

**UNITED METHODIST FOUNDATION, INC.
AND AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

UNITED METHODIST FOUNDATION, INC. AND AFFILIATE

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1 - 2
FINANCIAL STATEMENTS	
Consolidated Statements of Net Assets.....	3
Consolidated Statements of Operations.....	4
Consolidated Statements of Changes in Net Assets.....	5
Notes to Consolidated Financial Statements.....	6 - 15

Independent Auditor's Report

To the Unitholders and the Board of Directors
of United Methodist Foundation, Inc.
Garner, North Carolina

We have audited the accompanying consolidated financial statements of United Methodist Foundation, Inc. and Affiliate (collectively, the "Foundation"), which comprise the consolidated statements of net assets as of December 31, 2015 and 2014, and the related consolidated statements of operations and changes in net assets for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's 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 entity'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 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 consolidated financial statements.

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



To the Unitholders and the Board of Directors
of United Methodist Foundation, Inc.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Methodist Foundation, Inc. and Affiliate as of December 31, 2015 and 2014, and the consolidated results of their operations and changes in their net assets for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note F to the consolidated financial statements, Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2013-06, *Not-for-Profit Entities (Topic 958) - Services Received from Personnel of an Affiliate*, became effective for the Foundation during the year ended December 31, 2015 and is to be applied prospectively. Our opinion is not modified with respect to this matter.

Crosslin & Associates, PLLC

Nashville, Tennessee
June 29, 2016

UNITED METHODIST FOUNDATION, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF NET ASSETS

	December 31,	
	2015	2014
ASSETS		
Investments, unitholders (Notes B, D, and E)	\$150,055,584	\$153,633,568
Cash, unitholders	54,385	1,802,081
Cash, restricted (Note C)	37,621	29,483
Cash, unrestricted	264,987	455,920
Temporary investments (Note E)	276,257	630,122
Accrued interest and dividends receivable	420,092	329,627
Investments, restricted (Notes C and E)	<u>921,153</u>	<u>892,016</u>
Total assets	<u>152,030,079</u>	<u>157,772,817</u>
LIABILITIES		
Amount due to unitholders:		
Funds awaiting unit closure	1,276,626	-
Deposits, interest bearing	276,257	630,122
Due to North Carolina Conference (Note F)	-	2,752,769
Other	<u>63,834</u>	<u>61,748</u>
Total liabilities	<u>1,616,717</u>	<u>3,444,639</u>
Net assets	<u>150,413,362</u>	<u>154,328,178</u>
Total liabilities and net assets	<u>\$152,030,079</u>	<u>\$157,772,817</u>
ANALYSIS OF NET ASSETS		
Represented by:		
Balanced Fund, units at cost, 30,824,040 and 30,866,731 units outstanding at December 31, 2015 and 2014, respectively (Note D)	\$ 89,099,270	\$ 89,435,676
Fixed Income Fund, units at cost, 6,035,972 and 5,589,403 units outstanding at December 31, 2015 and 2014, respectively (Note D)	6,103,969	5,650,547
Capital gains reserved:		
Balanced Fund	50,895,087	42,210,751
Fixed Income Fund	87,957	126,790
Unrealized appreciation of investments:		
Balance Fund	2,842,973	15,623,649
Fixed Income Fund	(84,704)	(26,119)
Specific Investment Funds (Note C)	<u>896,126</u>	<u>851,077</u>
Unrestricted	<u>149,840,678</u>	<u>153,872,371</u>
Total net assets	<u>572,684</u>	<u>455,807</u>
Total net assets	<u>\$ 150,413,362</u>	<u>\$ 154,328,178</u>

See notes to consolidated financial statements.

