

Audited Financial Statements

United Methodist Foundation of West Virginia, Inc.

Years Ended December 31, 2015 and 2014

Audited Financial Statements  
UNITED METHODIST FOUNDATION OF WEST VIRGINIA, INC.  
Years Ended December 31, 2015 and 2014

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statements of Assets, Liabilities and Net Assets - Modified Cash Basis	3
Statements of Revenue, Expenses and Other Changes in Net Assets - Modified Cash Basis	4-5
Notes to Financial Statements	6-14

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
United Methodist Foundation of West Virginia, Inc.  
Charleston, West Virginia

We have audited the accompanying financial statements of United Methodist Foundation of West Virginia, Inc. (the Foundation), which comprise the statements of assets, liabilities, and net assets - modified cash basis as of December 31, 2015 and 2014, and the related statements of revenue, expenses, and change in net assets - modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 assets, liabilities, and net assets of United Methodist Foundation of West Virginia, Inc. as of December 31, 2015 and 2014, and its revenue, expenses, and change in net assets for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.



### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Gibbons & Kawash, A.C.*

Charleston, West Virginia  
September 23, 2016

## UNITED METHODIST FOUNDATION OF WEST VIRGINIA, INC.

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS -  
MODIFIED CASH BASIS

December 31, 2015 and 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Cash	\$ 154,561	\$ 215
Investments	87,262,151	88,812,680
Prepaid expenses and other assets	8,508	8,508
Office furniture and equipment, net of accumulated depreciation of \$178,343 and \$163,478 for 2015 and 2014	<u>30,855</u>	<u>20,514</u>
Total assets	<u>\$ 87,456,075</u>	<u>\$ 88,841,917</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Custodial accounts held for others	\$ 33,518,985	\$ 32,825,550
Gift annuities payable	923,229	1,041,387
Unitrusts payable	<u>2,093,390</u>	<u>2,364,385</u>
Total liabilities	<u>36,535,604</u>	<u>36,231,322</u>
Net assets:		
Unrestricted	1,581,708	1,333,985
Temporarily restricted	11,253,869	13,709,980
Permanently restricted	<u>38,084,894</u>	<u>37,566,630</u>
Total net assets	<u>50,920,471</u>	<u>52,610,595</u>
Total liabilities and net assets	<u>\$ 87,456,075</u>	<u>\$ 88,841,917</u>

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

UNITED METHODIST FOUNDATION OF WEST VIRGINIA, INC.  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS -  
MODIFIED CASH BASIS

Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues:</b>				
Contributions	\$ 22,748	\$ 598,527	\$ 493,038	\$ 1,114,313
Investment income (loss), net of investment and bank fees	(20,585)	(772,532)	-	(793,117)
Administrative fees, custodial and annuity funds	274,363	-	-	274,363
Net assets released from restrictions:				
Purpose restrictions accomplished	1,904,602	(1,904,602)	-	-
Administrative fees	379,504	(379,504)	-	-
<b>Total revenues</b>	<u>2,560,632</u>	<u>(2,458,111)</u>	<u>493,038</u>	<u>595,559</u>
<b>Expenses:</b>				
Distributions to agencies and others	1,728,886	-	-	1,728,886
Management and general expenses	585,411	-	-	585,411
<b>Total expenses</b>	<u>2,314,297</u>	<u>-</u>	<u>-</u>	<u>2,314,297</u>
Excess (deficiency) of revenues over expenses	246,335	(2,458,111)	493,038	(1,718,738)
Net assets, beginning of year	1,333,985	13,709,980	37,566,630	52,610,595
Net asset transfers from affiliates	1,388	2,000	25,226	28,614
<b>Net assets, end of year</b>	<u>\$ 1,581,708</u>	<u>\$ 11,253,869</u>	<u>\$ 38,084,894</u>	<u>\$ 50,920,471</u>

