

UNITED METHODIST FOUNDATION OF MICHIGAN AND SUBSIDIARY
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2015

CONTENTS

INDEPENDENT AUDITORS' REPORT	1
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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2
CONSOLIDATED STATEMENT OF ACTIVITIES	3
CONSOLIDATED STATEMENT OF CASH FLOWS	4
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	5 - 14



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INDEPENDENT AUDITORS' REPORT

Board of Directors
United Methodist Foundation of Michigan
Grand Rapids, Michigan

We have audited the accompanying financial statements of United Methodist Foundation of Michigan (a nonprofit organization) and its related entity, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 United Methodist Foundation of Michigan and its related entity as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. The prior years' summarized comparative information has been derived from the Foundation's December 31, 2014, financial statements; and in our report dated April 23, 2015, we expressed an unqualified opinion on those financial statements.

A handwritten signature in cursive script that reads 'Ullrey & Company'.

Ullrey & Company
Certified Public Accountants

Kalamazoo, Michigan
April 15, 2016

FINANCIAL STATEMENTS

UNITED METHODIST FOUNDATION OF MICHIGAN AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
WITH COMPARATIVE TOTALS FOR 2014 AND 2013

	<u>ASSETS</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash	\$ 7,870,499	\$ 10,228,258	\$ 10,299,272
Investments:			
Certificates of Deposit	520,271	250,968	249,105
The Mission and Church			
Extension Trust Fund - Investment			
Accounts	880,054	880,054	880,054
United States Treasury and			
Government Agency Securities	4,443,066	4,401,761	2,625,067
Corporate Bonds	16,382,850	15,013,131	14,164,544
Common & Preferred Stocks	55,931,867	57,076,305	53,118,785
Accrued income	211,441	223,645	172,453
Other assets	4,041	1,000	12,043
Property and equipment - net	12,088	8,029	9,000
TOTAL ASSETS	<u>\$ 86,256,177</u>	<u>\$ 88,083,151</u>	<u>\$ 81,530,323</u>
<u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES			
Accounts Payable	\$ 10,819	\$ 15,579	\$ 41,639
Funds held for other parties:			
UMF Funds	49,055,559	49,215,365	49,376,780
Pooled Trust Funds	8,524,995	8,947,288	8,437,199
Other managed trust funds	26,514,704	27,744,267	21,617,734
TOTAL LIABILITIES	<u>84,106,077</u>	<u>85,922,499</u>	<u>79,473,352</u>
NET ASSETS			
Unrestricted net assets	633,728	637,880	681,606
Quasi-endowment funds	1,516,372	1,522,772	1,375,365
TOTAL NET ASSETS	<u>2,150,100</u>	<u>2,160,652</u>	<u>2,056,971</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 86,256,177</u>	<u>\$ 88,083,151</u>	<u>\$ 81,530,323</u>

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

UNITED METHODIST FOUNDATION OF MICHIGAN AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
DECEMBER 31, 2015
WITH COMPARATIVE TOTALS FOR 2014 AND 2013

	<u>2015</u>	<u>2014</u>	<u>2013</u>
REVENUES AND SUPPORT			
Contributions	\$ 46,108	\$ 107,950	\$ 62,142
Fund administrative fees	616,332	607,904	512,395
Other income	4,052	1,541	806
Investment income	48,751	43,357	40,871
Realized and unrealized gains (losses) on investments	<u>(60,866)</u>	<u>(18,189)</u>	<u>219,095</u>
TOTAL REVENUES AND SUPPORT	<u>654,377</u>	<u>742,563</u>	<u>835,309</u>
OPERATING EXPENSES			
Salaries and wages	236,615	225,331	208,250
Housing and utility allowances	55,000	55,000	55,000
Health insurance	69,185	71,770	63,086
Retirement	64,341	51,436	42,616
Travel	44,377	42,798	36,371
Professional development	8,397	8,030	7,814
Payroll taxes	12,044	11,581	10,759
Telephone	8,732	9,076	10,292
Professional fees	57,401	53,046	65,026
National association expense	4,800	4,101	4,250
Office expenses	39,979	49,776	43,463
Board meetings	646	434	709
Promotion	5,423	4,158	2,787
Resource materials	1,744	1,856	751
Depreciation	3,618	4,243	3,874
Quasi-endowment grants and other expenditures	<u>52,627</u>	<u>46,246</u>	<u>66,476</u>
TOTAL OPERATING EXPENSES	<u>664,929</u>	<u>638,882</u>	<u>621,524</u>
CHANGE IN NET ASSETS	(10,552)	103,681	213,785
NET ASSETS AT BEGINNING OF YEAR	<u>2,160,652</u>	<u>2,056,971</u>	<u>1,843,186</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,150,100</u>	<u>\$ 2,160,652</u>	<u>\$ 2,056,971</u>

