Independent Presbyterian Church Foundation

Financial Report
December 31, 2017

Contents

Independent auditor's report	1
Financial statements	
Statements of financial position	2
Statements of activities	3-4
Statements of cash flows	5
Notes to financial statements	6-19

Independent Auditor's Report

To the Board of Directors
Independent Presbyterian Church Foundation

Report on the Financial Statements
We have audited the accompanying financial statements of Independent Presbyterian Church Foundation, which comprise the statements of financial position as of December 31, 2017 and 2016, the related statements of activities 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 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 Independent Presbyterian Church Foundation as of December 31, 2017 and 2016, 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.

RSM US LLP

Birmingham, Alabama
July 31, 2018

Independent Presbyterian Church Foundation

Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	**$ 1,109,436**	$ 2,068,580
Investments	**66,389,590**	60,272,828
Accrued investment income	**23,831**	36,960
Other receivables	**169,269**	188,668
Land	**387,000**	387,000
Total assets	**$ 68,079,126**	$ 62,954,036
Liabilities and Net Assets		
Liabilities:		
Accrued expenses	**$ 1,707,045**	$ 1,712,922
Total liabilities	**1,707,045**	1,712,922
Net assets:		
Unrestricted	**3,860,965**	3,450,178
Temporarily restricted	**18,604,159**	14,789,165
Permanently restricted	**43,906,957**	43,001,771
Total net assets	**66,372,081**	61,241,114
Total liabilities and net assets	**$ 68,079,126**	$ 62,954,036

See notes to financial statements.

Independent Presbyterian Church Foundation

Statement of Activities
Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:				
Revenue and gains:				
Interest and dividends	$ 34,228	$ 1,121,461	$ -	$ 1,155,689
Contributions	22,281	71,214	52,500	145,995
Returned grants	40,801	-	-	40,801
Net unrealized and realized gains on investments	403,187	6,092,759	-	6,495,946
	500,497	7,285,434	52,500	7,838,431
Net assets released from restrictions:				
Satisfaction of program restrictions	2,617,754	(2,717,719)	99,965	-
Total revenue, gains and other support	3,118,251	4,567,715	152,465	7,838,431
Expenses:				
Grants and distributions	2,324,205	-	-	2,324,205
Administrative expenses	273,983	-	-	273,983
Investment management and trustee fees	109,276	-	-	109,276
	2,707,464	-	-	2,707,464
Reclassification of net assets due to inflation	-	(752,721)	752,721	-
Increase in net assets	410,787	3,814,994	905,186	5,130,967
Net assets:				
Beginning of year	3,450,178	14,789,165	43,001,771	61,241,114
End of year	$ 3,860,965	$ 18,604,159	$ 43,906,957	$ 66,372,081

See notes to financial statements.

Independent Presbyterian Church Foundation

Statement of Activities
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:				
Revenue and gains:				
Interest and dividends	$ 42,417	$ 1,459,923	$ -	$ 1,502,340
Contributions	261,882	351,134	2,015	615,031
Returned grants	55,215	-	-	55,215
Net unrealized and realized gains on investments	159,236	2,410,305	-	2,569,541
	518,750	4,221,362	2,015	4,742,127
Net assets released from restrictions:				
Satisfaction of program restrictions	2,602,402	(2,649,969)	47,567	-
Total revenue, gains and other support	3,121,152	1,571,393	49,582	4,742,127
Expenses:				
Grants and distributions	2,365,234	-	-	2,365,234
Administrative expenses	244,686	-	-	244,686
Investment management and trustee fees	99,290	-	-	99,290
	2,709,210	-	-	2,709,210
Reclassification of net assets due to inflation	-	(718,720)	718,720	-
Increase in net assets	411,942	852,673	768,302	2,032,917
Net assets:				
Beginning of year	3,038,236	13,936,492	42,233,469	59,208,197
End of year	$ 3,450,178	$ 14,789,165	$ 43,001,771	$ 61,241,114

See notes to financial statements.

