

Oklahoma United Methodist Circle of Care, Inc.

Financial Statements
and
Independent Auditor's Report

December 31, 2013 and 2012

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Independent Auditor's Report

Board of Directors
Oklahoma United Methodist Circle of Care, Inc.

We have audited the accompanying financial statements of Oklahoma United Methodist Circle of Care, Inc., which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oklahoma United Methodist Circle of Care, Inc. as of December 31, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Tulsa, Oklahoma
May 22, 2014

Stanfield & O'Dell P.C.

Oklahoma United Methodist Circle of Care, Inc.

Statements of Financial Position

December 31,

	2013	2012
Assets		
Cash	\$ 103,380	\$ 152,174
Accounts and grants receivable	272,905	210,090
Prepaid expenses and other assets	55,176	51,822
Pledges receivable	36,042	128,192
Investments	13,970,738	12,522,607
Property and equipment	767,585	529,504
	<u>15,205,826</u>	<u>13,594,389</u>
Total assets	<u>\$ 15,205,826</u>	<u>\$ 13,594,389</u>
Liabilities		
Accounts payable	\$ 183,598	\$ 299,741
Accrued vacation	47,230	50,853
Total liabilities	<u>230,828</u>	<u>350,594</u>
Net assets		
Unrestricted	702,158	339,123
Temporarily restricted	1,256,492	1,376,689
Permanently restricted	13,016,348	11,527,983
Total net assets	<u>14,974,998</u>	<u>13,243,795</u>
Total net assets and liabilities	<u>\$ 15,205,826</u>	<u>\$ 13,594,389</u>

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

Oklahoma United Methodist Circle of Care, Inc.

Statements of Activities

Years Ended December 31,

	2013	2012
Change in unrestricted net assets		
Revenues		
Contributions	\$ 1,231,235	\$ 1,404,646
Apportionment receipts	671,559	671,896
Grants and contracts	410,063	200,574
Investment return	569,679	542,043
Program service fees	12,446	5,313
Other	112,451	70,491
Total revenues	<u>3,007,433</u>	<u>2,894,963</u>
Net assets released from restrictions	511,272	331,127
Total revenues and other support	<u>3,518,705</u>	<u>3,226,090</u>
Expenses		
Program services:		
Boy's Ranch	923,960	847,127
Frances E. Willard Ministry Center	418,481	450,818
Children's Home	674,778	773,235
Holsinger Home	47,395	53,457
Child Share	516,483	404,434
Total program services	<u>2,581,097</u>	<u>2,529,071</u>
Administrative services:		
Management and general	534,123	471,026
Fundraising	40,450	101,442
Total administrative services	<u>574,573</u>	<u>572,468</u>
Total expenses	<u>3,155,670</u>	<u>3,101,539</u>
Increase in unrestricted net assets	<u>363,035</u>	<u>124,551</u>
Change in temporarily restricted net assets		
Revenues		
Contributions	376,469	697,892
Investment return	14,606	11,109
Total revenues	<u>391,075</u>	<u>709,001</u>
Net assets released from restrictions	(511,272)	(331,127)
Increase (decrease) in temporarily restricted net assets	<u>(120,197)</u>	<u>377,874</u>
Change in permanently restricted net assets		
Revenues		
Contributions	887,894	2,026,117
Investment return	600,471	600,464
Increase in permanently restricted net assets	<u>1,488,365</u>	<u>2,626,581</u>
Increase in net assets	1,731,203	3,129,006
Net assets, beginning of year	<u>13,243,795</u>	<u>10,114,789</u>
Net assets, end of year	<u>\$ 14,974,998</u>	<u>\$ 13,243,795</u>

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

Oklahoma United Methodist Circle of Care, Inc.