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

UNITED METHODIST FOUNDATION OF MICHIGAN AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

DECEMBER 31, 2015

WITH COMPARATIVE TOTALS FOR 2014 AND 2013

	<u>2015</u>	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Increase (Decrease) in net assets	\$ (10,552)	\$ 103,681	\$ 213,785
Adjustments to reconcile increase (decrease) in net cash provided by operations:			
Depreciation	3,618	4,243	3,874
Unrealized gain (loss) on investments	(60,866)	(18,189)	219,095
(Increase) Decrease in operating assets:			
Funds held by or due to United Methodist West Michigan Conference	-	-	(899)
Other assets	(4,997)	6,371	24,328
Increase (Decrease) in operating liabilities:			
Accounts payable	(4,760)	(32,724)	32,590
Changes in non-cash working capital:			
UMF Funds	(259,113)	81,123	607,613
Pooled Trust Funds	(422,023)	567,704	19,850
Other managed trust funds	(1,683,880)	(646,634)	4,738,902
NET CASH PROVIDED BY (USED BY) OPERATIONS	<u>(2,442,573)</u>	<u>65,575</u>	<u>5,859,138</u>
CASH FLOWS PROVIDED BY (USED BY) INVESTING ACTIVITIES			
(Increase) Decrease in quasi-endowment funds	92,491	(133,318)	(557,303)
Transfer of Charitable remainder trust	-	-	38,785
Payments for property and equipment	(7,677)	(3,271)	(1,905)
NET CASH PROVIDED BY (USED BY) FINANCING ACTIVITIES	<u>84,814</u>	<u>(136,589)</u>	<u>(520,423)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,357,759)	(71,014)	5,338,715
BEGINNING CASH AND CASH EQUIVALENTS	<u>10,228,258</u>	<u>10,299,272</u>	<u>4,960,557</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 7,870,499</u>	<u>\$ 10,228,258</u>	<u>\$ 10,299,272</u>

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

UNITED METHODIST FOUNDATION OF MICHIGAN AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The United Methodist Foundation (Foundation) is a non-profit corporation organized and existing under the laws of the State of Michigan. The Foundation is identified through its common religious faith with the United Methodist Church. The United Methodist Church is a Protestant denomination which was organized in 1968 through the union of the Methodist Church and the Evangelical United Brethren Church and is composed of approximately 38,500 organized churches throughout the United States and 4,000 outside the United States with approximately 9,000,000 members.

The Foundation's mission is to strengthen and enhance the ministry of the United Methodist Churches in Michigan. The Foundation's Articles of Incorporation provide the purposes of the Foundation and shall include:

To provide resources to United Methodists and United Methodist Churches within the Detroit and West Michigan Annual Conferences regarding charitable giving and estate planning principles;

To encourage stewardship of accumulated resources through promotional and educational opportunities, in cooperation with other conference units charged with stewardships concerns; and;

To receive and administer gifts, trusts, devises, and conveyances, and the income therefrom, of real and personal property for United Methodist purposes.

The Foundation fulfills its mission by performing, among others, the following activities:

Act as trustee and administrator of gifts to churches, institutions, or causes of the United Methodist Church.

Solicit gifts for these institutions or causes in Michigan.

Develop educational and promotional resources for use within Michigan.