Independent Presbyterian Church Foundation

Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Increase in net assets	**$ 5,130,967**	$ 2,032,917
Adjustments to reconcile increase in net assets to net cash and cash equivalents used in operating activities:		
Contributions restricted for investment in endowment	**(52,500)**	(2,015)
Investment income restricted for reinvestment in endowment	**(99,965)**	(47,567)
Net unrealized and realized gains on investments	**(6,495,946)**	(2,569,541)
Changes in assets and liabilities		
Accrued investment income	**13,129**	344,197
Other receivables	**19,399**	(75,886)
Accrued expenses	**(5,877)**	(51,034)
Net cash and cash equivalents used in operating activities	**(1,490,793)**	(368,929)
Cash flows from investing activities:		
Purchases of investments	**(10,613,415)**	(3,834,463)
Proceeds from sales of investments	**10,992,599**	2,516,924
Net cash and cash equivalents provided by (used in) investing activities	**379,184**	(1,317,539)
Cash flows from financing activities:		
Proceeds from contributions restricted for investment in endowment	**52,500**	2,015
Investment income restricted for reinvestment in endowment	**99,965**	47,567
Net cash and cash equivalents provided by financing activities	**152,465**	49,582
Net decrease in cash and cash equivalents	**(959,144)**	(1,636,886)
Cash and cash equivalents:		
Beginning of year	**2,068,580**	3,705,466
End of year	**$ 1,109,436**	$ 2,068,580

See notes to financial statements.

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: The Independent Presbyterian Church Foundation (Foundation) is a non-profit organization that was incorporated in 1973 to hold all endowment funds received by Independent Presbyterian Church of Birmingham, Alabama (Church). These endowment funds are principally composed of gifts and bequests where the use of the principal and income is governed by the terms of the endowment. The purposes of individual funds within the Foundation are established by the Session of the Church (Session) or by the donors, subject to acceptance by the Session. In addition, the Foundation is trustee of the Beeson Fund, a trust established by the wills of Orlean B. and Ralph W. Beeson. The Foundation oversees the investment of the Beeson Fund and distributes the earnings via a grants process. The primary grants process is carried out jointly by the Grantmaking Committee of the Foundation and the Grants Subcommittee of the Church's Community Ministries Committee. Grants are approved at the November meeting of the Board and distributions are made the following February. The Foundation is administered by an elected Board of Directors (Board), which has full responsibility and authority for the investment and administration of all funds entrusted to it. Both the Session and the donors may place restrictions on the investment policies and fund administration. Board members must be members of the Church and are elected by the congregation for three-year terms.

The Board is authorized and permitted to engage the services of investment managers who possess the necessary specialized research facilities and skilled manpower to prudently invest Foundation assets within the current financial markets.

The overall investment objective for the Foundation is to achieve stability and maximize current income, consistent with the need and opportunity for long-term capital appreciation and preservation. The allocation between investment types will be determined by managing risk with diversification, to diversify the Foundation uses various investment managers and investing styles.

A summary of the Foundation's significant accounting policies follows:

Financial statement presentation: Financial statement presentation follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, Not-for-Profit Entities: Presentation of Financial Statements. Under FASB ASC 958-205, the Foundation is required to report 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. Unrestricted net assets are amounts which are currently available at the discretion of the Foundation for use in their operations and for grant making. Temporarily restricted net assets are amounts which are restricted by donors for specific purposes. Permanently restricted net assets are restricted by donors to investment in perpetuity, the investment income from which is expendable to support various purposes as specified by the donor. In addition, the Foundation is required to present a statement of cash flows. As permitted by FASB ASC 958-205, the Foundation does not use fund accounting.

Basis of accounting: The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Revenue and support recognition: Contributions are recognized as support when the donor makes a gift or a promise to give to the Foundation that is, in substance, unconditional. Gifts of cash and other assets are reported as restricted support if they are received with 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 on the statements of activities as net assets released from restrictions. Donated investments and other noncash donations are recorded as contributions at their estimated fair value at the date of donation.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Cash and cash equivalents: For purposes of reporting cash flows, the Foundation considers all liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents were $510,010 and $853,596 at December 31, 2017 and 2016, respectively.

