

**Oklahoma United Methodist Circle of Care, Inc.**

**Financial Statements**  
and  
Independent Auditor's Report

**December 31, 2014 and 2013**

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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, 2014 and 2013, 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, 2014 and 2013, 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 7, 2015

*Stanfield & O'Dell P.C.*

Oklahoma United Methodist Circle of Care, Inc.

**Statements of Financial Position**

December 31,

	2014	2013
<b>Assets</b>		
Cash	\$ 213,933	\$ 103,380
Accounts and grants receivable	256,876	272,905
Prepaid expenses and other assets	95,105	55,176
Pledges receivable	15,604	36,042
Investments	14,928,051	13,970,738
Property and equipment	725,480	767,585
	<u>16,235,049</u>	<u>15,205,826</u>
Total assets	<u>\$ 16,235,049</u>	<u>\$ 15,205,826</u>
<b>Liabilities</b>		
Accounts payable	\$ 67,644	\$ 183,598
Accrued vacation	52,679	47,230
Total liabilities	<u>120,323</u>	<u>230,828</u>
Net assets		
Unrestricted	1,915,882	702,158
Temporarily restricted	1,272,767	1,256,492
Permanently restricted	12,926,077	13,016,348
Total net assets	<u>16,114,726</u>	<u>14,974,998</u>
Total net assets and liabilities	<u>\$ 16,235,049</u>	<u>\$ 15,205,826</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,

	2014	2013
<b>Change in unrestricted net assets</b>		
Revenues		
Contributions	\$ 2,357,489	\$ 1,231,235
Apportionment receipts	650,646	671,559
Grants and contracts	679,171	410,063
Investment return	457,145	569,679
Program service fees	5,268	12,446
Other	175,802	112,451
Total revenues	<u>4,325,521</u>	<u>3,007,433</u>
Net assets released from restrictions	167,717	511,272
Total revenues and other support	<u>4,493,238</u>	<u>3,518,705</u>
Expenses		
Program services:		
Boy's Ranch	781,196	923,960
Frances E. Willard Ministry Center	511,117	418,481
Children's Home	651,912	674,778
Holsinger Home	46,375	47,395
Child Share	643,414	516,483
Total program services	<u>2,634,014</u>	<u>2,581,097</u>
Administrative services:		
Management and general	593,306	534,123
Fundraising	52,194	40,450
Total administrative services	<u>645,500</u>	<u>574,573</u>
Total expenses	<u>3,279,514</u>	<u>3,155,670</u>
<b>Increase in unrestricted net assets</b>	<u>1,213,724</u>	<u>363,035</u>
<b>Change in temporarily restricted net assets</b>		
Revenues		
Contributions	180,203	376,469
Investment return	3,789	14,606
Total revenues	<u>183,992</u>	<u>391,075</u>
Net assets released from restrictions	(167,717)	(511,272)
<b>Increase (decrease) in temporarily restricted net assets</b>	<u>16,275</u>	<u>(120,197)</u>
<b>Change in permanently restricted net assets</b>		
Revenues		
Contributions	36,809	887,894
Investment return	(127,080)	600,471
<b>Increase (decrease) in permanently restricted net assets</b>	<u>(90,271)</u>	<u>1,488,365</u>
<b>Increase in net assets</b>	1,139,728	1,731,203
<b>Net assets, beginning of year</b>	<u>14,974,998</u>	<u>13,243,795</u>
<b>Net assets, end of year</b>	<u>\$ 16,114,726</u>	<u>\$ 14,974,998</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
<b>2014</b>										
Salaries	\$ 337,183	\$ 217,207	\$ 232,123	\$ 24,914	\$ 207,271	\$ 1,018,698	\$ 325,991	\$ 43,487	\$ 369,478	\$ 1,388,176
Employee benefits	56,985	35,256	48,587	5,565	28,520	174,913	41,629	5,553	47,182	222,095
Payroll taxes	24,687	15,917	17,246	1,812	15,386	75,048	23,645	3,154	26,799	101,847
Occupancy	122,133	62,121	150,181	4,597	16,246	355,278	878	-	878	356,156
Depreciation	38,512	43,440	28,817	1,313	167	112,249	2,533	-	2,533	114,782
Supplies	16,201	19,939	14,878	1,622	4,323	56,963	4,330	-	4,330	61,293
Professional fees	22,156	6,477	32,036	148	231,790	292,607	86,569	-	86,569	379,176
Auto and travel	33,483	22,781	18,309	262	18,742	93,577	10,320	-	10,320	103,897
Telephone	13,130	11,535	16,640	2,750	6,244	50,299	1,323	-	1,323	51,622
Specific assistance	35,558	34,091	38,818	980	29,507	138,954	-	-	-	138,954
Insurance	36,675	21,710	35,094	1,935	3,327	98,741	5,807	-	5,807	104,548
Other	44,493	20,643	19,183	477	81,891	166,687	90,281	-	90,281	256,968
	<u>\$ 781,196</u>	<u>\$ 511,117</u>	<u>\$ 651,912</u>	<u>\$ 46,375</u>	<u>\$ 643,414</u>	<u>\$ 2,634,014</u>	<u>\$ 593,306</u>	<u>\$ 52,194</u>	<u>\$ 645,500</u>	<u>\$ 3,279,514</u>
<b>2013</b>										
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>