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

## UNITED METHODIST FOUNDATION OF WEST VIRGINIA, INC.

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS -  
MODIFIED CASH BASIS

Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Contributions	\$ 43,773	\$ 288,044	\$ 539,135	\$ 870,952
Investment income, net of investment and bank fees	51,571	2,222,325	1,163	2,275,059
Administrative fees, custodial and annuity funds	265,633	-	-	265,633
Net assets released from restrictions:				
Purpose restrictions accomplished	1,169,370	(1,169,370)	-	-
Administrative fees	373,879	(373,879)	-	-
Total revenues	<u>1,904,226</u>	<u>967,120</u>	<u>540,298</u>	<u>3,411,644</u>
Expenses:				
Distributions to agencies and others	1,108,848	-	-	1,108,848
Management and general expenses	548,026	-	-	548,026
Total expenses	<u>1,656,874</u>	<u>-</u>	<u>-</u>	<u>1,656,874</u>
Excess of revenues over expenses	247,352	967,120	540,298	1,754,770
Net assets, beginning of year	1,086,633	12,599,473	36,672,974	50,359,080
Net asset transfers from affiliates	<u>-</u>	<u>143,387</u>	<u>353,358</u>	<u>496,745</u>
Net assets, end of year	<u>\$ 1,333,985</u>	<u>\$ 13,709,980</u>	<u>\$ 37,566,630</u>	<u>\$ 52,610,595</u>

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

## UNITED METHODIST FOUNDATION OF WEST VIRGINIA, INC.

## NOTES TO FINANCIAL STATEMENTS

**1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Description of Organization

The United Methodist Foundation of West Virginia, Inc. (the Foundation) was established by the West Virginia Conference of the United Methodist Church in 1974. The West Virginia Conference serves most of West Virginia and Garrett County, Maryland. The Foundation assists local United Methodist Churches and Conference-related institutions, agencies, mission projects and special ministries, by raising, managing and distributing funds for the benefit of United Methodist causes. The Foundation accomplishes its mission through a ministry to individuals, families, local churches and the Conference-related ministries.

Basis of Accounting

The Foundation's financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis, certain revenues and the related assets are recognized when received, and certain expenses are recognized when paid. This basis differs from generally accepted accounting principles which require that revenues be recognized when earned rather than when received, and that expenses be recognized when the obligation is incurred rather than when paid. In addition, the Foundation recognizes obligations under split interest agreements equal to the carrying value of the related assets, whereas generally accepted accounting principles require that obligations under split interest agreements be reported at the present value of the expected future cash outflows.

Cash

Cash consists primarily of demand deposits. Cash with donor-imposed restrictions that limit its use to long-term investment is classified as long-term investments. The Foundation places its cash with high-credit quality financial institutions. At times, the balances in such institutions may exceed the FDIC limit.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Office Furniture and Equipment

Office furniture and equipment are recorded at cost, less accumulated depreciation. Depreciation has been calculated on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 5 years. Property and equipment purchases of more than \$500 are capitalized and depreciated.

Custodial Accounts Held For Others

Custodial accounts held for others represent deposits held by the Foundation on behalf of others for investment purposes. These accounts are governed by agreements whereby the funds may be withdrawn by the depositor or directed to another custodian upon delivery of written notice to the



## UNITED METHODIST FOUNDATION OF WEST VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)**1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**Custodial Accounts Held For Others (Continued)

Foundation in accordance with the terms of the underlying agreement. The income from these deposits is added to the principal balance or distributed in accordance with the underlying agreement. Upon withdrawal, the depositor is entitled to the market value in the account.

Split-Interest Agreements

The Foundation has beneficial interests in various donor-established charitable remainder trusts and charitable gift annuities. Assets received under such agreements are recorded at the original amount contributed, less any payments made to the extent such payments exceed actual income earned. A designated fund has been established by the Foundation in the event that payments made to an annuitant exceed the original amount contributed by the donor and any investment income earned. The market value of the designated fund was \$2,009 and \$15,344 as of December 31, 2015 and 2014, respectively.

Contributions

Contributions are measured at fair value on the date received and are reported as increases in net assets. The Foundation reports gifts of cash and other assets 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 in the statement of activities as net assets released from restrictions.

Transfers of assets to the Foundation from an organization determined to be financially interrelated, whereby the organization specifies itself as the beneficiary, have been accounted for as equity transactions. Such transfers are presented as "net asset transfers from affiliates" in the accompanying statement of revenues, expenses, and changes in net assets.

Net Assets

The Foundation has classified its net assets and its revenues, gains, and losses based on the existence or absence of donor-imposed restrictions. Below is a summary of these classifications:

Unrestricted: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted: Net assets subject to donor-imposed stipulations that are fulfilled by actions of the Foundation or expire by the passage of time. Temporarily restricted net assets consist principally of donor-imposed stipulations related to scholarships, various church projects, or capital projects.