Investments: In accordance with FASB ASC 958-320, Not-for-Profit Entities: Investments — Debt and Equity Securities, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based on published prices. Changes in fair values are reported as unrealized gains or losses on investments in the statements of activities. Realized gains and losses are computed on the specific identification method. All investment income (including interest and dividends on investments) and realized gains and losses are also reported in the statements of activities. The year-to-year increase or decrease in the value of investments is included in the accompanying statements of activities as net unrealized and realized gains or losses on investments.

Investment policy objectives, risk parameters and strategies: The purpose of the Foundation is to invest its assets so that the income can be applied to support the activities specified by the donors. The investment objective is to preserve the purchasing power of the assets so that a stable and level flow of inflation-adjusted income can be provided to current and future generations. Foundation funds should be invested to produce maximum total return consistent with prudent risks. Total return includes interest, dividends and both realized and unrealized capital appreciation less all costs.

The allocation of the investment portfolio to various asset classes is the single most important determinant of investment risk and return. Since the Foundation has a long-term investment horizon and equities provide superior long-term returns, the Foundation will have a significant portion of its investments in equities. Equities provide superior long-term returns over most time periods, but are subject to prolonged and/or precipitous declines. To mitigate such loss, the Foundation will invest in fixed income instruments, (which include bonds and similar debt instruments as well as cash, referred to as bonds for brevity). Because market values and market conditions are constantly changing, an asset allocation policy should be expressed in ranges instead of a single percentage target. The Foundation categorizes its investments in asset classes as either capital appreciation or preservation strategies. Capital appreciation strategies are investments, primarily equities, which seek growth and accept volatility as a consequence of investment. Capital preservation strategies are investments, primarily fixed income instruments, with lower expected returns, when compared to other investments, which dampen the volatility of the portfolio. For these reasons, Foundation policy specifies a range for the Beeson Fund of 60% to 72% for capital appreciation strategies, with the current target set at 66%, and 28% to 40% for capital preservation strategies, with the current target set at 34%. For the Meyer Fund, which is included in the Unitized Funds, Foundation policy specifies a range of 59% to 71% for capital appreciation strategies, with the current target set at 65%, and 29% to 41% for capital preservation strategies, with the current target set at 35%. For the Unitized Funds, Foundation policy specifies a range of 68% to 80% for capital appreciation strategies, with the current target set at 74%, and 20% to 32% for capital preservation strategies, with the current target set at 26%. Funds will be allocated between United States (U.S.) equity, international equity securities, real estate partnerships and multi-asset strategies for capital appreciation strategies. Funds will be allocated between fixed income, treasury inflation-protected securities (TIPS), timberland partnerships and cash for capital preservation strategies.

The Foundation uses investment managers who invest in single asset classes as well as those who invest in multiple asset classes, such as a balanced fund consisting of both stocks and bonds, in which the manager may vary the allocations in an attempt to either improve return, reduce volatility or both. Generally, any fund investing in asset classes not meeting the Foundation’s standards for fixed income will be treated as a capital appreciation strategy, but consideration may be given to the risk profile of the underlying securities within the strategy in setting targets and ranges.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Opportunistic assets are included to improve the risk-adjusted return of the portfolio. Currently, timberland partnerships, insurance securities, and real estate partnerships are approved for the Beeson Fund, with a target allocation of 19%. Allowable ranges for combined opportunistic assets are 0% to 25% for the Beeson Fund.

The assets of the Foundation will be maintained in separate funds, or accounts, to allow the assets to be managed and used as directed by the donors. Most of these funds will be invested in the balanced style described above. Where directed by the donor or indicated by other factors, a fund may be invested solely in fixed income. The Foundation will specify an investment style for each fund at the time it is established and will communicate changes to the investment manager as appropriate.

Spending policy: The Foundation will periodically make appropriations for distributions of earnings to support the activities specified by its donors. For most funds managed by the Foundation, the annual amount of the appropriations will be calculated by use of a spending policy rate. The spending policy rate is set with the goal of balancing spending and total return, so that principal (increased for new contributions and inflation) neither grows nor shrinks. Maintaining a consistent rate from year to year is important, so the principal balance should be monitored over a ten-year horizon. This approach will create a reserve (an excess or deficit of cumulative return over cumulative spending), which will vary from year to year. The reserve level, combined with the expected return based on asset allocation policy, are the primary factors to consider in setting the spending policy rate. Spending rates at December 31, 2017 and 2016, are 4% annually from the Beeson Fund and 3% annually from the Meyer/Unitized Funds. The Foundation manages certain funds that are not distributed on a regular basis, but only under conditions specified by the donor. The net spending policy rate will not apply to these funds. Distributions will be made only upon written request to the Executive Director as specified in the fund establishment documents.