UNITED METHODIST FOUNDATION, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,	
	2015	2014
Investment income, unitholder funds:		
Income:		
Interest	\$ 1,588,176	\$ 1,537,570
Dividends	<u>1,794,014</u>	<u>1,654,547</u>
	<u>3,382,190</u>	<u>3,192,117</u>
Expenses:		
Investment fees	633,088	733,192
Administrative fees	<u>903,645</u>	<u>822,431</u>
	<u>1,536,733</u>	<u>1,555,623</u>
Net investment income, unitholder funds	<u>1,845,457</u>	<u>1,636,494</u>
Net unrestricted gain	<u>116,877</u>	<u>23,262</u>
Restricted income, Specific Investment Fund:		
Income (loss):		
Interest and dividends	56	42
Unrealized loss on donated property	<u>(7,500)</u>	<u>(675,000)</u>
	<u>(7,444)</u>	<u>(674,958)</u>
Expenses:		
Other	<u>7,242</u>	<u>9,465</u>
	<u>7,242</u>	<u>9,465</u>
Net restricted loss, Specific Investment Fund	<u>(14,686)</u>	<u>(684,423)</u>
Realized and unrealized gain on investments:		
Realized gain from securities transactions (excluding short-term):		
Proceeds from sales	89,503,276	65,073,029
Cost of securities sold	<u>80,856,131</u>	<u>57,185,729</u>
Net realized gain	<u>8,647,145</u>	<u>7,887,300</u>
Change in unrealized appreciation of investments:		
Beginning	15,597,530	18,061,814
Ending	<u>2,758,269</u>	<u>15,597,530</u>
Change in unrealized appreciation	<u>(12,839,261)</u>	<u>(2,464,284)</u>
Net realized and unrealized (loss) gain on investments	<u>(4,192,116)</u>	<u>5,423,016</u>
Net (decrease) increase in net assets resulting from operations	<u>\$(2,244,468)</u>	<u>\$ 6,398,349</u>

See notes to consolidated financial statements.

UNITED METHODIST FOUNDATION, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	<u>Year Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Investment activities:		
Net investment income, unitholders funds	\$ 1,845,457	\$ 1,636,494
Net realized gain on investments	8,647,145	7,887,300
Decrease in unrealized appreciation of investments	(12,839,261)	(2,464,284)
Net loss from restricted assets	(14,686)	(684,423)
Net income from unrestricted assets	<u>116,877</u>	<u>23,262</u>
(Decrease) increase in net assets resulting from operations	<u>(2,244,468)</u>	<u>6,398,349</u>
Unitholder transactions:		
Dividends paid to unitholders from net investment income	<u>(1,845,457)</u>	<u>(1,636,494)</u>
Net additions - Specific Investment Fund	<u>52,235</u>	<u>751,309</u>
Unit transactions (exclusive of amounts allocated to investment income):		
Balanced Fund:		
Net asset value of 364,309 and 320,996 units issued to unitholders for reinvestment of dividends, respectively	1,713,143	1,495,583
Net asset value of 1,602,011 and 1,349,399 new units issued, respectively	7,471,662	6,310,246
Payment for redemption of 2,009,012 and 848,307 units, respectively	(9,515,352)	(4,007,795)
Fixed Income Fund:		
Net asset value of 128,511 and 129,033 units issued to unitholders reinvestment of dividends, respectively	132,232	133,748
Net asset value of 408,525 and 165,413 new units issued, respectively	414,830	171,298
Payment for redemption of 90,468 and 636,503, units, respectively	<u>(93,641)</u>	<u>(660,478)</u>
Increase in net assets from unit transactions	<u>122,874</u>	<u>3,442,602</u>
Net (decrease) increase in net assets	<u>(3,914,816)</u>	<u>8,955,766</u>
Net assets:		
Beginning	<u>154,328,178</u>	<u>145,372,412</u>
Ending	<u>\$ 150,413,362</u>	<u>\$ 154,328,178</u>

See notes to consolidated financial statements.

UNITED METHODIST FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

United Methodist Foundation, Inc. (“UMF”) was established in 1955 by the North Carolina Conference, Southeastern Jurisdiction, of The United Methodist Church, Inc. to provide a management-investment pool for long-term and permanent funds of the North Carolina Conference and of local churches, institutions, and ministries of the Church. UMF was also established to encourage and receive planned gifts in support of local churches, institutions, and special ministries of The United Methodist Church and to assist donors in placing their gifts.

Principles of Consolidation

The consolidated financial statements include the accounts of UMF and its affiliated supporting organization, UMF Real Estate Foundation, Inc. (collectively the “Foundation”). The supporting organization was established in 2009 as a tax-exempt organization to serve as a holding entity for properties held for sale that are gifted by donors. Upon sale, proceeds are holding invested in UMF, with income restricted per donor instructions. The financial statements of these organizations are presented on a consolidated basis because UMF Real Estate Foundation, Inc. is operated and controlled by UMF and because its charitable purposes are consistent with UMF’s mission. Intercompany balances and transactions are eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Valuation of Investments

Investments are presented in the consolidated financial statements at fair value in accordance with accounting principles generally accepted in the United States of America. Investments in securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation; other securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price, except for short sales positions and call options written, for which the last quoted asked price is used. Government-sponsored entities are stated at cost plus accrued interest, which approximates fair value. Fair value of government money market funds are based on quoted market prices.

