BARR FOUNDATION

FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

BARR FOUNDATION

Contents
December 31, 2014 and 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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.

Emphasis of a Matter

As explained in Note 2, as of December 31, 2014 and 2013, the statements of financial position include certain limited liquidity investments valued at approximately $1.4 billion and $1.3 billion, respectively (approximately 84% and 83% of net assets for 2014 and 2013, respectively), whose fair values have been estimated by management based substantially upon valuations prepared by investment fund managers with reference to the portion of each manager's holdings without readily determinable fair values.

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

Boston, Massachusetts
December 2, 2015

(000 Omitted)

BARR FOUNDATION

Statements of Financial Position
December 31, 2014 and 2013

Assets	**2014**	**2013**
Current Assets:		
Cash and cash equivalents	$ 23,235	$ 90,843
Other receivables	3	12,005
Prepaid expenses	49	44
Taxes receivable	2,233	2,394
Total current assets	25,520	105,286
Investments, at fair value	1,600,397	1,450,258
Property and Equipment, net	34	39
Total assets	$ 1,625,951	$ 1,555,583
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	$ 1,091	$ 373
Payable to related party	72	10
Total current liabilities	1,163	383
Deferred Federal Excise Taxes	10,232	11,255
Total liabilities	11,395	11,638
Unrestricted Net Assets	1,614,556	1,543,945
Total liabilities and net assets	$ 1,625,951	$ 1,555,583

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, 2014 and 2013

	2014	2013
Investment Activity:		
Investment income	$ 5,856	$ 3,973
Net unrealized and realized gains on investments	122,037	301,045
Net investment activity	127,893	305,018
Expenses:		
Grants awarded	48,945	52,063
Management and general	8,142	7,352
Current provision for taxes	1,218	3,255
Deferred federal excise taxes	(1,023)	3,469
Total expenses	57,282	66,139
Changes in unrestricted net assets	70,611	238,879
Unrestricted Net Assets:		
Beginning of year	1,543,945	1,305,066
End of year	$ 1,614,556	$ 1,543,945

The accompanying notes are an integral part of these statements.

(000 Omitted)

BARR FOUNDATION

Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities:		
Changes in unrestricted net assets	$ 70,611	$ 238,879
Adjustments to reconcile changes in unrestricted net assets to net cash used in operating activities:		
Depreciation	13	12
Net unrealized and realized gains on investments	(122,037)	(301,045)
Deferred federal excise taxes	(1,023)	3,469
Changes in operating assets and liabilities:		
Other receivables	6	19
Prepaid expenses	(5)	(16)
Taxes receivable	161	(242)
Accounts payable and accrued expenses	718	86
Payable to related party	62	(35)
Net cash used in operating activities	(51,494)	(58,873)
Cash Flows from Investing Activities:		
Other receivables	11,996	-
Purchase of property and equipment	(8)	(7)
Purchase of marketable securities	(208,398)	(69,416)
Purchase of limited liquidity investments	(99,088)	(49,069)
Proceeds from sale of marketable securities	205,680	103,098
Receipts from and liquidation of limited liquidity investments	73,704	137,269
Net cash provided by (used in) investing activities	(16,114)	121,875
Net Change in Cash and Cash Equivalents	(67,608)	63,002
Cash and Cash Equivalents:		
Beginning of year	90,843	27,841
End of year	$ 23,235	$ 90,843
Supplemental Disclosure of Cash Flow Information:		
Cash paid for taxes	$ 1,820	$ 3,566
Non-cash Investing Transactions:		
Partial distribution in transit from limited liquidity investments	$ -	$ 11,998
Securities distributed from limited liquidity investments	$ 3,300	$ 5,337

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 established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

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.

Other Receivables

Other receivables primarily consist of accrued investment income and distributions receivable. There was no distributions receivable as of December 31, 2014. Distributions receivable was $11,998 as of December 31, 2013.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
Computer equipment	3 years
Software	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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Investments (Continued)

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, 2014 and 2013.

