimates

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

Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Foundation. The Foundation has no donor-restricted resources.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid fixed term securities with initial maturities of three months or less.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Receivables

Other receivables primarily consist of accrued investment income and distributions receivable. Distributions receivable was $743 as of December 31, 2015. There was no distributions receivable as of December 31, 2014.

Property and Equipment and Depreciation

Property and equipment having a value of $5,000 or more and a useful life of at least three years are capitalized. Purchased property and equipment are recorded at cost. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

Furniture, fixtures and equipment	7 years
Software	3 years
Computer equipment	3 years

Fair Value Measurements

The Foundation follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Foundation would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Foundation uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Foundation. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

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

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Investments

The Foundation records investments in marketable securities at fair market value. These investments consist of highly liquid securities such as money market funds and bank deposit agreements. Limited liquidity investments are stated at estimated fair value. Limited liquidity investments are primarily made under agreements to participate in limited partnerships or limited liability companies (LLC) and are generally subject to certain withdrawal restrictions. In accordance with standards pertaining to *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent),* the Foundation uses each fund's net asset value per share to calculate and report the fair value of these investments. Values for these partnerships and LLCs, which may invest in both marketable and non-marketable securities, are determined by the Foundation's management based on information provided by each partnership's general partner or LLC's managing member and may be based on historical cost, appraisals, market values discounted for concentration of ownership, or other estimates. Because of the inherent uncertainty of valuing the investments in such partnerships and LLCs and uncertainty of the value of the underlying investments held by the partnerships and LLCs, the Foundation's estimate of fair value may differ significantly from the values that would have been used had a readily available market value for the investments existed, and that difference may be material. If a valuation was not available from the general partner or managing member as of year-end, the financial statements report the most recent prior valuation updated by subsequent capital calls and distributions. The Foundation believes that the carrying amount of its limited liquidity partnership and LLC investments is a reasonable estimate of fair value as of December 31, 2015 and 2014.

All Other Assets and Liabilities

The carrying value of all other assets and liabilities does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

Investments

Interest and dividends are recorded when earned. Gains and losses are recognized as incurred upon sales or based on market value changes during the period (see Note 3).

Grants Expense

The Foundation recognizes grants once the Board of Trustees approves the grants and all significant conditions are met. The Foundation paid grants totaling $55,127 and $48,945 during the years ended December 31, 2015 and 2014, respectively. In addition, the Trustees of the Foundation have made conditional commitments (see Note 8).

Subsequent Events

Subsequent events have been evaluated through December 7, 2016, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

(000 Omitted)

3. INVESTMENTS

Investments (see Note 2) consist of the following at December 31:

Investment Type	2015 Level 1	Level 2	Level 3	Total
Limited Liquidity:				
Absolute Return:				
Global *	$ -	$ -	$ -	$ 817,760
International *	-	-	-	68,201
Total Absolute Return	-	-	-	885,961
Private Equity:				
Buyout *	-	-	-	17,287
Growth *	-	-	-	124,604
Real Assets *	-	-	-	107,137
Venture *	-	-	-	274,920
Total Private Equity	-	-	-	523,948
Total Limited Liquidity	-	-	-	1,409,909
Other Investments:				
U.S. Equities	49,808	-	-	49,808
Mutual Funds	131,516	-	-	131,516
Total Other Investments	181,324	-	-	181,324
Total Investments	$ 181,324	$ -	$ -	$ 1,591,233

Investment Type	2014 Level 1	Level 2	Level 3	Total
Limited Liquidity:				
Absolute Return:				
Global *	$ -	$ -	$ -	$ 813,588
International *	-	-	-	58,980
Total Absolute Return	-	-	-	872,568
Private Equity:				
Buyout *	-	-	-	13,511
Growth *	-	-	-	123,560
Real Assets *	-	-	-	130,219
Venture *	-	-	-	219,818
Total Private Equity	-	-	-	487,108
Total Limited Liquidity	-	-	-	1,359,676
Other Investments:				
U.S. Equities	71,768	-	-	71,768
Mutual Funds	168,953	-	-	168,953
Total Other Investments	240,721	-	-	240,721
Total Investments	$ 240,721	$ -	$ -	$ 1,600,397

(000 Omitted)

3. INVESTMENTS (Continued)

* In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient 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 amounts presented in the statement of financial position.