UNITED METHODIST FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Securities Transactions, Interest and Dividends

Securities transactions are recorded on a trade-date basis and are carried at fair value. Dividend income is recorded on the ex-dividend date and interest income is recognized under the accrual basis. Realized gains and losses on securities transactions are reported on the first-in, first-out basis.

Funds Awaiting Unit Closure

Funds deemed sold at the unitholder level as of December 31, 2015, but not yet liquidated by the fund manager are considered to be liabilities.

Temporary Investments

Unitholders can choose to invest their funds within temporary investments which operate as a money market account. Units within the Balanced Fund or Fixed Income Fund are not assigned to these temporary investments. A corresponding liability is reflected on the consolidated statements of net assets as deposits, interest bearing.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Management has evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of the Income Taxes Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). Tax positions for the Foundation include, but are not limited to the tax-exempt status and determination of whether income is subject to unrelated business income tax.

Credit Risk

The Foundation places its cash in institutions which management believes are high quality financial institutions at balances which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts, and management believes it is not exposed to any significant concentration risk on cash.

UNITED METHODIST FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

B. INVESTMENTS, UNITHOLDERS

The aggregate values of unitholder investments, along with net unrealized gains and losses at December 31, 2015 and 2014, are as follows:

	2015		
	Cost	Unrealized Appreciation	Fair Value
Cash and money funds	\$ 4,480,687	\$ -	\$ 4,480,687
Common stocks	86,383,548	3,159,531	89,543,079
Government and government sponsored entity bonds	30,107,016	(445,745)	29,661,271
Corporate and international bonds	14,429,695	220,204	14,649,899
Mortgage and asset-backed securities	7,370,209	84,004	7,454,213
Exchange traded and closed end funds	<u>4,526,160</u>	<u>(259,725)</u>	<u>4,266,435</u>
	<u>\$147,297,315</u>	<u>\$ 2,758,269</u>	<u>\$150,055,584</u>
	2014		
	Cost	Unrealized Appreciation	Fair Value
Cash and money funds	\$ 6,116,114	\$ -	\$ 6,116,114
Common stocks	88,361,146	15,144,461	103,505,607
Government and government sponsored entity bonds	20,078,163	74,645	20,152,808
Corporate and international bonds	13,302,039	309,893	13,611,932
Mortgage and asset-backed securities	9,772,224	(10,180)	9,762,044
Exchange traded and closed end funds	<u>406,352</u>	<u>78,711</u>	<u>485,063</u>
	<u>\$138,036,038</u>	<u>\$ 15,597,530</u>	<u>\$153,633,568</u>

The Foundation invests in a combination of equity securities, fixed income securities, money market funds and other investment securities. Investments are exposed to various risks, such as interest rate, credit, and market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the Foundation's investment balances reported in the consolidated statements of net assets.

UNITED METHODIST FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

B. INVESTMENTS, UNITHOLDERS - Continued

Market Risk

Market risk arises primarily from changes in the market value of financial instruments. Theoretically, the Foundation's exposure is equal to the notional value of contracts purchased and unlimited on such contracts sold short. Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments, and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the Foundation's overall exposure to market risk. The Foundation attempts to control its exposure to market risk through various analytical monitoring techniques.

Concentrations of Credit Risk

The Foundation is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Foundation may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Foundation's policy to review, as necessary, the credit standing of each counterparty.

In the normal course of its business, the Foundation enters into contracts and agreements with certain service providers, such as clearing and custody agents, trustees and administrators that contain a variety of representations and warranties and which provide general indemnifications and guarantees against specified potential losses in connection with their activities as an agent of, or providing services to the Foundation. The Foundation's maximum exposure under these agreements is unknown, as this may involve future claims that could be made against the Foundation that have not yet occurred. The Foundation expects the risk of any future obligation under these arrangements to be remote and has not recorded any contingent liability in the consolidated financial statements for these potential indemnifications.

C. SPECIFIC INVESTMENT FUNDS

The Foundation has established separate funds for an endowment and other properties to record the investment of funds upon which certain donor restrictions have been placed. Since the assets and earnings on these investments are not available to all unitholders, they have been accounted for as restricted assets and restricted net assets.

UNITED METHODIST FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

D. UNITHOLDER FUNDS

The Foundation provides two investment alternatives for its unitholders. One alternative is the Balanced Fund, which utilizes an investment allocation strategy of 65% equities and 35% fixed income securities. The second alternative is the Fixed Income Fund, which utilizes an investment allocation strategy of 95% fixed income and 5% equities.