Permanently restricted: Net assets subject to donor-imposed stipulations that neither expire through the passage of time nor by actions of the Foundation. Such assets consist of endowments which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity.

## UNITED METHODIST FOUNDATION OF WEST VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)**1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

United Methodist Foundation of West Virginia, Inc., is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and is classified as other than a private foundation.

Subsequent Events

The date through which events occurring after December 31, 2015 have been evaluated for possible adjustment to or disclosure in the financial statements is September 23, 2016, which is the date on which the financial statements were available to be issued.

**2 - LONG-TERM INVESTMENTS**

The function of the Foundation is to provide for the effective and economical receipt, investment and disbursement of funds held to benefit local churches, institutions and other ministries. This is accomplished primarily by pooling the various funds for purposes of investment. Although funds within the Foundation each have specific purposes and may each have unique rules governing their management, the overall intent is to provide a sound, long-term base for the development and funding of ministry throughout the Foundation.

Consistent with the purpose of the Foundation, the investment goals are to provide for the long-term growth of assets while providing for increase in future income. The Trustees of the Foundation are responsible for setting and directing the investment policy and for monitoring the disbursement of funds to ensure that distributions are consistent with established guidelines and procedures for each fund. The Trustees have delegated the responsibility of overseeing the management of the Foundation's assets to an Investment Committee.

While there are numerous "trusts" and "accounts" managed by the Foundation within the total assets, for investment and analytical purposes, distinct portions or subdivisions of the assets are recognized and desirable. Certain assets are given with the understanding that they are designated for the use of one or more charitable agency or agencies. Other assets are either undesignated or designated for the furtherance of administrative activities rather than for the use of specified agencies or local churches. These subdivisions will have different investment objectives.

From an overall perspective, the Investment Committee has established several objectives for the Foundation's investment program. Those objectives are:

1. Capital Appreciation. The primary objective shall be the long-term growth of the Fund's assets. It is recognized that short-term fluctuations may result in the loss of capital earned on occasion. However, in the absence of contributions and withdrawals, the asset value of the Fund should grow in the long run and earn rates of return greater than those of an appropriate market index through capital appreciation and reinvestment of dividends.

## UNITED METHODIST FOUNDATION OF WEST VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)**2 - LONG-TERM INVESTMENTS (Continued)**

2. Generating income to provide for current needs as directed by donors and as designated by the Board of Trustees for grants to agencies it serves or for the administration of the Foundation.
3. Maintaining and enhancing principal for generating future income and for conserving principal entrusted to the Foundation for perpetual support to the agencies/churches and purposes it serves. Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation as measured by the Consumer Price Index (CPI).
4. Providing for possible emergency needs of the agencies it serves and/or the administration of the Foundation.
5. Safety of Capital. The final objective shall be to preserve the value of the Foundation's assets by earning a positive return over the investment time horizon.

Substantially all of the Foundation's assets are invested in investment funds of Wespath Investment Management (Wespath), a division of Wespath Benefits and Investments, a general agency of the United Methodist Church. Wespath's mission is to assist eligible institutional investors in meeting their investment objectives while adhering to the Social Principles of the United Methodist Church. Investments consisted of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Wespath Investment Funds:		
Fixed Income Fund	\$ 33,899,561	\$ 34,507,795
Short Term Investment Fund	3,901,801	3,687,626
Inflation Protection Fund	7,712,057	7,791,919
International Equity Fund	7,454,740	7,054,234
U.S. Equity Fund	30,014,258	31,504,498
Multiple Asset Fund	2,782,184	2,749,503
Fixed income:		
FNMA's, GNMA's, FHLMC's	125,931	198,837
Cash and cash equivalents	<u>1,371,619</u>	<u>1,318,268</u>
	<u>\$ 87,262,151</u>	<u>\$ 88,812,680</u>

The significant investment objectives and strategies of the Wespath Funds are as follows:

- Fixed Income Fund seeks to earn current income while preserving capital by primarily investing in a diversified mix of fixed income instruments
- Short Term Investment Fund seeks to preserve capital while earning current income higher than money market funds through exposure to short-term fixed income securities.
- Inflation Protection Fund invests approximately 80-90% of its assets in fixed income instruments and gains exposure to the commodities market by holding futures, with up to 10% invested in a combination of real assets and alternative investments.
- International Equity Fund is comprised primarily of non-U.S. equities and equity index futures and seeks a favorable long-term rate of return from a broadly diversified portfolio of non-U.S. equities of developed and lesser developed (emerging market) countries.
- U.S. Equity Fund seeks to attain long-term capital appreciation available from a broadly diversified portfolio of primarily U.S. domiciled publicly owned companies, and to a lesser extent, U.S. privately owned companies, U.S. private real estate and U.S. equity index futures.