Statements of Functional Expenses

Years Ended December 31,

Functional Expense	Boy's Ranch	Frances E. Willard Ministry Center	Children's Home	Holsinger Home	Child Share	Program Service Total	Management and General	Fundraising	Administrative Service Total	Total
2013										
Salaries	\$ 428,468	\$ 142,223	\$ 220,034	\$ 24,206	\$ 123,353	\$ 938,284	\$ 320,928	\$ 16,510	\$ 337,438	\$ 1,275,722
Employee benefits	49,029	25,702	54,494	840	30,352	160,417	40,851	2,000	42,851	203,268
Payroll taxes	28,278	10,080	16,541	1,848	8,984	65,731	24,515	1,490	26,005	91,736
Occupancy	121,392	69,833	129,618	4,780	12,300	337,923	1,760	-	1,760	339,683
Depreciation	38,300	34,278	37,218	1,452	1,546	112,794	3,954	-	3,954	116,748
Supplies	24,646	21,558	14,287	1,868	4,741	67,100	3,236	-	3,236	70,336
Professional fees	22,458	5,462	29,811	456	169,307	227,494	76,736	-	76,736	304,230
Auto and travel	44,447	10,291	31,892	96	15,025	101,751	8,552	-	8,552	110,303
Telephone	10,760	6,140	16,947	2,901	8,660	45,408	964	-	964	46,372
Specific assistance	59,679	52,624	46,595	3,091	58,487	220,476	-	-	-	220,476
Insurance	42,393	23,733	46,403	5,241	4,221	121,991	7,435	-	7,435	129,426
Other	54,110	16,557	30,938	616	79,507	181,728	45,192	20,450	65,642	247,370
	<u>\$ 923,960</u>	<u>\$ 418,481</u>	<u>\$ 674,778</u>	<u>\$ 47,395</u>	<u>\$ 516,483</u>	<u>\$ 2,581,097</u>	<u>\$ 534,123</u>	<u>\$ 40,450</u>	<u>\$ 574,573</u>	<u>\$ 3,155,670</u>
2012										
Salaries	\$ 301,871	\$ 149,579	\$ 302,344	\$ 24,345	\$ 159,291	\$ 937,430	\$ 288,642	\$ 42,054	\$ 330,696	\$ 1,268,126
Employee benefits	55,600	31,547	55,646	832	20,162	163,787	39,460	6,149	45,609	209,396
Payroll taxes	20,046	10,431	20,535	1,662	11,067	63,741	20,563	3,133	23,696	87,437
Occupancy	98,362	70,937	129,413	8,571	14,797	322,080	788	-	788	322,868
Depreciation	52,276	37,861	50,266	1,823	2,590	144,816	5,396	347	5,743	150,559
Supplies	31,536	18,484	16,832	2,661	3,356	72,869	2,344	229	2,573	75,442
Professional fees	23,920	3,294	26,265	418	54,051	107,948	71,301	132	71,433	179,381
Auto and travel	45,051	26,693	31,176	145	13,485	116,550	2,696	3,514	6,210	122,760
Telephone	9,816	4,979	15,399	1,933	6,719	38,846	440	-	440	39,286
Specific assistance	35,069	49,079	31,137	4,839	29,451	149,575	-	-	-	149,575
Insurance	56,982	25,453	56,170	4,960	7,897	151,462	14,307	17	14,324	165,786
Other	116,598	22,481	38,052	1,268	81,568	259,967	25,089	45,867	70,956	330,923
	<u>\$ 847,127</u>	<u>\$ 450,818</u>	<u>\$ 773,235</u>	<u>\$ 53,457</u>	<u>\$ 404,434</u>	<u>\$ 2,529,071</u>	<u>\$ 471,026</u>	<u>\$ 101,442</u>	<u>\$ 572,468</u>	<u>\$ 3,101,539</u>

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

Oklahoma United Methodist Circle of Care, Inc.

Statements of Cash Flows

Years Ended December 31,

	2013	2012
Cash flows from operating activities		
Increase in net assets	\$ 1,731,203	\$ 3,129,006
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	116,748	150,559
Loss on sale of property and equipment	-	800
Change in other investments	-	11,313
Contributions restricted for long-term purposes	(887,894)	(2,026,117)
Contributions and investment earnings from:		
Foundation held investments	(740,782)	(875,449)
Investments at Foundation held for benefit of Circle of Care	(1,148,816)	(733,042)
Investments held at bank	(84,045)	(78,290)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(62,815)	9,063
Prepaid expenses	(3,354)	(7,938)
Pledges receivable	92,150	67,408
(Decrease) increase in:		
Accounts payable	(116,143)	(51,788)
Accrued vacation	(3,623)	(5,079)
Net cash used in operating activities	<u>(1,107,371)</u>	<u>(409,554)</u>
Cash flows from investing activities		
Purchase of equipment	(354,829)	(102,207)
Proceeds from sale of equipment	-	3,851
Purchase of investments held by Foundation	(1,264,989)	(2,451,462)
Distributions from investments held by Foundation	1,460,098	667,793
Distributions to Foundation for investment	296,803	251,835
Distributions from investment held at bank	33,600	36,434
Net cash provided by (used in) investing activities	<u>170,683</u>	<u>(1,593,756)</u>
Cash flows from financing activities		
Contributions restricted for long-term purposes	<u>887,894</u>	<u>2,026,117</u>
Net increase (decrease) in cash	(48,794)	22,807
Cash at beginning of year	<u>152,174</u>	<u>129,367</u>
Cash at end of year	<u>\$ 103,380</u>	<u>\$ 152,174</u>

