

Oklahoma United Methodist Circle of Care, Inc.

Financial Statements
and
Independent Auditor's Report

December 31, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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 18, 2016

Stanfield & O'Dell P.C.

Oklahoma United Methodist Circle of Care, Inc.

Statements of Financial Position

December 31,

	2015	2014
Assets		
Cash	\$ 190,567	\$ 213,933
Accounts and grants receivable	251,764	256,876
Prepaid expenses and other assets	89,492	95,105
Pledges receivable	14,176	15,604
Investments	15,680,629	14,928,051
Property and equipment, net	753,060	725,480
	<u>\$ 16,979,688</u>	<u>\$ 16,235,049</u>
Liabilities		
Accounts payable	\$ 90,635	\$ 67,644
Accrued vacation	56,489	52,679
Total liabilities	<u>147,124</u>	<u>120,323</u>
Net assets		
Unrestricted	1,922,135	1,915,882
Temporarily restricted	1,227,414	1,272,767
Permanently restricted	13,683,015	12,926,077
Total net assets	<u>16,832,564</u>	<u>16,114,726</u>
Total net assets and liabilities	<u>\$ 16,979,688</u>	<u>\$ 16,235,049</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,

	2015	2014
Change in unrestricted net assets		
Revenues		
Contributions	\$ 1,601,091	\$ 2,357,489
Apportionment receipts	632,176	650,646
Grants and contracts	913,024	679,171
Investment return	121,276	457,145
Program service fees	-	5,268
Other	60,690	175,802
Total revenues	<u>3,328,257</u>	<u>4,325,521</u>
Net assets released from restrictions	293,463	167,717
Total revenues and other support	<u>3,621,720</u>	<u>4,493,238</u>
Expenses		
Program services:		
Boy's Ranch	620,898	781,196
Frances E. Willard Ministry Center	585,690	511,117
Children's Home	669,304	651,912
Holsinger Home	51,346	46,375
Child Share	859,326	643,414
Total program services	<u>2,786,564</u>	<u>2,634,014</u>
Administrative services:		
Management and general	730,531	593,306
Fundraising	98,372	52,194
Total administrative services	<u>828,903</u>	<u>645,500</u>
Total expenses	<u>3,615,467</u>	<u>3,279,514</u>
Increase in unrestricted net assets	<u>6,253</u>	<u>1,213,724</u>
Change in temporarily restricted net assets		
Revenues		
Contributions	251,478	180,203
Investment return	(3,368)	3,789
Total revenues	<u>248,110</u>	<u>183,992</u>
Net assets released from restrictions	(293,463)	(167,717)
Increase (decrease) in temporarily restricted net assets	<u>(45,353)</u>	<u>16,275</u>
Change in permanently restricted net assets		
Revenues		
Contributions	1,162,226	36,809
Investment return	(405,288)	(127,080)
Increase (decrease) in permanently restricted net assets	<u>756,938</u>	<u>(90,271)</u>
Increase in net assets	717,838	1,139,728
Net assets, beginning of year	<u>16,114,726</u>	<u>14,974,998</u>
Net assets, end of year	<u>\$ 16,832,564</u>	<u>\$ 16,114,726</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
2015										
Salaries	\$ 249,332	\$ 234,178	\$ 267,506	\$ 26,459	\$ 375,374	\$ 1,152,849	\$ 386,744	\$ 78,635	\$ 465,379	\$ 1,618,228
Employee benefits	47,619	50,645	54,098	7,221	66,680	226,263	68,927	14,015	82,942	309,205
Payroll taxes	18,660	16,979	18,820	1,852	27,569	83,880	28,144	5,722	33,866	117,746
Occupancy	92,097	64,669	131,548	5,791	26,940	321,045	932	-	932	321,977
Depreciation	40,251	44,664	33,653	1,411	3,630	123,609	4,081	-	4,081	127,690
Supplies	13,263	17,830	19,160	600	9,848	60,701	3,151	-	3,151	63,852
Professional fees	18,512	8,368	23,829	617	219,402	270,728	88,360	-	88,360	359,088
Auto and travel	16,294	38,734	17,503	64	22,373	94,968	17,400	-	17,400	112,368
Telephone	14,579	12,803	15,571	2,628	9,143	54,724	1,202	-	1,202	55,926
Specific assistance	18,901	19,447	24,113	300	14,947	77,708	-	-	-	77,708
Insurance	45,227	28,798	46,009	3,800	14,212	138,046	13,372	-	13,372	151,418
Other	46,163	48,575	17,494	603	69,208	182,043	118,218	-	118,218	300,261
	<u>\$ 620,898</u>	<u>\$ 585,690</u>	<u>\$ 669,304</u>	<u>\$ 51,346</u>	<u>\$ 859,326</u>	<u>\$ 2,786,564</u>	<u>\$ 730,531</u>	<u>\$ 98,372</u>	<u>\$ 828,903</u>	<u>\$ 3,615,467</u>
2014										
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>