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 (see Note 7). The Foundation paid grants totaling $48,945 and $52,063 during the years ended December 31, 2014 and 2013, respectively.

Subsequent Events

Subsequent events have been evaluated through December 2, 2015, 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	2014 Level 1	2014 Level 2	2014 Level 3	2014 Total
Limited Liquidity:				
Absolute Return:				
Global	$ -	$ 304,460	$ 509,128	$ 813,588
International	-	-	58,980	58,980
Total Absolute Return	-	304,460	568,108	872,568
Private Equity:				
Buyout	-	-	13,511	13,511
Growth	-	-	123,560	123,560
Real Assets	-	-	130,219	130,219
Venture	-	-	219,818	219,818
Total Private Equity	-	-	487,108	487,108
Total Limited Liquidity	-	304,460	1,055,216	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	$ 304,460	$ 1,055,216	$ 1,600,397

Investment Type	2013 Level 1	2013 Level 2	2013 Level 3	2013 Total
Limited Liquidity:				
Absolute Return:				
Global	$ -	$ 263,041	$ 462,730	$ 725,771
International	-	-	55,638	55,638
Total Absolute Return	-	263,041	518,368	781,409
Private Equity:				
Buyout	-	-	16,969	16,969
Growth	-	-	109,796	109,796
Real Assets	-	-	150,912	150,912
Venture	-	-	226,099	226,099
Total Private Equity	-	-	503,776	503,776
Total Limited Liquidity	-	263,041	1,022,144	1,285,185
Other Investments:				
U.S. Equities	67,222	-	-	67,222
Mutual Funds	97,851	-	-	97,851
Total Other Investments	165,073	-	-	165,073
Total Investments	$ 165,073	$ 263,041	$ 1,022,144	$ 1,450,258

(000 Omitted)

3. INVESTMENTS (Continued)

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

	2014	2013
Net realized gain	$ 173,150	$ 127,596
Net unrealized gain (loss)	(51,113)	173,449
Total net gains on investments	$ 122,037	$ 301,045

A reconciliation of the Level 3 investment activity was as follows for December 31:

	2014	2013
Beginning balance	$ 1,022,144	$ 906,644
Purchases of limited liquidity investments	74,087	49,069
Receipts from and liquidations of limited liquidity investments	(76,818)	(115,891)
Net realized gain on investments in limited liquidity investments	99,929	67,283
Net unrealized gain (loss) on investments in limited liquidity investments	(64,126)	115,039
Ending balance	$ 1,055,216	$ 1,022,144

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, 2014 and 2013, the Foundation was committed to contribute approximately $130,557 and $132,768, 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:

	2014	2013
Excise tax	$ 1,166	$ 3,094
UBIT	52	161
Current provision for taxes	$ 1,218	$ 3,255

(000 Omitted)

4. PROVISION FOR TAXES (Continued)

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 $(1,023) and $3,469 for 2014 and 2013, 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.

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, 2014 and 2013. The Foundation's tax returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

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

	2014	2013
Excise tax	$ 1,633	$ 999
UBIT	600	1,395
Taxes receivable	$ 2,233	$ 2,394

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) (0.25% and 0.24% at December 31, 2014 and 2013, respectively), plus 2.5%. The line of credit is secured by certain investments of the Foundation. As of December 31, 2014 and 2013, 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, 2014 and 2013. This agreement expires on May 4, 2017.

(000 Omitted)

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2014	2013
Furniture, fixtures and equipment	$ 243	$ 243
Computer equipment	47	47
Software	76	68
	366	358
Less - accumulated depreciation	332	319
	$ 34	$ 39

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 2014 and 2013 was $277 and $308, 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, 2014 and 2013, the Trustees of the Foundation have approved and made conditional commitments for grants totaling $47,467 and $54,118, 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, 2014, 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.