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,

	2014	2013
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 1,139,728	\$ 1,731,203
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	114,783	116,748
Contributions restricted for long-term purposes	(36,809)	(887,894)
Contributions and investment earnings from:		
Foundation held investments	(1,031,516)	(740,782)
Investments at Foundation held for benefit of Circle of Care	(304,076)	(1,148,816)
Investments held at bank	(31,321)	(84,045)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	16,029	(62,815)
Prepaid expenses	(39,929)	(3,354)
Pledges receivable	20,438	92,150
(Decrease) increase in:		
Accounts payable	(115,954)	(116,143)
Accrued vacation	5,449	(3,623)
Net cash used in operating activities	<u>(263,178)</u>	<u>(1,107,371)</u>
<b>Cash flows from investing activities</b>		
Purchase of equipment	(72,678)	(354,829)
Purchase of investments held by Foundation	(1,004,689)	(1,264,989)
Distributions from investments held by Foundation	956,818	1,460,098
Distributions to Foundation for investment	422,933	296,803
Distributions from investment held at bank	34,538	33,600
Net cash provided by investing activities	<u>336,922</u>	<u>170,683</u>
<b>Cash flows from financing activities</b>		
Contributions restricted for long-term purposes	<u>36,809</u>	<u>887,894</u>
<b>Net increase (decrease) in cash</b>	110,553	(48,794)
<b>Cash at beginning of year</b>	<u>103,380</u>	<u>152,174</u>
<b>Cash at end of year</b>	<u>\$ 213,933</u>	<u>\$ 103,380</u>

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

**Notes to Financial Statements**

December 31, 2014 and 2013

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**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, 2014 and 2013

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### 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, 2014 and 2013, 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, 2014 and 2013.

**Notes to Financial Statements**

December 31, 2014 and 2013

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**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, 2014 and 2013

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**Note A - Summary of Accounting Policies - Continued**

*10. Retirement Plan*

The Circle of Care participates in the defined contribution plan of the General Board of Pension and Health Benefits of the United Methodist Church, (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 2014 and 2013 amounted to \$21,229 and \$29,670, 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 \$650,646 and \$671,559 (including \$170,185 and \$182,300 in receivables) at December 31, 2014 and 2013, 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 7, 2015, 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:

	2014	2013
Accounts receivable		
Oklahoma Conference, The United Methodist Church	\$ 170,185	\$ 182,300
Other	86,691	90,605
	<hr/>	<hr/>
Total accounts receivable	\$ 256,876	\$ 272,905
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**Notes to Financial Statements**

December 31, 2014 and 2013

**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. The Foundation investment information disclosed within these financial statements was obtained from the Foundation's audit report dated March 25, 2015, which was audited by a firm other than our own.