Composition of and changes in Foundation net assets for the years ended December 31, 2017 and 2016, are included in the accompanying statements of activities.

Determination of expendable income: For the purpose of determining amounts available for distribution, expendable income of certain funds administered by the Foundation is defined as interest and dividends earned on investments less investment-related expenses. Beginning in 1999, for certain funds administered by the Foundation, expendable income is determined based on a “total return” approach, which includes realized and unrealized gains and losses within certain defined limits.

Use of estimates: The preparation of financial statements in conformity with 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.

Risks and uncertainties: The Foundation maintains cash and cash equivalents at financial institutions, which at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Foundation invests in a professionally managed portfolio that contains U.S. government obligations, mortgage backed securities, corporate bonds, U.S. common stocks, foreign common stocks, mutual funds, investments in partnerships and limited liability companies, and real estate. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the accompanying financial statements.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Impairment of assets: In accordance with the FASB ASC 360-10-35, Impairment or Disposal of Long Lived Assets, the Foundation records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. The Foundation continually evaluates its investment in long-lived assets for impairment. Based on this evaluation, there was no impairment at December 31, 2017 or 2016.

Income taxes: The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code). The Foundation pays income taxes on gross income from any unrelated trade or business income less direct expenses. Estimated income tax of $56,659 and $58,500 was paid for unrelated trade or business income for the years ended December 31, 2017 and 2016, respectively. The Foundation files a tax return in the U.S. federal jurisdiction. The Board evaluated the Foundation's tax position and concluded that the Foundation has not entered into any events or transactions that would disqualify its tax-exempt status or has not taken any uncertain tax positions that would cause the Foundation to incur income taxes or penalties at the entity level. With few exceptions, the Foundation is no longer subject to U.S. federal tax examinations by tax authorities for years before 2014.

Subsequent events: Subsequent events have been evaluated through July 31, 2018, which is the date the financial statements were available for issuance.

Recent accounting pronouncements: In May 2014, the FASB issued Accounting Standard Update (ASU) No. 2014-09, *Revenue From Contracts With Customers (Topic 606),* which specifies that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this, the entity should apply certain steps outlined in the amendment. This ASU will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. For nonpublic entities, these amendments are effective for annual reporting periods beginning after December 15, 2018. Early adoption with certain restrictions is permitted for nonpublic entities. The Foundation is currently evaluating the effect the guidance may have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial *statements of Not-for-Profit Entities*, which addresses financial reporting for not-for-profit organizations. The key elements of the ASU are as follows:

- Net asset classifications are being reduced from three to two categories: with donor restrictions and without donor restrictions. Expanded disclosures about the nature and amount of any donor restrictions and on any board designations of net assets without donor restrictions will be required.
- Underwater donor-restricted endowments will be included in "with donor restrictions", with enhanced required disclosures for underwater endowments.
- The placed-in-service approach will be required for determining when restrictions are met for all capital gifts, eliminating the over-time option for expirations of capital restrictions.
- Additional disclosures, both qualitative and quantitative, will be required to communicate information useful in assessing liquidity within one year of the statement of financial position date.
- The indirect or direct method of presenting the statement of cash flows will be allowed. However, the reconciliation of operating items no longer will be required when using the direct method.
- When an organization derives net investment return from several different sources, such as donor endowments and unrestricted operating endowments, it may present the net investment return in multiple line items in the statement of activities.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

- Several new reporting requirements related to expenses ae included, as follows:
  - Disclosure of expenses by both nature and function (excluding investment expenses that have been netted with investment return)
  - Disclosure of expenses netted with investment return
  - Enhanced disclosures regarding cost allocations.

ASU No. 2016-14 eliminates the requirement to disclose the unrealized gains and losses for the period related to equity securities held at the report date.