Receive bequests, gifts, and conveyances, the income of which is devoted to specific or general United Methodist purposes.

Provide consulting and resources for local congregations in securing their resources.

Offer United Methodists and other Michigan-based charitable organizations an opportunity for professional investment and fund management.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Foundation and its subsidiary, UMF Collective Funds of Michigan, LLC (UMF Funds). All material intercompany accounts and transactions have been eliminated in consolidation.

UMF Funds was formed on May 26, 2011, as a nonprofit limited liability company organized and existing under the laws of the State of Delaware. UMF Funds was organized and operates to further the purposes of the Foundation by providing one or more investment funds or portfolios maintained for the collective investment of eligible participants. The Foundation is the sole member of the UMF Funds.

UNITED METHODIST FOUNDATION OF MICHIGAN AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

TAX EXEMPT STATUS

The Foundation is exempt from federal income taxes under Section 501 (c) 3 of the Internal Revenue Code and from state income taxes. Contributions to the Foundation are deductible as charitable contributions for federal income tax purposes. In addition, the Foundation has been determined not to be a private foundation within the meaning of Section 509 (a) of the Code.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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.

BASIS OF PRESENTATION

The financial statements of the Foundation have been prepared in conformity with accounting principles accepted in the United States of America.

The net assets, revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Foundation is required to report information regarding its financial position and activities in the following three classes of net assets:

Unrestricted net assets generally result from revenues derived from providing services, receiving unrestricted contributions, unrealized and realized gains and losses on investments, less the expenses incurred in providing services, raising contributions, and performing administrative functions. Unrestricted net assets are not subject to donor-imposed restrictions and may be designated for specific purposes by action of the Foundation's Board of Directors (Board).

Temporarily restricted net assets generally result from contributions and other inflows of assets, which are held for specific purposes stipulated by the donor. Temporarily restricted net assets are released by the passage of time or by actions of the Foundation, pursuant to the donor's stipulations.

Permanently restricted net assets generally result from contributions and other inflows of assets where use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Foundation. The Foundation currently has no permanently restricted net assets.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Foundation considers all checking and money market accounts to be cash equivalents.

FINANCIAL INSTRUMENTS

The Foundation's financial instruments consist of cash balances, certificates of deposit, Mission and Church Extension investment accounts, marketable securities, fixed income securities, accounts receivable and accounts payable. The Foundation's estimates of fair value approximate their carrying amounts as of December 31, 2015, 2014, and 2013.

UNITED METHODIST FOUNDATION OF MICHIGAN AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

INVESTMENTS

Investments are stated at fair value based on quoted market prices. Unless a donor or law restricts the income or loss, investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the increase or decrease in unrestricted or temporarily restricted net assets.

PROPERTY AND EQUIPMENT

The Foundation follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$500. Assets are depreciated over their estimated useful lives on a straight-line basis.

CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expired in the fiscal year in which the contribution was received. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

CONTRIBUTED SERVICES

Donated services are recognized as contributions if services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. During the year ended December 31, 2015, no contributed services meet the criteria for recognition.

COMPARATIVE TOTALS

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the years ended December 31, 2014 and 2013, from which the summarized information was derived.

FUNDS HELD FOR INVESTMENT

UMF Funds

The Foundation serves as the administrator of The Stock Fund, The Bond Fund, The Balanced Fund (the "Funds") and the Collective Money Market Investment Account (the "MMIA"), which are successors to the UMF Stock Fund, UMF Bond Fund and the Money Market Investment Account administered by the Foundation prior to the formation of UMF Funds. The Funds and the MMIA are available exclusively for the collective investment and reinvestment by United Methodist churches and congregations and other charitable organizations located in Michigan. The Foundation may participate by investing its own eligible assets in the Funds and the MMIA. These assets include endowment funds and funds functioning as endowments. Each participant in the Funds and the MMIA must, at all times, be exempt from federal income taxation under Section 501 (c)(3) or other applicable sections of the Internal Revenue Code. Individuals may not open a participant account or otherwise contribute funds to the Funds and the MMIA. All financial benefits of the Funds and the MMIA will be distributed exclusively to its eligible participants to be used solely for their tax exempt purposes and participants must represent the funds will be so used.