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

	December 31, 2014	
	Cost	Value
Marketable securities:		
Pooled investments at GBOPHB:		
GBOPHB multiple assets fund	\$ 136,473,727	\$ 201,816,288
GBOPHB U.S. equity fund	175,536	358,785
GBOPHB international equity fund	79,399	111,011
GBOPHB fixed income fund	1,614,246	1,891,590
GBOPHB inflation protection fund	144,010	172,953
Total pooled investments at GBOPHB	<u>138,486,918</u>	<u>204,350,627</u>
Other securities:		
Alternative investments	6,718,359	5,953,787
U.S. government obligations	3,337,838	3,376,173
Equity securities	128,960	177,350
Mutual funds	25,000	25,000
Municipal bonds	83,520	84,641
Corporate debt obligations	17,890	20,581
Other	399,519	446,847
Total other investments	<u>10,711,086</u>	<u>10,084,379</u>
Total marketable securities	<u>149,198,004</u>	<u>214,435,006</u>
Non-marketable securities:		
Notes receivable	10,045,704	10,045,704
Real estate	897,134	897,134
Mineral interests	3,100,166	9,312,618
Other	1,900,000	2,561,883
Total non-marketable securities	<u>15,943,004</u>	<u>22,817,339</u>
	<u>\$ 165,141,008</u>	<u>\$ 237,252,345</u>

**Notes to Financial Statements**

December 31, 2014 and 2013

**Note C - Investments - Continued**

	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>

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, 2014 and 2013, respectively. At December 31, 2014 and 2013, \$214,435,006 and \$207,599,989, respectively, was under their management. As remaining alternative investments are liquidated, proceeds will be placed with Wespath for investment management, the institutional investment division of the General Board of Pension and Health Benefits of the United Methodist Church (GBOPHB). The Foundation paid approximately \$1,232,000 and \$1,047,000 to Wespath in management fees during 2014 and 2013, respectively.

**Notes to Financial Statements**

December 31, 2014 and 2013

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**Note C - Investments - Continued**

As of December 31, 2014 and 2013, the Circle of Care's portion of these investments totaled \$14,195,371 and \$13,224,939, including \$8,857,551 and \$8,939,598 held for the benefit of Circle of Care, respectively.

Investments at December 31, 2014 and 2013 also included \$732,680 and \$745,799 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>2014</u>				
Investment income	\$ 511,456	\$ 5,407	\$ 19,932	\$ 536,795
Unrealized loss	(54,311)	(1,618)	(147,012)	(202,941)
	<hr/>			
Total investment return	\$ 457,145	\$ 3,789	\$ (127,080)	\$ 333,854
	<hr/>			
<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
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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, 2014 and 2013

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**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, 2014 and 2013, 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, 2014 and 2013

**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>2014</u>				
Marketable securities:				
Pooled investments at GBOPHB	\$ 204,350,627	\$ -	\$ -	\$ 204,350,627
Alternative investments	5,953,787	-	-	5,953,787
U.S. government obligations	3,376,173	-	3,376,173	-
Equity securities	177,350	-	-	177,350
Mutual funds	25,000	-	-	25,000
Municipal bonds	84,641	-	84,641	-
Corporate debt obligations	20,581	-	20,581	-
Other	446,847	-	350,970	95,877
Total marketable securities	214,435,006	-	3,832,365	210,602,641
Non-marketable securities:				
Notes receivable	10,045,704	-	-	10,045,704
Real estate	897,134	-	-	897,134
Mineral interests	9,312,618	-	-	9,312,618
Other	2,561,883	-	-	2,561,883
Total non-marketable securities	22,817,339	-	-	22,817,339
	\$ 237,252,345	\$ -	\$ 3,832,365	\$ 233,419,980