While the guidance is effective for fiscal years beginning after December 15, 2017, early adoption is allowed. The Foundation is currently evaluating the effect the guidance will have on the financial statements.

Note 2. Fair Value Measurement

ASC 820, Fair Value Measurement, provides the framework for measuring fair value. The Foundation reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices for identical assets or liabilities in active markets to which the Foundation has access at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Assets and liabilities measured at fair value are based on one or more of the three valuation techniques noted in the guidance. The three techniques are as follows:

Market approach: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Note 2. Fair Value Measurement (Continued)

Cost approach: Amount that would be required to replace the service capacity of an asset (i.e. replacement cost).

Income approach: Techniques to convert future amounts to a single present amount based on market expectations utilizing present value techniques.

On a recurring basis, the Foundation is required to measure its U.S. government obligations, mortgage backed securities, corporate bonds, common stocks, mutual funds, investments in partnerships and limited liability companies and real estate at fair value.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the valuation methodologies used at December 31, 2017 and 2016.

U.S. government obligations: Valuation inputs utilized by the independent pricing service for those U.S. Treasury and federal agency securities include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, and reference data including market research publications.

Mortgage backed securities: The key inputs to the valuation are the contractual terms, prepayment speeds, and the discount rate. Historical prepayment speeds for each security is available through the servicer or trustee.

Corporate bonds, common stocks and mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Investments in diversified venture capital funds and real estate and timber partnerships and limited liability companies: The Foundation applies the practical expedient to its investments in real estate and timber partnerships and limited liability companies, unless it is probable that the Foundation will sell a portion of its investment at an amount different from the net asset valuation. The fair value is determined by management based on the net asset value (NAV) per unit of each investment multiplied by the total number of units held by the Foundation at year end. The NAV is not a publicly-quoted price in an active market.

Investment in micro-cap equity fund partnership: The Foundation applies the practical expedient to its investment in micro-cap equity fund partnership. The fair value is determined by management based on the NAV per unit of the investment multiplied by the total number of units held by the Foundation at year end. The NAV is not a publicly-quoted price in an active market but all underlying investments are valued at the closing price reported on the active market on which the individual securities are traded.

Real estate: The Foundation's investment in real estate represents real property by which the fair value was determined by independent appraisal.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 2. Fair Value Measurement (Continued)

The following tables sets forth by level, within the fair value hierarchy, the Foundation's assets that are measured at fair value on a recurring basis as of December 31, 2017 and 2016:

	December 31, 2017			
	Fair Value	Level 1	Level 2	Level 3
Financial assets:				
Cash equivalents	$ 510,010	$ 510,010	$ -	$ -
Investments:				
U.S. government obligations	121,215	-	121,215	-
Mortgage backed securities	104,982	-	104,982	-
Corporate bonds:				
Basic materials	9,977	9,977	-	-
Conglomerates	4,319	4,319	-	-
Consumer goods	149,988	149,988	-	-
Financial	95,975	95,975	-	-
Healthcare	27,463	27,463	-	-
Industrial goods	9,067	9,067	-	-
Services	17,170	17,170	-	-
Technology	27,034	27,034	-	-
	340,993	340,993	-	-
U.S. common stocks:				
Basic materials	6,200	6,200	-	-
Consumer discretionary	18,401	18,401	-	-
Consumer goods	14,504	14,504	-	-
Financial	14,872	14,872	-	-
Healthcare	6,449	6,449	-	-
Industrial goods	7,711	7,711	-	-
Reinsurance	1,995,412	1,995,412		
Services	34,699	34,699	-	-
Technology	11,432	11,432	-	-
	2,109,680	2,109,680	-	-
Foreign common stocks:				
Basic materials	5,478	5,478	-	-
Mutual funds:				
Fixed income	2,515,235	2,515,235	-	-
Foreign large blend	1,424,130	1,424,130	-	-
Intermediate term bond	7,838,361	7,838,361	-	-
International	1,450,520	1,450,520	-	-
Large cap	27,273,237	27,273,237	-	-
Mid cap	3,137,145	3,137,145	-	-
Small cap	2,000,922	2,000,922	-	-
Short term bond	1,866,431	1,866,431		
Ultrashort and short bond	5,888,221	5,888,221	-	-
World stock	1,545,546	1,545,546	-	-
Long/short hedging equity	752,934	752,934	-	-
	55,692,682	55,692,682	-	-
Partnerships and limited liability companies:				
Diversified venture capital funds (a)	1,686,605	-	-	-
Micro cap equity fund (a)	1,271,515	-	-	-
Real estate (a)	2,923,569	-	-	-
Timber (a)	1,648,366	-	-	-
	7,530,055	-	-	-
Real estate	484,505	-	484,505	-
Total financial assets	$ 66,899,600	$ 58,658,843	$ 710,702	$ -