UNITED METHODIST FOUNDATION OF MICHIGAN AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Pooled Trust Fund

The Pooled Trust Fund is available for exclusive investment by the Foundation of assets it receives from contributions through charitable remainder trusts, other charitable trusts, funds operating as charitable trusts, or gift annuity contracts.

Other Managed Trust Funds

The Foundation, from time to time, receives contributions and bequests from charitable donors who have directed or requested the Foundation use the donated funds for a specific purpose or to make payments to specific individuals or groups. The Foundation makes every effort to comply with such requests and generally treats each such contribution as if it were a charitable trust for which the Foundation acts as trustee.

Funds Functioning as Endowment (Quasi-endowment funds)

Gifts and operating gains and losses have been placed in certain quasi-endowment funds over the years. The Board intends to permanently invest the funds. Except for small grants made from these funds, the income earned from these funds is applied to operating expenses of the Foundation. At December 31, 2015, these funds were invested in the Funds and the MMIA. Grants from income may be made for specific purposes as voted by the Board.

The balances of funds invested in the Funds and the MMIA at December 31, 2015, were as follows:

Endowment Fund	\$	987,780
Reserve Fund		378,097
Stewardship Fund		30,244
Trella Rough Trust for Small Church Development		<u>120,251</u>
Total	\$	<u>1,516,372</u>

UNITED METHODIST FOUNDATION OF MICHIGAN AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE B – FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

As described in Note A, the Foundation's estimates of the fair value of financial assets and liabilities approximate carrying value. Financial accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology 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 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Cash and cash equivalents:

The Foundation considers the carrying values of these financial instruments to approximate fair value because of the short period of time between origination of the instruments and their expected realization.

Investments:

The Foundation's investment accounts include Level 1 and Level 2 securities. The Foundation's Level 1 securities consist of cash and cash equivalents, equity investments and equity mutual funds. The Foundation's Level 2 securities consist of certificates of deposits, Mission and Church Extension Trust Fund investment accounts, fixed income investments and fixed income mutual funds.

UNITED METHODIST FOUNDATION OF MICHIGAN AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE B – FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes the valuation of the Foundation's financial instruments by the aforementioned valuation categories at December 31, 2015:

	Total	Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)
CASH AND CASH EQUIVALENTS	\$ 86,806	\$ 86,806	\$ -
UMF FUNDS			
Stock Fund			
Cash and cash equivalents	2,078,509	2,078,509	-
Common & Preferred Stocks	29,760,060	29,760,060	-
Total UMF Stock Fund	<u>31,838,569</u>	<u>31,838,569</u>	<u>-</u>
Bond Fund			
Cash and cash equivalents	814,840	814,840	-
Certificates of Deposit	520,271	-	520,271
United States Treasury and Government Agency Securities	1,781,098	-	1,781,098
Corporate Bonds	13,734,606	-	13,734,606
Common & Preferred Stocks	1,632,470	1,632,470	-
Total UMF Bond Fund	<u>18,483,285</u>	<u>2,447,310</u>	<u>16,035,975</u>
Money Market Investment Account			
Cash and cash equivalents	611,204	611,204	-
Total UMF Funds	<u>50,933,058</u>	<u>34,897,083</u>	<u>16,035,975</u>
POOLED TRUST FUND			
Cash and cash equivalents	440,749	440,749	-
MCE-Investment accounts	880,054	-	880,054
United States Treasury and Government Agency Securities	283,821	-	283,821
Corporate Bonds	859,260	-	859,260
Common & Preferred Stocks	6,056,900	6,056,900	-
Total Pooled Trust Funds	<u>8,520,784</u>	<u>6,497,649</u>	<u>2,023,135</u>
OTHER MANAGED TRUST FUNDS			
Cash and cash equivalents	3,838,391	3,838,391	-
United States Treasury and Government Agency Securities	2,378,147	-	2,378,147
Corporate Bonds	1,788,984	-	1,788,984
Common & Preferred Stocks	18,482,437	18,482,437	-
Total Other Managed Trust Funds	<u>26,487,959</u>	<u>22,320,828</u>	<u>4,167,131</u>
Totals	<u>\$ 86,028,607</u>	<u>\$ 63,802,366</u>	<u>\$ 22,226,241</u>

