

UNITED METHODIST FOUNDATION OF MICHIGAN AND SUBSIDIARY

**CONSOLIDATED FINANCIAL STATEMENTS AND
CONSOLIDATING INFORMATION**

For the Years Ended December 31, 2016, 2015, and 2014

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SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Methodist Foundation of Michigan and Subsidiary
Grand Rapids, Michigan

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the United Methodist Foundation of Michigan and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this consolidated financial statement 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the United Methodist Foundation of Michigan and Subsidiary as of December 31, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The consolidated financial statements of United Methodist Foundation of Michigan and Subsidiary as of December 31, 2015 and 2014, were audited by other auditors whose report dated April 15, 2016, expressed an unmodified opinion on those statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2016 supplementary information contained on page 16-19 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Seber Tans, PLC
Kalamazoo, Michigan
April 24, 2017

United Methodist Foundation of Michigan and Subsidiary
Consolidated Statements of Financial Position
For the Years Ended December 30, 2016, 2015 and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Cash and cash equivalents	\$ 8,411,382	\$ 7,870,499	\$ 10,228,258
Investments	85,386,374	78,158,108	77,622,219
Accrued income	202,262	211,441	223,645
Other assets	8,558	4,041	1,000
Property and equipment, net	10,020	12,088	8,029
Notes receivable	81,795	-	-
Total Assets	<u>\$ 94,100,391</u>	<u>\$ 86,256,177</u>	<u>\$ 88,083,151</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	\$ 104,321	\$ 10,819	\$ 15,579
Notes payable	82,596	-	-
Funds held for other parties			
UMF Funds	54,406,715	49,055,559	49,215,365
Pooled trust funds	8,658,351	8,524,995	8,947,288
Other managed funds	28,580,162	26,514,704	27,744,267
Total Liabilities	<u>91,832,145</u>	<u>84,106,077</u>	<u>85,922,499</u>
Net Assets:			
Unrestricted	629,872	633,728	637,880
Funds functioning as endowments	1,638,374	1,516,372	1,522,772
Total Net Assets	<u>2,268,246</u>	<u>2,150,100</u>	<u>2,160,652</u>
Total Liabilities and Net Assets	<u>\$ 94,100,391</u>	<u>\$ 86,256,177</u>	<u>\$ 88,083,151</u>

See accompanying notes to financial statements.

**United Methodist Foundation of Michigan and Subsidiary
Consolidated Statements of Activities
For the Years Ended December 30, 2016, 2015 and 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Support and Revenue			
Contributions	\$ 62,396	\$ 46,108	\$ 107,950
Fund administrative fees	623,544	616,332	607,904
Other income	10,879	4,052	1,541
Investment income	45,391	48,751	43,357
Realized and Unrealized gain (loss) on investments	85,059	(60,866)	(18,189)
Total Support and Revenue	<u>827,269</u>	<u>654,377</u>	<u>742,563</u>
Expenses			
Salaries and wages	253,970	236,615	225,331
Housing and utility allowances	55,000	55,000	55,000
Health insurance	73,826	69,185	71,770
Retirement	61,148	64,341	51,436
Travel	45,758	44,377	42,798
Professional development	12,158	8,397	8,030
Payroll taxes	12,295	12,044	11,581
Telephone	10,115	8,732	9,076
Professional fees	64,490	57,401	53,046
National association expense	6,158	4,800	4,101
Office expenses	72,238	39,979	49,776
Board meetings	865	646	434
Promotion	4,810	5,423	4,158
Resource materials	702	1,744	1,856
Depreciation	5,617	3,618	4,243
Endowment grants and other expenditures	29,973	52,627	46,246
Total Expenses	<u>709,123</u>	<u>664,929</u>	<u>638,882</u>
Change in Net Assets	118,146	(10,552)	103,681
Net Assets at Beginning of Year	<u>2,150,100</u>	<u>2,160,652</u>	<u>2,056,971</u>
Net Assets at End of Year	<u>\$ 2,268,246</u>	<u>\$ 2,150,100</u>	<u>\$ 2,160,652</u>

See accompanying notes to financial statements.