**Notes to Financial Statements**

December 31, 2014 and 2013

**Note C - Investments - Continued**

<u>2013</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	\$ 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, 2014 and 2013

**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, 2014	Purchases	(Sales)	Investment Gains (Losses)	Fair Value December 31, 2014
<b>Marketable securities:</b>					
Pooled investments at GBOPHB	\$ 196,567,965	\$ 245,000	\$ (525,974)	\$ 8,063,636	\$ 204,350,627
Alternative investments	6,732,356	69,691	(1,809,562)	961,302	5,953,787
Equity securities	177,350	-	-	-	177,350
Mutual funds	25,000	-	-	-	25,000
Other	122,152	-	(30,790)	4,515	95,877
<b>Total marketable securities</b>	<b>203,624,823</b>	<b>314,691</b>	<b>(2,366,326)</b>	<b>9,029,453</b>	<b>210,602,641</b>
<b>Non-marketable securities:</b>					
Notes receivable	6,880,467	3,897,542	(732,305)	-	10,045,704
Real estate	870,844	26,290	-	-	897,134
Mineral interests	9,317,159	-	-	(4,541)	9,312,618
Investment in OCU Law Bldg.	923,782	-	(1,200,000)	276,218	-
Other	538,873	1,200,000	-	823,010	2,561,883
<b>Total non-marketable securities</b>	<b>18,531,125</b>	<b>5,123,832</b>	<b>(1,932,305)</b>	<b>1,094,687</b>	<b>22,817,339</b>
<b>Total securities</b>	<b>\$ 222,155,948</b>	<b>\$ 5,438,523</b>	<b>\$ (4,298,631)</b>	<b>\$ 10,124,140</b>	<b>\$ 233,419,980</b>

Oklahoma United Methodist Circle of Care, Inc.

**Notes to Financial Statements**

December 31, 2014 and 2013

**Note C - Investments - Continued**

	Fair Value January 1, 2013	Purchases	(Sales)	Investment Gains (Losses)	Fair Value December 31, 2013
<b>Marketable securities:</b>					
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
<b>Total marketable securities</b>	<b>169,742,446</b>	<b>12,240,443</b>	<b>(6,327,856)</b>	<b>27,969,790</b>	<b>203,624,823</b>
<b>Non-marketable securities:</b>					
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
<b>Total non-marketable securities</b>	<b>19,310,956</b>	<b>528,157</b>	<b>(1,245,387)</b>	<b>(62,601)</b>	<b>18,531,125</b>
<b>Total securities</b>	<b>\$ 189,053,402</b>	<b>\$ 12,768,600</b>	<b>\$ (7,573,243)</b>	<b>\$ 27,907,189</b>	<b>\$ 222,155,948</b>

**Notes to Financial Statements**

December 31, 2014 and 2013

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**Note D - Property and Equipment**

Property and equipment consisted of the following at December 31:

	<u>2014</u>	<u>2013</u>
Buildings and improvements	\$ 6,932,447	\$ 6,896,480
Furniture and equipment	559,507	547,495
Automobiles	375,501	401,236
Land	88,021	88,021
Total	<u>7,955,476</u>	<u>7,933,232</u>
Less accumulated depreciation	<u>(7,229,996)</u>	<u>(7,165,647)</u>
Net property and equipment	<u>\$ 725,480</u>	<u>\$ 767,585</u>

**Note E - Net Assets**

Net assets consisted of the following at December 31:

	<u>2014</u>	<u>2013</u>
<b>Unrestricted</b>	\$ 1,915,882	\$ 702,158
<b>Temporarily Restricted</b>		
Capital improvements	885,986	842,718
Program service	386,781	413,774
Total temporarily restricted	<u>1,272,767</u>	<u>1,256,492</u>
<b>Permanently Restricted</b>		
Endowment fund	<u>12,926,077</u>	<u>13,016,348</u>
	<u>\$ 16,114,726</u>	<u>\$ 14,974,998</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.