UNITED METHODIST FOUNDATION OF MICHIGAN AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE C – INTERPRETATION OF RELEVANT LAW

As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the donor-restricted endowment funds are classified as temporarily restricted net assets and maintained as such for appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA and donors' restrictions on use. In accordance with UPMIFA, 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 fund.
2. The purposes of the Foundation and the donor-restricted endowment fund.
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.
7. The investment policies of the Foundation.

NOTE D – PROPERTY AND EQUIPMENT

As of December 31, 2015, fixed assets consisted of the following:

Office equipment	\$ 72,396
Less: Accumulated depreciation	<u>60,308</u>
Property and equipment - net	<u>\$ 12,088</u>

NOTE E – FACILITIES

The Foundation rents space and furniture and equipment from the West Michigan Conference of the United Methodist Church. The Foundation also rents office space in Brighton, Michigan, under a three year lease agreement with Precision Properties, LLC., with an annual lease commitment of \$7,080. Included in the financial statements is \$7,083 for rent of these two offices for the year ended December 31, 2015.

NOTE F – FUNDS HELD FOR INVESTMENT

The net assets of funds held for investment are stated at fair value and the following schedules reflect the financial position of the funds at December 31, 2015, and the financial activity for the year ended December 31, 2015.

UNITED METHODIST FOUNDATION OF MICHIGAN AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F – FUNDS HELD FOR INVESTMENT (CONTINUED)

FINANCIAL POSITION			
	AMORTIZED COST	ESTIMATED FAIR VALUE	GROSS UNREALIZED HOLDING GAINS(LOSSES)
UMF FUNDS			
Stock Fund			
Cash and cash equivalents	\$ 2,078,509	\$ 2,078,509	\$ -
Common & Preferred Stocks	27,737,549	29,760,060	2,022,511
Total UMF Stock Fund	<u>29,816,058</u>	<u>31,838,569</u>	<u>2,022,511</u>
Bond Fund			
Cash and cash equivalents	814,840	814,840	-
Certificates of Deposit	520,755	520,271	(484)
United States Treasury and Government Agency Securities	1,796,986	1,781,098	(15,888)
Corporate Bonds	14,508,691	13,734,606	(774,085)
Common & Preferred Stocks	1,609,820	1,632,470	22,650
Accrued income	166,615	166,615	-
Total UMF Bond Fund	<u>19,417,707</u>	<u>18,649,900</u>	<u>(767,807)</u>
Money Market Investment Account			
Cash and cash equivalents	<u>611,204</u>	<u>611,204</u>	<u>-</u>
TOTAL NET ASSETS	<u>\$ 49,844,969</u>	<u>\$ 51,099,673</u>	<u>\$ 1,254,704</u>
POOLED TRUST FUND			
Cash and cash equivalents	\$ 440,749	\$ 440,749	\$ -
MCE-Investment accounts	880,054	880,054	-
United States Treasury and Government Agency Securities	274,430	283,821	9,391
Corporate Bonds	830,093	859,260	29,167
Common & Preferred Stocks	5,611,592	6,056,900	445,308
Accrued income	18,081	18,081	-
Accounts Payable	<u>(13,870)</u>	<u>(13,870)</u>	<u>-</u>
TOTAL NET ASSETS	<u>\$ 8,041,129</u>	<u>\$ 8,524,995</u>	<u>\$ 483,866</u>
OTHER MANAGED TRUST FUNDS			
Cash and cash equivalents	\$ 3,838,391	\$ 3,838,391	\$ -
United States Treasury and Government Agency Securities	2,425,101	2,378,147	(46,954)
Corporate Bonds	1,873,681	1,788,984	(84,697)
Common & Preferred Stocks	17,367,778	18,482,437	1,114,659
Accrued income	26,745	26,745	-
Accounts Payable	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>\$ 25,531,696</u>	<u>\$ 26,514,704</u>	<u>\$ 983,008</u>