United Methodist Foundation of Michigan and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended December 30, 2016, 2015 and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in Net Assets	\$ 118,146	\$ (10,552)	\$ 103,681
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	5,617	3,618	4,243
Unrealized (gain) loss on investments	(85,059)	60,866	18,189
Change in:			
Other Assets	8,353	(4,997)	6,371
Accounts payable	88,794	(4,760)	(32,724)
Net Cash Provided by Operating Activities	<u>135,851</u>	<u>44,175</u>	<u>99,760</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Changes in managed funds:			
UMF funds	823,430	(259,113)	81,123
Pooled trust funds	167,905	(422,023)	567,704
Other managed trust funds	(541,827)	(1,683,880)	(646,634)
Increase in funds functioning as endowments	(41,729)	(29,241)	(169,696)
Payments for property and equipment	(3,549)	(7,677)	(3,271)
Increase in note receivable	(85,000)	-	-
Payments received on note receivable	2,404	-	-
Net Cash Provided (Used) by Investing Activities	<u>321,634</u>	<u>(2,401,934)</u>	<u>(170,774)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from note payable	85,000	-	-
Payments on note payable	(1,602)	-	-
Net Cash Provided From Financing Activities	<u>83,398</u>	<u>-</u>	<u>-</u>
Change in Cash	540,883	(2,357,759)	(71,014)
Cash at Beginning of Year	<u>7,870,499</u>	<u>10,228,258</u>	<u>10,299,272</u>
Cash at End of Year	<u>\$ 8,411,382</u>	<u>\$ 7,870,499</u>	<u>\$10,228,258</u>

See accompanying notes to financial statements.

United Methodist Foundation of Michigan and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2016, 2015 and 2014

NOTE A – Summary of Significant Accounting Policies

Organization Purpose

The United Methodist Foundation of Michigan (the 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.

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.

United Methodist Foundation and Subsidiary
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2016, 2015 and 2014

NOTE A – Summary of Significant Accounting Policies (Continued)

Basis 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.

Basis of Presentation

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.

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.

Use of 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.

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.

**United Methodist Foundation and Subsidiary
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2016, 2015 and 2014**

NOTE A – Summary of Significant Accounting Policies (Continued)

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, 2016, 2015, and 2014.

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 years ended December 31, 2016, 2015, and 2014, no contributed services meet the criteria for recognition.

**United Methodist Foundation and Subsidiary
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2016, 2015 and 2014**

NOTE A – Summary of Significant Accounting Policies (Continued)

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.

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.

**United Methodist Foundation and Subsidiary
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2016, 2015 and 2014**

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 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 and Subsidiary
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2016, 2015 and 2014

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, 2016:

	Total	Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)
UMF FUNDS			
Stock Fund			
Common & Preferred Stocks	\$ 34,146,721	\$ 34,146,721	\$ -
Total UMF Stock Fund	<u>34,146,721</u>	<u>34,146,721</u>	<u>-</u>
Bond Fund			
Certificates of Deposit	535,785	-	535,785
United States Treasury and Government Agency Securities	1,560,210	-	1,560,210
Corporate Bonds	14,435,558	-	14,435,558
Common & Preferred Stocks	1,408,088	1,408,088	-
Total UMF Bond Fund	<u>17,939,641</u>	<u>1,408,088</u>	<u>16,531,553</u>
POOLED TRUST FUND			
MCE-Investment accounts	880,054	-	880,054
United States Treasury and Government Agency Securities	269,592	-	269,592
Corporate Bonds	897,107	-	897,107
Common & Preferred Stocks	5,989,859	5,989,859	-
Total Pooled Trust Funds	<u>8,036,612</u>	<u>5,989,859</u>	<u>2,046,753</u>
OTHER MANAGED TRUST FUNDS			
United States Treasury and Government Agency Securities	2,100,500	-	2,100,500
Corporate Bonds	1,787,907	-	1,787,907
Common & Preferred Stocks	21,374,993	21,374,993	-
Total Other Managed Trust Funds	<u>25,263,400</u>	<u>21,374,993</u>	<u>3,888,407</u>
Totals	<u>\$ 85,386,374</u>	<u>\$ 62,919,661</u>	<u>\$ 22,466,713</u>