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

Notes to Financial Statements

December 31, 2013 and 2012

Note A - Summary of Accounting Policies

1. *Organization and Activities*

The Oklahoma United Methodist Circle of Care, Inc. (the Circle of Care), is an Oklahoma not-for-profit corporation with no capital stock. Affiliated with the Oklahoma Conference of the United Methodist Church, the Circle of Care ministers proactively to the changing physical, emotional and spiritual needs of persons in a hurting society by providing highly specialized services, which strengthen and seek to restore wholeness to individuals and families. The Circle of Care services individuals and families by providing children and adolescents with opportunities for residential living and foster care through its various programs.

The Circle of Care was formed to consolidate services offered by agencies formerly under the Children, Youth and Family Services division of the Oklahoma Conference, The United Methodist Church. These agencies were United Methodist Boy's Ranch, Inc. and United Methodist Children's Home, Inc.

The Circle of Care is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986; therefore, no provision for income taxes is reflected in the financial statements.

2. *Basis of Accounting*

The Circle of Care prepares its financial statements on the accrual basis of accounting. The accounting presentation is used to reflect the activities of the Circle of Care in carrying out the specific programs for which public support has been obtained.

Unrestricted net assets include all resources that are not subject to donor-imposed restrictions of a more specific nature than those that only obligate the Circle of Care to utilize funds in furtherance of its mission. Temporarily restricted net assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because of the passage of time or because certain actions are taken by the Circle of Care which fulfill the restrictions. Permanently restricted net assets are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be retained permanently. Donor-restricted gifts are reported as temporarily or permanently restricted revenue.

3. *Estimates*

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Notes to Financial Statements

December 31, 2013 and 2012

Note A - Summary of Accounting Policies - Continued

4. *Pledges Receivable*

Contributions, including unconditional promises to give, are recognized as revenues in the period received or promised. Pledges are recorded as their fair value at the time the promised is made. Circle of Care evaluated its outstanding pledges at December 31, 2013 and 2012, and determined an allowance for uncollectible pledges was not considered necessary.

5. *Investments*

Investments consist of both marketable and non-marketable investment assets as follows:

Marketable Securities:

Marketable securities are reported at fair value calculated in accordance with *Accounting Standards Codification* Topic 820, "Fair Value Measurement and Disclosures" (ASC 820). Such investments include pooled investments at "General Board of Pension and Health Benefits" of the United Methodist Church (GBOPHB), alternative investments, U.S. government obligations, equity securities, municipal bonds, corporate debt obligations, and other investments. Fair value is determined based on quoted market prices, observable inputs, or unobservable inputs. Realized gains and losses on sales of marketable securities are computed by utilizing either the first-in, first-out basis or the average cost.

Alternative investments are investments in limited partnerships, limited liability companies, and real estate investment trusts which do not have readily determinable fair value and have attributes of an investment company. Such investments are reported at fair value based on the net asset value of the investment as determined by the respective investment managers. Net asset value is based on the investment fund's underlying assets based on observable and unobservable inputs.

Non-marketable Securities:

Non-marketable securities are reported at management's estimated fair value using unobservable inputs in accordance with ASC 820. Such investments include notes receivable, real estate, mineral interests and other investments. The estimated fair values are based on management's analysis of the underlying assets and other factors deemed relevant to the valuation. Realized gains and losses are computed using the specific identification method.

Notes receivable represent loans advanced to churches and Methodist agencies primarily within the Oklahoma Annual Conference. The loans are typically collateralized by a first mortgage on the property or other suitable collateral. Loans are made at market interest rates with maturities up to 18 years. All loans are paying on terms; therefore, provision for loan loss was not considered necessary by management at December 31, 2013 and 2012.