Note 2. Fair Value Measurement (Continued)

	December 31, 2016			
	Fair Value	Level 1	Level 2	Level 3
Financial assets:				
Cash equivalents	$ 853,596	$ 853,596	$ -	$ -
Investments:				
U.S. government obligations	100,653	-	100,653	-
Mortgage backed securities	128,520	-	128,520	-
Corporate bonds:				
Basic materials	22,589	22,589	-	-
Conglomerates	4,436	4,436	-	-
Consumer goods	103,693	103,693	-	-
Financial	103,710	103,710	-	-
Healthcare	19,820	19,820	-	-
Industrial goods	14,254	14,254	-	-
Services	38,622	38,622	-	-
Technology	35,705	35,705	-	-
	342,829	342,829	-	-
U.S. common stocks:				
Basic materials	7,723	7,723	-	-
Consumer discretionary	9,875	9,875	-	-
Consumer goods	30,335	30,335	-	-
Consumer staples	4,404	4,404	-	-
Financial	16,757	16,757	-	-
Healthcare	4,285	4,285	-	-
Industrial goods	2,422	2,422	-	-
Services	35,366	35,366	-	-
Technology	9,632	9,632	-	-
	120,799	120,799	-	-
Foreign common stocks:				
Basic materials	6,002	6,002	-	-
Mutual funds:				
Fixed income	110,807	110,807	-	-
Foreign large blend	4,275,504	4,275,504	-	-
Intermediate term bond	7,563,143	7,563,143	-	-
Large cap	24,005,538	24,005,538	-	-
Mid cap	3,347,846	3,347,846	-	-
Small cap	1,655,907	1,655,907	-	-
Ultrashort and short bond	7,566,545	7,566,545	-	-
World stock	806,371	806,371	-	-
Long/short hedging equity	674,799	674,799	-	-
	50,006,460	50,006,460	-	-
Partnerships and limited liability companies:				
Diversified venture capital funds (a)	1,576,456	-	-	-
Micro cap equity fund (a)	1,238,079	-	-	-
Real estate (a)	2,859,223	-	-	-
Timber (a)	3,409,302	-	-	-
	9,083,060	-	-	-
Real estate	484,505	-	484,505	-
Total financial assets	$ 61,126,424	$ 51,329,686	$ 713,678	$ -

Note 2. Fair Value Measurement (Continued)

(a) In accordance with ASU No. 2015-07, investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Net unrealized and realized gains (losses) are reported in the statements of activities as revenue, gains (losses) and other support. The Foundation recognizes transfers into and out of levels at the end of the reporting period. During the years ended December 31, 2017 and 2016, the Foundation did not make any transfers between investment levels.

The following tables set forth additional disclosures of the Foundation's investments whose fair value is estimated using NAV per share (or its equivalent) as of December 31, 2017 and 2016:

	2017			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Partnerships and limited liability companies:				
Diversified venture capital funds				
Ironwood International Ltd.	$ 982,521	$ -	Semi-annual	95 days
Ironwood Institutional Multi-Strategy Fund	704,084	-	**	**
Micro cap equity fund	1,271,515	-	**	60 days
Real estate	2,923,569	-	*	*
Timber	1,648,366	-	*	*
	$ 7,530,055	$ -		

	2016			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Partnerships and limited liability companies:				
Diversified venture capital funds				
Ironwood International Ltd.	$ 918,941	$ -	Semi-annual	95 days
Ironwood Institutional Multi-Strategy Fund	657,515	-	**	**
Micro cap equity fund	1,238,079	-	**	60 days
Real estate	2,859,223	-	*	*
Timber	3,409,302	-	*	*
	$ 9,083,060	$ -		

* Redemption only allowed through transfer of interest with certain requirements.