United Methodist Foundation and Subsidiary
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2016, 2015 and 2014

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:

	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Prices with Other Observable Inputs (Level 2)</u>
UMF FUNDS			
Stock Fund			
Common & Preferred Stocks	\$ 29,760,060	\$ 29,760,060	\$ -
Total UMF Stock Fund	<u>29,760,060</u>	<u>29,760,060</u>	<u>-</u>
Bond Fund			
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>17,668,445</u>	<u>1,632,470</u>	<u>16,035,975</u>
POOLED TRUST FUND			
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>8,080,035</u>	<u>6,056,900</u>	<u>2,023,135</u>
OTHER MANAGED TRUST FUNDS			
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>22,649,568</u>	<u>18,482,437</u>	<u>4,167,131</u>
Totals	<u>\$ 78,158,108</u>	<u>\$ 55,931,867</u>	<u>\$ 22,226,241</u>

United Methodist Foundation and Subsidiary
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2016, 2015 and 2014

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, 2014:

	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Prices with Other Observable Inputs (Level 2)</u>
UMF FUNDS			
Stock Fund			
Common & Preferred Stocks	\$ 31,178,627	\$ 31,178,627	\$ -
Total UMF Stock Fund	<u>31,178,627</u>	<u>31,178,627</u>	<u>-</u>
Bond Fund			
Certificates of Deposit	250,968	-	250,968
United States Treasury and Government Agency Securities	1,244,901	-	1,244,901
Corporate Bonds	13,074,146	-	13,074,146
Common & Preferred Stocks	1,594,671	1,594,671	-
Total UMF Bond Fund	<u>16,164,686</u>	<u>1,594,671</u>	<u>14,570,015</u>
POOLED TRUST FUND			
MCE-Investment accounts	880,054	-	880,054
United States Treasury and Government Agency Securities	324,601	-	324,601
Corporate Bonds	1,051,246	-	1,051,246
Common & Preferred Stocks	5,818,339	5,818,339	-
Total Pooled Trust Funds	<u>8,074,240</u>	<u>5,818,339</u>	<u>2,255,901</u>
OTHER MANAGED TRUST FUNDS			
United States Treasury and Government Agency Securities	2,832,259	-	2,832,259
Corporate Bonds	887,739	-	887,739
Common & Preferred Stocks	18,484,668	18,484,668	-
Total Other Managed Trust Funds	<u>22,204,666</u>	<u>18,484,668</u>	<u>3,719,998</u>
Totals	<u>\$ 77,622,219</u>	<u>\$ 57,076,305</u>	<u>\$ 20,545,914</u>

United Methodist Foundation and Subsidiary
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2016, 2015 and 2014

NOTE C – Endowment Funds

The Financial Accounting Standards Board (FASB) has issued FASB Staff Position (FSP) FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. FSP FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FSP FAS 117-1 also improves disclosures about an organization’s endowment funds (both donor-restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA. The Foundation has applied FSP FAS 117-1 to their endowment funds.