The net asset value per outstanding unit for the Balanced Fund was \$4.63 and \$4.76 at December 31, 2015 and 2014, respectively. The net asset value per outstanding unit for the Fixed Income Fund was \$1.01 and \$1.04 at December 31, 2015 and 2014, respectively.

E. FAIR VALUE MEASUREMENTS

Guidance provided by the FASB defines fair value as 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. The Foundation utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The type of investments included in Level 1 includes listed equities. As required by the guidance provided by the FASB, the Foundation does not adjust the quoted price for these investments, even in situations where the Foundation holds a large position and a sale could reasonably impact the quoted price.

Level 2 - Inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. Investments within this category would generally included corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

UNITED METHODIST FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

E. FAIR VALUE MEASUREMENTS

Level 3 - Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments within this category would generally include equity and debt positions in private companies and general and limited partnership interests in corporate private equity and real estate funds, debt funds, certain funds of hedge funds and distressed debt.

In determining fair value, the Foundation uses various valuation approaches within the FASB ASC 820 (Fair Value Measurement and Disclosures) fair value measurement framework. The following is a description of the valuation methodologies used for instruments measured at fair value and their classification within the hierarchy:

Cash and Money Funds

Cash and money funds are in active markets and classified within Level 1 of the valuation hierarchy.

Common Stocks

Equity securities listed on national markets or exchanges are valued at the last sales price, or if there is no sale and the market is considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy.

Government and Government Sponsored Entity Bonds

Investments in debt securities include government and government sponsored entity bonds. These securities may be valued based on a discounted cash flow analysis, the inputs for which are coupon, yield and expected maturity date. These investments are classified within Level 2 of the valuation hierarchy.

Corporate and International Bonds

Investments in debt securities include corporate and international bonds. These securities may be valued based on a discounted cash flow analysis, the inputs for which are coupon, yield and expected maturity date. Fixed income investments are classified within Level 2 of the valuation hierarchy.

UNITED METHODIST FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

E. FAIR VALUE MEASUREMENTS - Continued

Mortgage and Asset-Backed Securities

Investments in mortgage and asset-backed securities represent securities constructed utilizing pools of securitized loans and assets. Factors which may be considered for valuation include issuer, sector, coupon, maturity or average life, ratings, collateral performance and credit enhancement. These investments are classified within Level 2 of the valuation hierarchy.

Mutual Funds

Investments in mutual funds represent fixed income mutual funds which are listed on national markets or exchanges. These investments are classified within Level 1 of the valuation hierarchy.

Exchange Traded and Closed End Funds

Investments in exchange traded and closed end funds represent securities which are traded on national markets or exchanges. These investments are classified within Level 1 of the valuation hierarchy.

Temporary Investments (Money Market Funds)

Unitholder investments within money market funds are classified as temporary investments on the consolidated statements of net assets. Temporary investments represent cash and are classified within Level 1 of the valuation hierarchy.

Investments, Restricted

Unitholder investments with donor restrictions include both charitable remainder trusts and charitable gift annuities. Such investments are shown as restricted assets and restricted net assets on the consolidated statements of net assets and are generally classified within Level 1 of the valuation hierarchy. Contributions of land that are included in the consolidated financial statements are based on fair value and are measured using a sales comparison method, which falls within Level 3 of the valuation hierarchy. The following is a reconciliation of Level 3 activity for 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Balance at beginning of year	\$ 874,500	\$ 809,000
Loss or write down in fair value of donated properties	(9,000)	(675,000)
Donated property	<u>37,000</u>	<u>740,500</u>
Balance at end of year	<u>\$ 902,500</u>	<u>\$ 874,500</u>

UNITED METHODIST FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

E. FAIR VALUE MEASUREMENTS - Continued

The tables below present the balances of financial assets measured at fair value on a recurring basis by level at December 31, 2015 and 2014.