** Redemption has specific requirements.

The primary objective of the diversified venture capital funds is capital appreciation with limited variability of returns. The primary objective of the micro-cap equity fund is to achieve capital appreciation from investments primarily in micro capitalization equity securities. The primary objective of the real estate partnerships are to acquire, hold, manage and sell real estate assets, including interests in joint venture projects, primarily in the U.S. with the goal of providing a return of 15% to 18%. The primary objective of the timber funds are to acquire an interest in timberland properties and to hold, manage and dispose of such investments with the goal of providing a return of 8% to 10%.

Note 2. Fair Value Measurement (Continued)

The Ironwood Institutional Multi-Strategy Fund has specific redemption requirements. Units are not redeemable. The Board, in its sole and absolute discretion, may authorize the Fund to make a tender offer to repurchase members' units at the NAV per unit on a repurchase date. Responses to a repurchase offer must be received by the Fund at least 95 calendar days prior to the repurchase date.

The micro cap equity fund also has specific redemption requirements. The requirements include that a withdrawal can only be made after the Foundation has been invested a year, withdraw a minimum of $10,000 and maintain $100,000 in the investment.

The investments where redemption is only allowed through transfer of interest with certain requirements have various liquidation dates. The real estate partnerships liquidate when the earliest of all real estate assets of the fund are sold or in December 2016; however, the funds may be extended for up to two additional one-year periods. The timber limited liability company with a fair value of $508,663 as of December 31, 2017, had an original liquidation planned in December 2017, but the Company is exercising the first of two additional one-year extensions available. The timber limited liability company with a fair value of $1,139,703 as of December 31, 2017, will be liquidated in December 2021, with two additional one-year extensions available.

Note 3. Investments

At December 31, investments consisted of the following:

	2017	2016
Equity securities	$ 39,699,592	$ 34,892,766
Fixed income securities	18,675,438	15,812,497
Interest in private equity	7,530,055	9,083,060
Real estate	484,505	484,505
Total investments, at market value	$ 66,389,590	$ 60,272,828

Net realized gains were $2,137,435 and $2,914,287 for the years ended December 31, 2017 and 2016, respectively. Net unrealized gains (losses) were $4,358,511 and ($344,746) for the years ended December 31, 2017 and 2016, respectively.

Note 4. Accrued Expenses

Accrued expenses consist of grants that are approved by the Board during the current year but are not distributed until the following year and accrued investment fees.

Note 5. Restricted Net Assets

Temporarily restricted net assets are available for various purposes as specified by the donor including the preservation and maintenance of the Church buildings and other ministries of the Church as follows:

	2017	2016
The Beeson Fund:		
Missionary causes, educational services, and general charitable purposes	$ 11,713,384	$ 9,172,709
The Unitized Funds:		
Community ministries	5,684,242	4,526,913
Christian education	611,639	545,923
Pastoral care	140,265	119,035
Music and fine arts	57,233	30,443
Other funds	31,291	27,664
The Troop 28 Fund	366,105	366,478
	$ 18,604,159	$ 14,789,165

Permanently restricted net assets are restricted to investment in perpetuity, the investment income from which is expendable to support various purposes as specified by the donor including a children's camp, missionary causes, seminaries and colleges as follows:

	2017	2016
The Beeson Fund:		
Missionary causes, educational services and general charitable purposes	$ 36,024,896	$ 35,280,795
The Unitized Funds:		
Children's Fresh Air Farm camp capital development fund	7,352,053	7,280,062
Barbara Noojin Walthall Bible study fund	117,319	106,692
Steele memorial music and fine arts fund	104,731	94,423
Children's Fresh Air Farm camp general fund	75,386	68,558
Martha Steger Estes fund	66,690	60,650
Margaret M. McClure library fund	54,005	53,787
M. Scott McClure fund	52,930	27,454
Nabers Christian education fund	20,088	18,261
Caroline Nissly Stayer choral music fund	9,321	7,426
Other funds	29,538	3,663
	$ 43,906,957	$ 43,001,771