Notes to Financial Statements

December 31, 2013 and 2012

Note A - Summary of Accounting Policies - Continued

5. Investments - Continued

The estimated fair values of mineral interests are based on the oil and gas income from the trailing 12 months and a multiple of 7 for gas and 4 for oil, which is an industry standard if reserve studies are not obtained. Non-producing properties are valued at a multiple of 1 to 1.5 times the average lease bonus rate. The cost basis of real estate is the estimated fair value at the date of receipt, and the estimated fair value is based on subsequent appraisals.

6. Property and Equipment

Property and equipment is stated at cost. The Circle of Care capitalizes all assets over \$500. Donated assets are recorded at their estimated fair market value at the date of donation. The Circle of Care depreciates its property and equipment using the straight-line method over the following estimated useful lives of the respective assets.

Buildings	20 - 30 Years
Equipment	3 - 7 Years
Furniture and fixtures	5 - 10 Years
Improvements	10 - 15 Years
Automobiles	5 Years

7. Statement of Functional Expenses

Expenses have been directly classified by specific functions where practicable in the statement of functional expenses.

8. Statement of Cash Flows

For purposes of the statement of cash flows, the Circle of Care considers cash on hand and amounts on deposit in banks, including cash held under sweep arrangements (repurchase agreements for daily investments in U.S. Treasury funds) as cash equivalents.

Cash held on deposit at financial institutions may occasionally exceed federal deposit insurance limits. Such amounts are transferred daily pursuant to the sweep arrangement. Cash held under sweep arrangements is not covered by federal deposit insurance, but is held in the Circle of Care's name and subject to the risks of investing in the noted securities.

9. Contributed Services and Assets

The Circle of Care does not recognize any support, revenue or expense from services contributed by volunteers since no objective basis is available to measure its value. Certain contributed assets are recorded as revenue based upon the fair value as of the contribution date.

Notes to Financial Statements

December 31, 2013 and 2012

Note A - Summary of Accounting Policies - Continued

10. Retirement Plan

The Circle of Care participates in the defined contribution plan of the GBOPHB. The plan covers substantially all employees. The Circle of Care contributes 3 percent of an employee's salary into the plan. The contributions for 2013 and 2012 amounted to \$29,670 and \$37,608, respectively.

11. Related Party Activity

Apportionment receipts are passed through the Oklahoma Conference, The United Methodist Church, (an affiliated organization) to the Circle of Care on a periodic basis. Apportionment receipts totaled \$671,559 and \$671,896 (including \$182,300 and \$144,363 in receivables) at December 31, 2013 and 2012, respectively.

12. Reclassifications

Certain prior year amounts have been reclassified to conform to current year's presentation. The reclassifications had no effect on the previously reported net income.

13. Subsequent Events

The Circle of Care has evaluated subsequent events through May 22, 2014, the date which the financial statements were available to be issued.

Note B - Accounts and Grants Receivable

Accounts and grants receivable consist of the following at December 31:

	2013	2012
Accounts receivable		
Oklahoma Conference, The United Methodist Church	\$ 182,300	\$ 144,363
Other	90,605	65,727
	<hr/>	<hr/>
Total accounts receivable	\$ 272,905	\$ 210,090
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Notes to Financial Statements

December 31, 2013 and 2012

Note C - Investments

The Circle of Care has designated the Oklahoma United Methodist Foundation, Inc. (the Foundation), as "Trustee" for their investments. The Foundation was organized to accept and administer funds for the Oklahoma Conference, The United Methodist Church, local churches and other institutions, agencies and boards of The United Methodist Church. The Foundation pools certain cash and investment accounts to obtain more favorable rates of return and investment flexibility. Earnings of the pooled resources are allocated based on the number of units held by each trust fund. All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets specifically identifiable to a particular fund are accounted for in the fund that owned the asset.