Net realized and unrealized gains on investments consist of the following at December 31:

	2015	2014
Net realized gain	$ 109,610	$ 173,150
Net unrealized loss	(58,496)	(51,113)
Total net gains on investments	$ 51,114	$ 122,037

Investment management fees paid directly to managers are included in management and general expenses in the accompanying statements of activities and changes in net assets. Additional investment fees that were not paid directly to the managers have been netted against the return on certain investments. Investments are not insured and are subject to ongoing market fluctuations. Investments are classified as non-current assets regardless of instrument liquidity.

As of December 31, 2015 and 2014, the Foundation was committed to contribute approximately $129,790 and $130,557, respectively, in additional capital to limited liquidity investments throughout the terms of those investments, normally not to exceed ten years.

4. PROVISION FOR TAXES

The current provision for taxes consists of a Federal excise tax on net investment income and Federal and state taxes on unrelated business income tax (UBIT) as follows:

	2015	2014
Excise tax	$ 3,357	$ 1,166
UBIT	2,650	52
Current provision for taxes	$ 6,007	$ 1,218

The UBIT benefit denoted are attributable to the fact that due to the timing of available tax information for some investments, the Foundation has elected to account for its UBIT activity for a given fiscal year in the subsequent fiscal year.

The Foundation also records a deferred tax provision based on the change in unrealized appreciation on investments. The provision for deferred taxes of $(1,169) and $(1,023) for 2015 and 2014, respectively, is based on the statutory excise tax rate of 2%, though the Foundation may qualify for a reduced rate of 1% by meeting certain thresholds related to charitable distributions. Such reductions are reflected as credits to the deferred tax provision in the year the reduced rate applies.

(000 Omitted)

4. PROVISION FOR TAXES (Continued)

The Foundation accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Foundation has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2015 and 2014.

Taxes receivable consist of overpayments of Federal excise tax and Federal and state taxes on UBIT as follows:

	2015	2014
Excise tax	$ 1,450	$ 1,633
UBIT	474	600
Taxes receivable	$ 1,924	$ 2,233

5. LINE OF CREDIT

During 2012, the Foundation entered into a $30 million line of credit agreement. Borrowings under the agreement are due at maturity, and interest is payable monthly at the ninety-day London Interbank Offered Rate (LIBOR) (0.54% and 0.25% at December 31, 2015 and 2014, respectively), plus 2.5%. The line of credit is secured by certain investments of the Foundation. As of December 31, 2015 and 2014, there were no outstanding balances under this agreement. The Foundation must maintain certain financial ratios and covenants under this agreement. The Foundation was in compliance with these financial ratios and covenants at December 31, 2015 and 2014. This agreement expires on May 4, 2017.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2015	2014
Furniture, fixtures and equipment	$ 243	$ 243
Software	76	76
Computer equipment	15	47
	334	366
Less - accumulated depreciation	313	332
	$ 21	$ 34

7. RELATED PARTY TRANSACTIONS

The Foundation purchases personnel services for grant making activities, administrative functions and investment management from disqualified persons, as defined by the Code. These amounts are recorded as expenses in the accompanying financial statements as incurred.

The Foundation receives use of its office space free of rent and other facilities charges from these same disqualified persons. The estimated fair value of the annual rent and other building charges for 2015 and 2014 was $453 and $277, respectively. These amounts are not recorded as income or expense of the Foundation.

The Trustees of the Foundation serve as trustees or advisors for a number of charitable organizations to which the Foundation makes gifts from time-to-time.

8. COMMITMENTS AND CONTINGENCIES

As of December 31, 2015 and 2014, the Trustees of the Foundation have approved and made conditional commitments for grants totaling $47,092 and $47,467, respectively. These amounts are scheduled for payment through 2018 if conditions for payment are met.

During 2012, the Foundation entered into a loan guaranty whereby it is a guarantor of the principal and accrued interest (Guaranteed Obligation) on amounts loaned, up to a maximum amount of $1.5 million. This guaranty terminates upon the earlier of payment in full of the Guaranteed Obligation or October 5, 2019, the Guarantee Termination Date. As of December 31, 2015, there were no obligations outstanding on this guaranty.

9. CONCENTRATION OF CREDIT RISK

The Foundation maintains a portion of its cash and cash equivalents balances at a financial institution in Massachusetts. At times, balances may exceed the maximum amount of insurance provided by the Federal Deposit Insurance Corporation. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on its cash balances.