## UNITED METHODIST FOUNDATION OF WEST VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)**2 - LONG-TERM INVESTMENTS (Continued)**

- Multiple Asset Fund is a balanced, broadly diversified, multiple-asset-class fund of funds that seeks to attain current income and capital appreciation by investing in four other Wespath funds: 40% U.S. Equity Fund, 25% International Equity Fund, 25% Fixed Income Fund, and 10% Inflation Protection Fund.

To facilitate the pooling of funds with different investment objectives, these investments are allocated among four internal investment pools maintained by the Foundation, as follows:

**Fixed Income Fund** – This Fixed Income Fund has a targeted asset allocation of 100% fixed income, and is invested in the Wespath Fixed Income and Short Term Investment Funds.

**Moderate Balanced Fund** - The Moderated Balanced Fund has a targeted asset allocation of 50% equity and 50% fixed income, and is invested in the Wespath Fixed Income, Inflation Protection, International Equity, and U.S. Equity Funds.

**Conservative Balanced Fund** - The Conservative Balanced Fund has a targeted asset allocation of 40% equity and 60% fixed income, with holdings in the Wespath Fixed Income, Inflation Protection, International Equity, and U.S. Equity Funds.

**Aggressive Balanced Fund** – The Aggressive Balanced Fund has a targeted asset allocation of 65% equity and 35% fixed income, and is currently invested in the Wespath Multiple Asset Fund and cash equivalents.

At December 31, 2015 and 2014, investments by investment pool, are as follows:

	<u>2015</u>	<u>2014</u>
Fixed Income Fund	\$ 7,876,549	\$ 7,543,334
Moderate Balanced Fund	68,263,264	70,339,197
Aggressive Balanced Fund	3,236,542	3,011,561
Conservative Balanced Fund	7,759,291	7,777,667
Other investments	<u>126,505</u>	<u>140,921</u>
	<u>\$ 87,262,151</u>	<u>\$ 88,812,680</u>

Investment income reported in the accompanying statement of revenues and expenses consists of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividends, net of investment and bank fees of \$5,450 in 2015 and \$632,884 in 2014	\$ 1,233,410	\$ 789,229
Unrealized (depreciation) appreciation	(2,041,768)	(3,176,710)
Net realized gains	<u>15,241</u>	<u>4,662,540</u>
Net investment income (loss)	<u>\$ (793,117)</u>	<u>\$ 2,275,059</u>

In addition, investment income (loss) allocated to custodial, unitrust, and annuity accounts was (\$1,120,064) and \$1,347,301 during 2015 and 2014, respectively.

## UNITED METHODIST FOUNDATION OF WEST VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)**3 - ENDOWMENT**

The Foundation's investments include endowment funds established by donors for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Foundation has interpreted the West Virginia 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 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.

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 organization in a manner consistent with the standard of prudence prescribed by UPMIFA. The Foundation has not adopted a general spending rate policy to govern endowment appropriations, but rather looks to the provisions of each donor agreement to determine annual disbursements from each fund.

Endowment net asset composition by type of fund as of December 31, 2015 and 2014 are as follows:

	<u>2015</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	<u>\$ -</u>	<u>\$ 8,992,306</u>	<u>\$38,084,894</u>	<u>\$47,077,200</u>
	<u>2014</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	<u>\$ -</u>	<u>\$11,876,960</u>	<u>\$37,566,630</u>	<u>\$49,443,590</u>

## UNITED METHODIST FOUNDATION OF WEST VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)**3 - ENDOWMENT (Continued)**