Foundation investments are recorded at market and consist of the following at year-end:

	December 31, 2013	
	Cost	Value
Marketable securities:		
Pooled investments at GBOPHB:		
GBOPHB multiple assets fund	\$ 136,621,637	\$ 194,064,776
GBOPHB U.S. equity fund	232,280	428,629
GBOPHB international equity fund	93,955	139,630
GBOPHB fixed income fund	1,537,993	1,754,849
GBOPHB inflation protection fund	153,883	180,081
Total pooled investments at GBOPHB	<u>138,639,748</u>	<u>196,567,965</u>
Other securities:		
Alternative investments	9,044,430	6,732,356
U.S. government obligations	3,428,484	3,464,402
Equity securities	139,060	187,478
Mutual funds	25,000	25,000
Municipal bonds	154,667	150,242
Corporate debt obligations	17,890	20,096
Other	409,637	452,450
Total other investments	<u>13,219,168</u>	<u>11,032,024</u>
Total marketable securities	<u>151,858,916</u>	<u>207,599,989</u>
Non-marketable securities:		
Notes receivable	6,880,467	6,880,467
Real estate	870,844	870,844
Mineral interests	3,100,167	9,317,159
Investment in OCU Law Bldg.	1,200,000	923,782
Other	700,000	538,873
Total non-marketable securities	<u>12,751,478</u>	<u>18,531,125</u>
	<u>\$ 164,610,394</u>	<u>\$ 226,131,114</u>

Notes to Financial Statements

December 31, 2013 and 2012

Note C - Investments - Continued

	December 31, 2012	
	Cost	Value
Marketable securities:		
Pooled investments at GBOPHB:		
GBOPHB multiple assets fund	\$ 124,871,637	\$ 155,197,014
GBOPHB U.S. equity fund	387,539	532,544
GBOPHB international equity fund	146,256	186,561
GBOPHB fixed income fund	1,848,644	2,164,547
GBOPHB inflation protection fund	213,498	267,476
Total pooled investments at GBOPHB	<u>127,467,574</u>	<u>158,348,142</u>
Other securities:		
Alternative investments	14,302,757	11,104,226
U.S. government obligations	3,439,350	3,627,302
Equity securities	134,110	182,671
Mutual funds	25,000	25,000
Municipal bonds	55,515	55,551
Corporate debt obligations	517,890	683,614
Other	450,594	489,774
Total other investments	<u>18,925,216</u>	<u>16,168,138</u>
Total marketable securities	<u>146,392,790</u>	<u>174,516,280</u>
Non-marketable securities:		
Notes receivable	7,583,147	7,583,147
Real estate	884,344	884,344
Mineral interests	3,100,167	9,104,389
Investment in OCU Law Bldg	1,200,000	1,098,364
Other	700,000	640,712
Total non-marketable securities	<u>13,467,658</u>	<u>19,310,956</u>
	<u>\$ 159,860,448</u>	<u>\$ 193,827,236</u>

Alternative investments represent investments in limited partnerships, limited liability companies, and real estate investment trusts. For more detailed information regarding alternative investments, see the Foundation's audited financial statements.

The Foundation utilized eight independent investment managers or mutual funds at both December 31, 2013 and 2012, respectively. At December 31, 2013 and 2012, \$207,599,989 and \$174,516,280, respectively, was under their management. As remaining alternative investments are liquidated, proceeds will be placed with Wespath for investment management. The Foundation paid approximately \$1,047,000 and \$936,000 to Wespath in management fees during 2013 and 2012, respectively.

Notes to Financial Statements

December 31, 2013 and 2012

Note C - Investments - Continued

As of December 31, 2013 and 2012, the Circle of Care's portion of these investments totaled \$13,224,939 and \$11,817,334, including \$8,939,598 and \$7,199,691 held for the benefit of Circle of Care, respectively.

Investments at December 31, 2013 and 2012 also included \$745,799 and \$705,273 of money market, equities, bonds, and mutual funds held in trust at banks for the benefit of the Circle of Care, respectively.

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended December 31:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>2013</u>				
Investment income	\$ 267,325	\$ 5,136	\$ 9,289	\$ 281,750
Unrealized gain	302,354	9,470	591,182	903,006
	<hr/>			
Total investment return	\$ 569,679	\$ 14,606	\$ 600,471	\$ 1,184,756
	<hr/>			
<u>2012</u>				
Investment income	\$ 321,884	\$ 4,782	\$ (107,901)	\$ 218,765
Unrealized gain	220,159	6,327	708,365	934,851
	<hr/>			
Total investment return	\$ 542,043	\$ 11,109	\$ 600,464	\$ 1,153,616
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Investment Policy:

The Circle of Care has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the purchasing power of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Therefore, the Circle of Care classifies as permanently restricted net assets 1) original value of endowed gifts, 2) any subsequent gifts, and 3) any accumulations to the permanent endowment made in accordance with the direction of the donor gift instrument.