Gifts and operating gains and losses have been placed in Board designated endowment. 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, 2016, 2015, and 2014, 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, 2016, 2015, and 2014 were as follows:

	2016	2015	2014
Endowment Fund	\$ 998,319	\$ 987,780	\$ 1,051,894
Reserve Fund	479,966	378,097	312,832
Stewardship Fund	32,140	30,244	30,585
Trella Rough Trust for Small Church Development	127,949	120,251	127,461
Total	<u>\$ 1,638,374</u>	<u>\$ 1,516,372</u>	<u>\$ 1,522,772</u>

United Methodist Foundation and Subsidiary
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2016, 2015 and 2014

NOTE C – Endowment Funds (continued)

Changes in unrestricted funds acting as endowments for the years ending December 31, 2016, 2015, and 2014 are as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Endowment net assets, beginning of year	\$ 1,516,372	\$ 1,522,772	\$ 1,375,365
Investment income	36,047	38,275	33,063
Net appreciation(realized and unrealized)	<u>68,061</u>	<u>(47,850)</u>	<u>(31,563)</u>
Total investment return	104,108	(9,575)	1,500
Contributions	102,256	113,338	243,807
Appropriation of endowment assets for expenditure	<u>(84,362)</u>	<u>(110,163)</u>	<u>(97,900)</u>
Endowment net assets, end of year	<u><u>\$ 1,638,374</u></u>	<u><u>\$ 1,516,372</u></u>	<u><u>\$ 1,522,772</u></u>

NOTE D – Property and Equipment

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Office Equipment	\$ 75,945	\$ 72,396	\$ 64,719
Less: Accumulated depreciation	<u>65,925</u>	<u>60,308</u>	<u>56,960</u>
Property and Equipment, net	<u><u>\$ 10,020</u></u>	<u><u>\$ 12,088</u></u>	<u><u>\$ 8,029</u></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 \$7,080, 7,083 and \$6,585 for rental expense of these two offices for the year ended December 31, 2016, 2015, and 2014, respectively.

NOTE F – 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.

United Methodist Foundation and Subsidiary
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2016, 2015 and 2014

NOTE F – Investment Concentration and Credit Risk (Continued)

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:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	9.43%	11.61%	11.61%
Certificates of Deposit	0.58%	0.28%	0.28%
MCE-Investment accounts	0.10%	1.00%	1.00%
United States Treasury and Government Agency Securities	3.91%	5.00%	5.00%
Corporate bonds	18.64%	17.05%	17.05%
Common & Preferred Stock	67.02%	64.80%	64.80%
Other Assets	0.32%	0.26%	0.26%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

NOTE G – Church Note Receivable/ Payable

The Foundation entered into a promissory note agreement with an anonymous source on behalf of St. Paul's church. The promissory note is payable to the anonymous donor in monthly installments of \$801.29, including interest at 2.50%, with any unpaid balance due on September 1, 2026. The Foundation has a note receivable with the church bearing the same payment terms as the promissory note.

NOTE H – Cash Flow Information

The Organization had the following cash flow from investing activities:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Purchases of Investments	<u>\$ 65,748,013</u>	<u>\$ 64,466,139</u>	<u>\$ 70,501,307</u>
Proceeds from Sale of Investments	<u>\$ 60,897,767</u>	<u>\$ 59,173,950</u>	<u>\$ 72,024,824</u>

NOTE I – Subsequent Events

Management has evaluated events subsequent to the date of the statement of financial position through April 24, 2017, the date the financial statements were available to be issued. No events have occurred subsequent to the financial position date through April 24, 2017, that would require adjustment or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

United Methodist Foundation of Michigan and Subsidiary
Schedule of Consolidating Financial Position
December 31, 2016