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

Statements of Cash Flows

Years Ended December 31,

	2015	2014
Cash flows from operating activities		
Increase in net assets	\$ 717,838	\$ 1,139,728
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	127,690	114,783
Contributions restricted for long-term purposes	(1,162,226)	(36,809)
Investment earnings from:		
Foundation held investments	(586,818)	(512,983)
Investments at Foundation held for benefit of Circle of Care	743,301	118,856
Investments held at bank	72,830	13,119
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	5,112	16,029
Prepaid expenses	5,613	(39,929)
Pledges receivable	1,428	20,438
(Decrease) increase in:		
Accounts payable	22,991	(115,954)
Accrued vacation	3,810	5,449
Net cash used in operating activities	<u>(48,431)</u>	<u>722,727</u>
Cash flows from investing activities		
Purchase of equipment	(155,270)	(72,678)
Purchase of investments held by Foundation	(2,083,642)	(1,509,898)
Distributions from investments held by Foundation	1,101,751	933,593
Net cash provided by (used in) investing activities	<u>(1,137,161)</u>	<u>(648,983)</u>
Cash flows from financing activities		
Contributions restricted for long-term purposes	<u>1,162,226</u>	<u>36,809</u>
Net increase (decrease) in cash	(23,366)	110,553
Cash at beginning of year	<u>213,933</u>	<u>103,380</u>
Cash at end of year	<u>\$ 190,567</u>	<u>\$ 213,933</u>

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

Notes to Financial Statements

December 31, 2015 and 2014

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, 2015 and 2014

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, 2015 and 2014, 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, 2015 and 2014.

Notes to Financial Statements

December 31, 2015 and 2014

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, 2015 and 2014

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 2015 and 2014 amounted to \$45,805 and \$21,229, 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 \$632,176 and \$650,646 (including \$161,249 and \$170,185 in receivables) at December 31, 2015 and 2014, 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 increase in net assets.

13. Subsequent Events

The Circle of Care has evaluated subsequent events through May 18, 2016, 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:

	2015	2014
Accounts receivable		
Oklahoma Conference, The United Methodist Church	\$ 161,249	\$ 170,185
Other	90,515	86,691
	<hr/>	<hr/>
Total accounts receivable	\$ 251,764	\$ 256,876
	<hr/> <hr/>	<hr/> <hr/>

Notes to Financial Statements

December 31, 2015 and 2014

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:

	<u>December 31, 2015</u>	
	<u>Cost</u>	<u>Value</u>
Marketable securities:		
Pooled investments at GBOPHB:		
GBOPHB multiple assets fund	\$ 130,697,832	\$ 190,203,032
GBOPHB U.S. equity fund	3,614,201	3,635,088
GBOPHB international equity fund	1,808,860	1,595,799
GBOPHB fixed income fund	2,532,942	2,732,477
GBOPHB inflation protection fund	130,281	148,661
Total pooled investments at GBOPHB	<u>138,784,116</u>	<u>198,315,057</u>
Other securities:		
Alternative investments	3,721,302	3,592,128
U.S. government obligations	458,696	446,004
Equity securities	139,137	187,371
Mutual funds	25,000	25,000
Municipal bonds	81,965	83,723
Corporate debt obligations	17,890	20,088
Other	386,292	436,508
Total other investments	<u>4,830,282</u>	<u>4,790,822</u>
Total marketable securities	<u>143,614,398</u>	<u>203,105,879</u>
Non-marketable securities:		
Notes receivable	7,238,310	7,238,310
Real estate	1,155,139	1,155,139
Mineral interests	3,197,893	8,441,118
Other	1,900,000	2,581,534
Total non-marketable securities	<u>13,491,342</u>	<u>19,416,101</u>
	<u>\$ 157,105,740</u>	<u>\$ 222,521,980</u>

Notes to Financial Statements

December 31, 2015 and 2014

Note C - Investments - Continued

	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>

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, 2015 and 2014, respectively. At December 31, 2015 and 2014, \$203,105,879 and \$214,435,006, 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 \$1,322,000 and \$1,232,000 to Wespath in management fees during 2015 and 2014, respectively.