The Circle of Care has approved an endowment distribution or spending policy whereby distributions are limited to 5 percent of the fair value of the individual endowment funds. Actual endowment returns earned in excess of 5 percent are retained as part of the corpus to offset inflation.

Notes to Financial Statements

December 31, 2013 and 2012

Note C - Investments - Continued

The Circle of Care's investment objective is to achieve superior, long-term performance, while at the same time maximizing current income. Investment goals are formulated to earn returns over the long-term that equal or exceed the spending policy rates plus the impact of inflation. Funds are invested in a highly diversified portfolio to mitigate downturns in a single sector.

Fair Value:

The fair values reported below for financial instruments were based on a variety of factors. In some cases, fair values have been estimated based on assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates reflecting varying degrees of risk. Accordingly, the fair values may not represent actual values of the financial instruments that could have been realized as of December 31, 2013 and 2012, or that will be realized in the future.

The carrying amounts of cash and cash equivalents approximate fair value because of the short maturity of these instruments. The carrying value of investments, which is fair value, is based upon quoted market prices, if available. If quoted market prices are not available, fair value is estimated using quoted prices for similar securities.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 consists of unobservable inputs, which are used where observable inputs are unavailable, and have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its assets and liabilities.

Investment Risk:

Investment risk is the risk that Circle of Care's investments will not perform in accordance with their expected outcomes, and encompasses, but is not limited to, risks such as credit risk (the risk that an issuer or other counterparty to an investment will not fulfill its obligations), interest rate risk (the risk that changes in interest rates will adversely affect the fair value of investment), and market risk (the risk that the value of a portfolio will decrease due to the change of various market conditions; market risk also represents risk that cannot be reduced through diversification). Investment risk is subject to the investment policy of the Circle of Care.

Notes to Financial Statements

December 31, 2013 and 2012

Note C - Investments - Continued

The following tables present the fair value measurements of assets recognized in the accompanying balance sheets at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31:

	Fair Value Measurements at Reporting Date Using			
	Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>2013</u>				
Marketable securities:				
Pooled investments at GBOPHB	\$ 196,567,965	\$ -	\$ -	\$ 196,567,965
Alternative investments	6,732,356	-	-	6,732,356
U.S. government obligations	3,464,402	-	3,464,402	-
Equity securities	187,478	10,128	-	177,350
Mutual funds	25,000	-	-	25,000
Municipal bonds	150,242	-	150,242	-
Corporate debt obligations	20,096	-	20,096	-
Other	452,450	-	330,298	122,152
Total marketable securities	<u>207,599,989</u>	<u>10,128</u>	<u>3,965,038</u>	<u>203,624,823</u>
Non-marketable securities:				
Notes receivable	6,880,467	-	-	6,880,467
Real estate	870,844	-	-	870,844
Mineral interests	9,317,159	-	-	9,317,159
Investment in OCU Law Bldg.	923,782	-	-	923,782
Other	538,873	-	-	538,873
Total non-marketable securities	<u>18,531,125</u>	<u>-</u>	<u>-</u>	<u>18,531,125</u>
	<u>\$ 226,131,114</u>	<u>\$ 10,128</u>	<u>\$ 3,965,038</u>	<u>\$ 222,155,948</u>

Notes to Financial Statements

December 31, 2013 and 2012

Note C - Investments - Continued

<u>2012</u>	Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable securities:				
Pooled investments at GBOPHB	\$ 158,348,142	\$ -	\$ -	\$ 158,348,142
Alternative investments	11,104,226	-	-	11,104,226
U.S. government obligations	3,627,302	-	3,627,302	-
Equity securities	182,671	5,321	-	177,350
Mutual funds	25,000	-	-	25,000
Municipal bonds	55,551	-	55,551	-
Corporate debt obligations	683,614	-	683,614	-
Other	489,774	-	402,046	87,728
Total marketable securities	174,516,280	5,321	4,768,513	169,742,446
Non-marketable securities:				
Notes receivable	7,583,147	-	-	7,583,147
Real estate	884,344	-	-	884,344
Mineral interests	9,104,389	-	-	9,104,389
Investment in OCU Law Bldg	1,098,364	-	-	1,098,364
Other	640,712	-	-	640,712
Total non-marketable securities	19,310,956	-	-	19,310,956
	\$ 193,827,236	\$ 5,321	\$ 4,768,513	\$ 189,053,402