	<u>Pooled Trust Fund</u>	<u>Other Managed Trust Funds</u>	<u>General Operating</u>
ASSETS			
Cash and cash equivalents	\$ 608,654	\$ 3,296,564	\$ 178,181
Investments	8,036,612	25,263,400	2,171,901
Accrued income	17,793	20,198	-
Other assets	-	-	8,558
Property and equipment, net	-	-	10,020
Notes receivable	-	-	81,795
Total Assets	<u>\$ 8,663,059</u>	<u>\$ 28,580,162</u>	<u>\$ 2,450,455</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	\$ 4,708	\$ -	\$ 99,613
Notes payable	-	-	82,596
Funds held for other parties	-	-	-
UMF Funds	-	-	-
Pooled trust funds	8,658,351	-	-
Other managed funds	-	28,580,162	-
Total Liabilities	<u>8,663,059</u>	<u>28,580,162</u>	<u>182,209</u>
Net Assets:			
Unrestricted	-	-	629,872
Funds functioning as endowment	-	-	1,638,374
Total Net Assets	<u>-</u>	<u>-</u>	<u>2,268,246</u>
Total Liabilities and Net Assets	<u>\$ 8,663,059</u>	<u>\$ 28,580,162</u>	<u>\$ 2,450,455</u>

See Independent Auditors' Report.

UMF Collective Investment Funds of Michigan LLC	Eliminations	2016 Total	2015 Total	2014 Total
\$ 4,327,983	\$ -	\$ 8,411,382	\$ 7,870,499	\$ 10,228,258
52,086,362	(2,171,901)	85,386,374	78,158,108	77,622,219
164,271	-	202,262	211,441	223,645
-	-	8,558	4,041	1,000
-	-	10,020	12,088	8,029
-	-	81,795	-	-
\$ 56,578,616	\$ (2,171,901)	\$ 94,100,391	\$ 86,256,177	\$ 88,083,151
\$ -	\$ -	\$ 104,321	\$ 10,819	\$ 15,579
		82,596	-	-
56,578,616	(2,171,901)	54,406,715	49,055,559	49,215,365
-	-	8,658,351	8,524,995	8,947,288
-	-	28,580,162	26,514,704	27,744,267
56,578,616	(2,171,901)	91,832,145	84,106,077	85,922,499
-	-	629,872	633,728	637,880
-	-	1,638,374	1,516,372	1,522,772
-	-	2,268,246	2,150,100	2,160,652
\$ 56,578,616	\$ (2,171,901)	\$ 94,100,391	\$ 86,256,177	\$ 88,083,151

**United Methodist Foundation of Michigan and Subsidiary
Schedule of Other Managed Trust Funds
December 31, 2016**

	<u>FAIR MARKET VALUE</u>
Agency funds:	
Board of Pension of the West Michigan Conference of the United Methodist Church	\$ 14,551,442
West Michigan Conference Trustees Investment Fund	803,500
Bayshore Camp	5,069,242
Detroit Annual Conference Church Endowment	2,094,314
Camp Endowment	259,769
WMRP Endowment	680,026
Combined Fund	634,578
Grand Rapids First United Methodist Church GR First Stock	2,471,633
GR First Bond	1,360,819
University United Methodist Church	141,045
Trust funds:	
Bellevue United Methodist Church - Madison Fund	52,472
Dale & Mary Holmes Trust	<u>461,322</u>
 TOTAL OTHER MANAGED TRUST FUNDS	 <u><u>\$ 28,580,162</u></u>

See Independent Auditors' Report.

**United Methodist Foundation of Michigan and Subsidiary
Schedule of Funds Held for Investment - Financial Position
December 31, 2016**