	2015			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments, including unitholder investments:				
Cash and money funds	\$ 4,480,687	\$ 4,480,687	\$ -	\$ -
Common stocks:				
Financials	14,948,176	14,948,176	-	-
Information technology	19,265,651	19,265,651	-	-
Energy	5,241,589	5,241,589	-	-
Consumer staples	6,590,084	6,590,084	-	-
Consumer discretionary	12,019,302	12,019,302	-	-
Health care	14,678,088	14,678,088	-	-
Industrials	6,828,582	6,828,582	-	-
Materials	3,096,987	3,096,987	-	-
Telecommunication services	2,904,545	2,904,545	-	-
Utilities	1,805,343	1,805,343	-	-
Miscellaneous	2,164,732	2,164,732	-	-
Government and government sponsored entity bonds	29,661,271	-	29,661,271	-
Corporate and international bonds	14,649,899	-	14,649,899	-
Mortgage and asset-backed securities	7,454,213	-	7,454,213	-
Exchanged traded and closed end funds	4,266,435	4,266,435	-	-
	<u>150,055,584</u>	<u>98,290,201</u>	<u>51,765,383</u>	<u>-</u>
Temporary investments (money market funds)	<u>276,257</u>	<u>276,257</u>	<u>-</u>	<u>-</u>
Investments, restricted:				
Cash and money funds	18,653	18,653	-	-
Land	902,500	-	-	902,500
	<u>921,153</u>	<u>18,653</u>	<u>-</u>	<u>902,500</u>
	<u>\$151,252,994</u>	<u>\$98,585,111</u>	<u>\$51,765,383</u>	<u>\$902,500</u>

UNITED METHODIST FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

E. FAIR VALUE MEASUREMENTS - Continued

	2014			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments, including unitholder investments:				
Cash and money funds	\$ 6,116,114	\$ 6,116,114	\$ -	\$ -
Common stocks:				
Financials	20,882,945	20,882,945	-	-
Information technology	18,810,421	18,810,421	-	-
Energy	6,951,550	6,951,550	-	-
Consumer staples	8,279,706	8,279,706	-	-
Consumer discretionary	14,100,926	14,100,926	-	-
Health care	16,494,111	16,494,111	-	-
Industrials	7,864,429	7,864,429	-	-
Materials	3,494,622	3,494,622	-	-
Telecommunication services	2,171,615	2,171,615	-	-
Utilities	1,259,550	1,259,550	-	-
Miscellaneous	3,195,732	3,195,732	-	-
Government and government sponsored entity bonds	20,152,808	-	20,152,808	-
Corporate and international bonds	13,611,932	-	13,611,932	-
Mortgage and asset-backed securities	9,762,044	-	9,762,044	-
Exchanged traded and closed end funds	485,063	485,063	-	-
	<u>153,633,568</u>	<u>110,106,784</u>	<u>43,526,784</u>	<u>-</u>
Temporary investments (money market funds)	<u>630,122</u>	<u>630,122</u>	<u>-</u>	<u>-</u>
Investments, restricted:				
Cash and money funds	17,516	17,516	-	-
Land	874,500	-	-	874,500
	<u>892,016</u>	<u>17,516</u>	<u>-</u>	<u>874,500</u>
	<u>\$155,155,706</u>	<u>\$110,754,422</u>	<u>\$43,526,784</u>	<u>\$874,500</u>

UNITED METHODIST FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

F. RELATED PARTY TRANSACTIONS

Although the North Carolina Conference, Southeastern Jurisdiction, of The United Methodist Church, Inc. (the "Conference") is not consolidated with the Foundation for financial reporting purposes, they share certain common board representation. The Conference holds investments at the Foundation representing approximately 60% and 61% of the unitholder net assets of the Foundation at December 31, 2015 and 2014, respectively. Investment and administrative fees charged to the Conference during 2015 and 2014, based on assets under management, were \$840,154 and \$770,962, respectively.

The Foundation began leasing office space from the Conference in 2010 after the relocation from Raleigh to Garner; rent expense related to this lease was \$44,685 and \$42,554 for the years ended December 31, 2015 and 2014, respectively.

Certain accounting functions are performed on behalf of the Foundation by the Conference. FASB ASU 2013-06, *Not-for-Profit Entities (Topic 958) - Services Received from Personnel of an Affiliate*, became effective for the Foundation during the year ended December 31, 2015 and as directed by the update, was applied prospectively. Previously, the Conference provided all accounting and payroll services to the Foundation at no cost; therefore, the expenses associated with these accounting functions for the year ended December 31, 2014 were not recognized in the accompanying consolidated financial statements. In order to implement ASU 2013-06, the Conference determined the cost of all accounting and payroll services provided to the Foundation during the year ended December 31, 2015, which totaled \$104,349, and the Foundation recorded the cost of these services as in-kind revenue and expense in the accompanying consolidated financial statements. The Foundation also maintains cash with the Conference related to these functions. Accounts payable related to this arrangement were \$-0- and \$2,752,769 at December 31, 2015 and 2014, respectively.

G. SUBSEQUENT EVENTS

The Foundation has evaluated its subsequent events (events occurring after December 31, 2015) through June 29, 2016, which represents the date the consolidated financial statements were available to be issued and has determined that there are no subsequent events requiring disclosure.