UNITED METHODIST FOUNDATION OF MICHIGAN AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F-- FUNDS HELD FOR INVESTMENT (CONTINUED)

	FINANCIAL ACTIVITY				
	<u>UMF COLLECTIVE FUNDS OF MICHIGAN, LLC (UMF FUNDS)</u>				
	<u>STOCK FUND</u>	<u>BOND FUND</u>	<u>MONEY MARKET INVESTMENT ACCOUNT</u>	<u>POOLED TRUST FUNDS</u>	<u>OTHER MANAGED TRUST FUNDS</u>
INCOME FROM INVESTING OPERATIONS:					
Investment income	\$ 579,120	\$ 623,084	\$ 154	\$ 178,323	\$ 659,399
Net realized and unrealized gains on investments	(524,521)	(583,377)	(141)	(109,900)	(1,497,633)
Management and administrative fees	(327,316)	(180,974)	(1,109)	(88,393)	(185,041)
TOTAL INCOME FROM INVESTING OPERATIONS	(272,717)	(141,267)	(1,096)	(19,970)	(1,023,275)
FUND TRANSFERS	-	-	-	-	-
ADDITIONS	3,723,695	2,991,452	202,702	451,731	646,510
REDEMPTIONS	(4,320,886)	(2,287,245)	(86,069)	(854,054)	(852,798)
NET ASSET VALUE - BEGINNING OF THE YEAR	32,708,477	18,086,960	495,667	8,947,288	27,744,267
NET ASSET VALUE - END OF THE YEAR	\$ 31,838,569	\$ 18,649,900	\$ 611,204	\$ 8,524,995	\$ 26,514,704
AVERAGE NET ASSET VALUE (NAV)	\$ 32,273,523	\$ 18,368,430	\$ 553,436	\$ 8,736,142	\$ 27,129,486
RETURN ON AVERAGE NAV:					
Income Return	1.79%	3.39%	0.03%	2.04%	2.43%
Capital Return	-1.63%	-3.18%	-0.03%	-1.26%	-5.52%
Total Return	0.16%	0.21%	0.00%	0.78%	-3.09%
EXPENSES ON AVERAGE NAV	1.01%	0.99%	0.20%	1.01%	0.68%

The Average Net Asset Value ("NAV") was determined by dividing (a) the sum of net assets at January 1, 2015 and December 31, 2015 by (b) 2.

UNITED METHODIST FOUNDATION OF MICHIGAN AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE G – INVESTMENT CONCENTRATION AND CREDIT RISK

The investment portfolio is widely diversified. Except for a large holding of United States Treasury securities, no more than 2.0% of the portfolio is represented by the securities of any one issuer. Except for the investment accounts of the Missionary and Church Extension Trust Fund, which are held only by the Pooled Trust Fund, all corporate bonds and other debt securities held are of investment grade. There are no bond maturities extending beyond 2044, or bonds whose market values are materially in excess of maturity value. Therefore, credit risk and risk of market value decline on the bond portfolio are not deemed to be significant.

The common stock portfolio is widely diversified, but is subject to general risks of a market decline. The decline could be caused by changing prospects for the economy as a whole, or particular companies, changing investor psychology, higher interest rates or other developments.

The portfolio of investments consisted of the following percentage holdings at December 31, 2015:

Cash and cash equivalents	11.61%
Certificates of Deposit	0.28%
MCE-Investment accounts	1.00%
United States Treasury and Government Agency Securities	5.00%
Corporate bonds	17.05%
Common & Preferred Stocks	64.80%
Other assets	<u>0.26%</u>
Total	<u>100.00%</u>

NOTE H - SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through April 15, 2016, the date the financial statements were available to be issued. No events have occurred subsequent to the financial position date through April 15, 2016, that would require adjustment or disclosure in the financial statements.