FINANCIAL POSITION			
	AMORTIZED COST	ESTIMATED FAIR VALUE	GROSS UNREALIZED HOLDING GAINS(LOSSES)
UMF FUNDS			
Stock Fund			
Cash and cash equivalents	\$ 2,253,437	\$ 2,253,437	\$ -
Common & Preferred Stocks	30,821,898	34,146,721	3,324,823
Total UMF Stock Fund	<u>33,075,335</u>	<u>36,400,158</u>	<u>3,324,823</u>
Bond Fund			
Cash and cash equivalents	1,650,397	1,650,397	-
Certificates of Deposit	520,755	535,785	15,030
United States Treasury and Government Agency Securities	1,548,601	1,560,210	11,609
Corporate Bonds	14,925,369	14,435,558	(489,811)
Common & Preferred Stocks	1,332,675	1,408,088	75,413
Accrued income	164,271	164,271	-
Total UMF Bond Fund	<u>20,142,068</u>	<u>19,754,309</u>	<u>(387,759)</u>
Money Market Investment Account			
Cash and cash equivalents	424,149	424,149	-
TOTAL NET ASSETS	<u>\$ 53,641,552</u>	<u>\$ 56,578,616</u>	<u>\$ 2,937,064</u>
POOLED TRUST FUND			
Cash and cash equivalents	\$ 608,654	\$ 608,654	\$ -
MCE-Investment accounts	880,054	880,054	-
United States Treasury and Government Agency Securities	262,409	269,592	7,183
Corporate Bonds	876,380	897,107	20,727
Common & Preferred Stocks	5,386,345	5,989,859	603,514
Accrued income	17,793	17,793	-
Accounts Payable	(4,708)	(4,708)	-
TOTAL NET ASSETS	<u>\$ 8,026,927</u>	<u>\$ 8,658,351</u>	<u>\$ 631,424</u>
OTHER MANAGED TRUST FUNDS			
Cash and cash equivalents	\$ 3,296,564	\$ 3,296,564	\$ -
United States Treasury and Government Agency Securities	2,152,178	2,100,500	(51,678)
Corporate Bonds	1,772,195	1,787,907	15,712
Common & Preferred Stocks	20,434,812	21,374,993	940,181
Accrued income	20,198	20,198	-
TOTAL NET ASSETS	<u>\$ 27,675,947</u>	<u>\$ 28,580,162</u>	<u>\$ 904,215</u>

See Independent Auditors' Report.

**United Methodist Foundation of Michigan and Subsidiary
Schedule of Funds Held for Investment - Financial Activity
December 31, 2016**

FINANCIAL ACTIVITY					
UMF COLLECTIVE FUNDS OF MICHIGAN, LLC (UMF FUNDS)					
	STOCK FUND	BOND FUND	MONEY MARKET INVESTMENT ACCOUNT	POOLED TRUST FUNDS	OTHER MANAGED TRUST FUNDS
INCOME FROM INVESTING OPERATIONS:					
Investment income	\$ 640,095	\$ 654,880	\$ 180	\$ 182,405	\$ 663,901
Net realized and unrealized gains on investments	2,149,906	127,925	180	352,686	543,937
Management and administrative fees	(324,267)	(191,945)	(576)	(81,969)	(158,488)
TOTAL INCOME FROM INVESTING OPERATIONS	2,465,734	590,860	(216)	453,122	1,049,350
FUND TRANSFERS ADDITIONS	-	-	-	-	-
REDEMPTIONS	(2,604,205)	(2,362,852)	(10,444,601)	(800,054)	(909,668)
NET ASSET VALUE - BEGINNING OF THE YEAR	31,838,569	18,649,900	611,204	8,524,995	26,514,704
NET ASSET VALUE - END OF THE YEAR	\$ 36,400,158	\$ 19,754,309	\$ 424,149	\$ 8,658,351	\$ 28,580,162
AVERAGE NET ASSET VALUE (NAV)	\$ 34,119,364	\$ 19,202,105	\$ 517,677	\$ 8,591,673	\$ 27,547,433
RETURN ON AVERAGE NAV:					
Income Return	1.88%	3.41%	0.03%	2.12%	2.41%
Capital Return	6.30%	0.67%	0.03%	4.10%	1.97%
Total Return	8.18%	4.08%	0.06%	6.22%	4.38%
EXPENSES ON AVERAGE NAV	0.95%	1.00%	0.11%	0.95%	0.58%

The Average Net Asset Value ("NAV") was determined by dividing (a) the sum of net assets at January 1, 2016 and December 31, 2016 by (b) 2.