Note 6. Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenditures in the form of grants and distributions, including related administrative expenses and investment fees, satisfying the restricted purposes during the years ended December 31, 2017 and 2016 as follows:

	2017	2016
The Beeson Fund:		
Missionary causes, educational services, and general charitable purposes	$ 2,155,887	$ 2,155,897
The Unitized Funds:		
Community ministries	409,319	404,906
Christian education	40,500	29,906
Pastoral care	4,502	4,381
Music and fine arts	3,947	3,783
Other funds	3,226	3,156
Children's Fresh Air Farm camp capital development fund income returned to principal	99,965	47,567
The Troop 28 Fund	373	373
	$ 2,717,719	$ 2,649,969

Note 7. Endowment Funds

The Foundation's net assets consist primarily of numerous endowment funds established for the purpose of investing its assets so that the income can be applied to support the activities specified by donors. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation 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, which includes adjustments for inflation based on the Consumer Price Index. 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 the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation 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 the Foundation and (7) the Foundation's investment policies.

Note 7. Endowment Funds (Continued)

As of December 31, 2017 and 2016, endowment net asset composition by type of fund is as follows:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds:				
The Beeson Fund	$ -	$ 11,713,384	$ 36,024,896	$ 47,738,280
The Unitized Funds	(18,635)	878,713	7,882,061	8,742,139
	$ (18,635)	$ 12,592,097	$ 43,906,957	$ 56,480,419

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds:				
The Beeson Fund	$ -	$ 9,172,709	$ 35,280,795	$ 44,453,504
The Unitized Funds	(34,726)	203,034	7,720,976	7,889,284
	$ (34,726)	$ 9,375,743	$ 43,001,771	$ 52,342,788

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (34,726)	$ 9,375,743	$ 43,001,771	$ 52,342,788
Revenue, gains and other support:				
Revenue and gains				
Interest and dividends	-	1,026,025	-	1,026,025
Contributions	-	-	52,500	52,500
Net unrealized and realized gains on investments	16,091	5,349,394	-	5,365,485
	16,091	6,375,419	52,500	6,444,010
Net assets released from restrictions:				
Reclassification of earnings back to principal	-	-	99,965	99,965
Appropriation of endowment assets for expenditure	-	(2,406,344)	-	(2,406,344)
Total revenue, gains and other support	16,091	3,969,075	152,465	4,137,631
Reclassification of net assets due to inflation	-	(752,721)	752,721	-
Increase in net assets	16,091	3,216,354	905,186	4,137,631
Endowment net assets, end of year	$ (18,635)	$ 12,592,097	$ 43,906,957	$ 56,480,419

Note 7. Endowment Funds (Continued)

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (43,692)	$ 9,031,505	$ 42,233,469	$ 51,221,282
Revenue, gains and other support:				
Revenue and gains				
Interest and dividends	-	1,380,295	-	1,380,295
Contributions	-	-	2,015	2,015
Net unrealized and realized gains on investments	8,966	2,085,385	-	2,094,351
	8,966	3,465,680	2,015	3,476,661
Net assets released from restrictions:				
Reclassification of earnings back to principal	-	-	47,567	47,567
Appropriation of endowment assets for expenditure	-	(2,402,722)	-	(2,402,722)
Total revenue, gains and other support	8,966	1,062,958	49,582	1,121,506
Reclassification of net assets due to inflation	-	(718,720)	718,720	-
Increase in net assets	8,966	344,238	768,302	1,121,506
Endowment net assets, end of year	$ (34,726)	$ 9,375,743	$ 43,001,771	$ 52,342,788

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. As of December 31, 2017 and 2016, the fair value of some endowment funds fell below the inflation-adjusted principal value as required by the donor causing fund deficiencies totaling $18,635 and $34,726, respectively. The total fair value of endowment assets, including appropriations not yet liquidated, exceeds the inflation-adjusted principal value (permanently restricted amounts) as required by the donors by $14,279,892 and $11,040,845 as of December 31, 2017 and 2016, respectively.

Note 8. Related Party Transactions

The Foundation granted $681,005 and $625,720 to the Church for the years ended December 31, 2017 and 2016, respectively, which are included in grants and distributions expense on the accompanying statements of activities.