Changes in endowment net assets for the years ended December 31, 2015 and 2014, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2014	\$ -	\$11,152,376	\$36,672,974	\$47,825,350
Investment return, including investment income, realized and unrealized gains and losses	-	2,067,829	1,163	2,068,992
Contributions	-	-	539,135	539,135
Appropriation of endowment assets for expenditure	-	(938,761)	-	(938,761)
Other changes:				
Reclassifications	-	(404,484)	-	(404,484)
Net asset transfers from affiliates	<u>-</u>	<u>-</u>	<u>353,358</u>	<u>353,358</u>
 Endowment net assets, December 31, 2014	 <u>\$ -</u>	 <u>\$11,876,960</u>	 <u>\$37,566,630</u>	 <u>\$49,443,590</u>
 Endowment net assets, January 1, 2015	 \$ -	 \$11,876,960	 \$37,566,630	 \$49,443,590
Investment return, including investment income, realized and unrealized gains and losses	-	(813,899)	-	(813,899)
Contributions	-	-	493,038	493,038
Appropriation of endowment assets for expenditure	-	(1,514,901)	-	(1,514,901)
Other changes:				
Reclassifications	-	(555,854)	-	(555,854)
Net asset transfers from affiliates	<u>-</u>	<u>-</u>	<u>25,226</u>	<u>25,226</u>
 Endowment net assets, December 31, 2015	 <u>\$ -</u>	 <u>\$ 8,992,306</u>	 <u>\$38,084,894</u>	 <u>\$47,077,200</u>

Endowment net assets by type of restriction are comprised of the following as of December 31, 2015 and 2014:

Permanently restricted:

	<u>2015</u>	<u>2014</u>
The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation or UPMIFA	<u>\$ 38,084,894</u>	<u>\$ 37,566,630</u>

## UNITED METHODIST FOUNDATION OF WEST VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)**3 - ENDOWMENT (Continued)**

	<u>2015</u>	<u>2014</u>
Temporarily restricted:		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
Without purpose restrictions	\$ 2,167,239	\$ 2,563,760
With purpose restrictions	<u>6,825,067</u>	<u>9,313,200</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$ 8,992,306</u>	<u>\$ 11,876,960</u>

**4 - FAIR VALUE MEASUREMENTS**

The framework for measuring fair value 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 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 entity 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.

The asset 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.

The Foundation's investment in Wespath Funds, which comprises the amount categorized as Level 2, is valued at net asset value (NAV) as reported by the Funds on a daily basis where the Foundation has the ability to redeem on a near term basis at NAV. The Foundation has no unfunded commitments with regard to these funds.

## UNITED METHODIST FOUNDATION OF WEST VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)**4 - FAIR VALUE MEASUREMENTS (Continued)**

Assets measured at fair value on a recurring basis consisted of the following at December 31, 2015 and 2014:

	2015		
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Wespath Investment Funds	\$ 85,764,601	\$ -	\$ 85,764,601
Fixed income	125,931	125,931	-
Cash and cash equivalents	<u>1,371,619</u>	<u>1,371,619</u>	<u>-</u>
	<u>\$ 87,262,151</u>	<u>\$ 1,497,550</u>	<u>\$ 85,764,601</u>
	2014		
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Wespath Investment Funds	\$ 87,295,575	\$ -	\$ 87,295,575
Fixed income	198,837	198,837	-
Cash and cash equivalents	<u>1,318,268</u>	<u>1,318,268</u>	<u>-</u>
	<u>\$ 88,812,680</u>	<u>\$ 1,517,105</u>	<u>\$ 87,295,575</u>

**5 - RETIREMENT PLAN**

The Foundation participates in a defined contribution retirement plan which covers substantially all full-time employees of the United Methodist Church and its affiliates. The Foundation makes monthly contributions to the Plan based on 9% of regular salary of participants. The Foundation's pension expense was \$23,597 and \$20,623 for the years ended December 31, 2015 and 2014, respectively.

**6 - OPERATING LEASE**

The Foundation leases its office facilities from St. Marks United Methodist Church on a month-to-month basis. Rent expense for the years ended December 31, 2015 and December 31, 2014, was \$13,451 and \$12,957, respectively.

**7 - ADMINISTRATIVE FEES**

The Foundation charged an annualized administrative fee equal to 0.75% of account value to each account during 2015 and 2014. Administrative fees charged to trust funds are reported under net assets released from restrictions, and administrative fees charged to custodial, annuity, and unitrust accounts are reported as a separate revenue item in the accompanying statements of revenues, expenses and changes in net assets - modified cash basis. For the year ended December 31, 2015 and 2014, the total administrative fee charged to all trusts, custodial, annuity, and unitrusts was \$664,320 and \$649,387, respectively.