Notes to Financial Statements

December 31, 2013 and 2012

Note C - Investments - Continued

The following is a reconciliation of the activity of those financial instruments whose fair values were determined using Level 3 inputs:

	Fair Value January 1, 2013	Purchases	(Sales)	Investment Gains (Losses)	Fair Value December 31, 2013
Marketable securities:					
Pooled investments at GBOPHB	\$ 158,348,142	\$ 11,970,000	\$ (981,000)	\$ 27,230,823	\$ 196,567,965
Alternative investments	11,104,226	270,443	(5,346,856)	704,543	6,732,356
Equity securities	177,350	-	-	-	177,350
Mutual funds	25,000	-	-	-	25,000
Other	87,728	-	-	34,424	122,152
Total marketable securities	169,742,446	12,240,443	(6,327,856)	27,969,790	203,624,823
Non-marketable securities:					
Notes receivable	7,583,147	528,157	(1,230,837)	-	6,880,467
Real estate	884,344	-	(14,550)	1,050	870,844
Mineral interests	9,104,389	-	-	212,770	9,317,159
Investment in OCU Law Bldg.	1,098,364	-	-	(174,582)	923,782
Other	640,712	-	-	(101,839)	538,873
Total non-marketable securities	19,310,956	528,157	(1,245,387)	(62,601)	18,531,125
Total securities	\$ 189,053,402	\$ 12,768,600	\$ (7,573,243)	\$ 27,907,189	\$ 222,155,948

Oklahoma United Methodist Circle of Care, Inc.

Notes to Financial Statements

December 31, 2013 and 2012

Note C - Investments - Continued

	Fair Value January 1, 2012	Purchases	(Sales)	Investment Gains (Loses)	Fair Value December 31, 2012
Marketable securities:					
Pooled investments at GBOPHB	\$ 116,749,798	\$ 28,495,000	\$ (5,389,000)	\$ 18,492,344	\$ 158,348,142
Alternative investments	7,621,695	3,943,367	(1,069,646)	608,810	11,104,226
Equity securities	177,350	-	-	-	177,350
Mutual funds	25,000	-	-	-	25,000
Other	82,829	-	-	4,899	87,728
Total marketable securities	124,656,672	32,438,367	(6,458,646)	19,106,053	169,742,446
Non-marketable securities:					
Notes receivable	3,352,138	17,943,868	(13,712,859)	-	7,583,147
Real estate	968,151	700	(42,455)	(42,052)	884,344
Mineral interests	7,359,905	912,468	-	832,016	9,104,389
Investment in OCU					-
Law Bldg.	-	1,200,000	-	(101,636)	1,098,364
Other	-	700,000	-	(59,288)	640,712
Total non-marketable securities	11,680,194	20,757,036	(13,755,314)	629,040	19,310,956
Total securities	\$ 136,336,866	\$ 53,195,403	\$ (20,213,960)	\$ 19,735,093	\$ 189,053,402

Notes to Financial Statements

December 31, 2013 and 2012

Note D - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2013</u>	<u>2012</u>
Buildings and improvements	\$ 6,893,710	\$ 6,570,616
Furniture and equipment	550,265	541,030
Automobiles	401,236	419,051
Land	88,021	82,021
Total	<u>7,933,232</u>	<u>7,612,718</u>
Less accumulated depreciation	<u>(7,165,647)</u>	<u>(7,083,214)</u>
Net property and equipment	<u>\$ 767,585</u>	<u>\$ 529,504</u>

Note E - Net Assets

Net assets consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Unrestricted	\$ 702,158	\$ 339,123
Temporarily Restricted		
Capital improvements	842,718	653,897
Program service	413,774	722,792
Total temporarily restricted	<u>1,256,492</u>	<u>1,376,689</u>
Permanently Restricted		
Endowment fund	<u>13,016,348</u>	<u>11,527,983</u>
	<u>\$ 14,974,998</u>	<u>\$ 13,243,795</u>

Net assets were released from donor restrictions by incurring general expenses or by occurrence of other events specified by donors satisfying the restricted purposes.