Notes to Financial Statements

December 31, 2015 and 2014

Note C - Investments - Continued

As of December 31, 2015 and 2014, the Circle of Care's portion of these investments totaled \$15,020,779 and \$14,195,371, including \$9,276,475 and \$8,857,551 held for the benefit of Circle of Care, respectively.

Investments at December 31, 2015 and 2014 also included \$659,850 and \$732,680 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>2015</u>				
Investment income	\$ 454,504	\$ 5,173	\$ 415,451	\$ 875,128
Unrealized loss	(333,228)	(8,541)	(820,739)	(1,162,508)
 Total investment return	 \$ 121,276	 \$ (3,368)	 \$ (405,288)	 \$ (287,380)
 <u>2014</u>				
Investment income	\$ 511,456	\$ 5,407	\$ 19,932	\$ 536,795
Unrealized loss	(54,311)	(1,618)	(147,012)	(202,941)
 Total investment return	 \$ 457,145	 \$ 3,789	 \$ (127,080)	 \$ 333,854

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, 2015 and 2014

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, 2015 and 2014, 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, 2015 and 2014

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>2015</u>				
Marketable securities:				
Pooled investments at GBOPHB	\$ 198,315,057	\$ -	\$ -	\$ 198,315,057
Alternative investments	3,592,128	-	-	3,592,128
U.S. government obligations	446,004	-	446,004	-
Equity securities	187,371	10,021	-	177,350
Mutual funds	25,000	-	-	25,000
Municipal bonds	83,723	-	83,723	-
Corporate debt obligations	20,088	-	20,088	-
Other	436,508	-	320,081	116,427
Total marketable securities	203,105,879	10,021	869,896	202,225,962
Non-marketable securities:				
Notes receivable	7,238,310	-	-	7,238,310
Real estate	1,155,139	-	-	1,155,139
Mineral interests	8,441,118	-	-	8,441,118
Other	2,581,534	-	-	2,581,534
Total non-marketable securities	19,416,101	-	-	19,416,101
	\$ 222,521,980	\$ 10,021	\$ 869,896	\$ 221,642,063

Oklahoma United Methodist Circle of Care, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

Note C - Investments - Continued

<u>2014</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	\$ 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, 2015 and 2014

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, 2015	Purchases	(Sales)	Investment Gains (Loses)	Fair Value December 31, 2015
Marketable securities:					
Pooled investments at GBOPHB	\$ 204,350,627	\$ 6,393,322	\$ (7,199,823)	\$ (5,229,069)	\$ 198,315,057
Alternative investments	5,953,787	50,000	(2,019,041)	(392,618)	3,592,128
Equity securities	177,350	-	-	-	177,350
Mutual funds	25,000	-	-	-	25,000
Other	95,877	17,661	-	2,889	116,427
Total marketable securities	210,602,641	6,460,983	(9,218,864)	(5,618,798)	202,225,962
Non-marketable securities:					
Notes receivable	10,045,704	872,050	(3,679,444)	-	7,238,310
Real estate	897,134	258,005	-	-	1,155,139
Mineral interests	9,312,618	97,727	-	(969,227)	8,441,118
Other	2,561,883	-	-	19,651	2,581,534
Total non-marketable securities	22,817,339	1,227,782	(3,679,444)	(949,576)	19,416,101
Total securities	\$ 233,419,980	\$ 7,688,765	\$ (12,898,308)	\$ (6,568,374)	\$ 221,642,063

Oklahoma United Methodist Circle of Care, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

Note C - Investments - Continued

	Fair Value January 1, 2014	Purchases	(Sales)	Investment Gains (Loses)	Fair Value December 31, 2014
Marketable securities:					
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
Total marketable securities	203,624,823	314,691	(2,366,326)	9,029,453	210,602,641
Non-marketable securities:					
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
Total non-marketable securities	18,531,125	5,123,832	(1,932,305)	1,094,687	22,817,339
Total securities	\$ 222,155,948	\$ 5,438,523	\$ (4,298,631)	\$ 10,124,140	\$ 233,419,980

Notes to Financial Statements

December 31, 2015 and 2014

Note D - Property and Equipment

Property and equipment consisted of the following at December 31:

	2015	2014
Buildings and improvements	\$ 6,955,739	\$ 6,932,447
Furniture and equipment	632,386	559,507
Automobiles	394,441	375,501
Land	88,021	88,021
Total	<u>8,070,587</u>	<u>7,955,476</u>
Less accumulated depreciation	<u>(7,317,527)</u>	<u>(7,229,996)</u>
Net property and equipment	<u>\$ 753,060</u>	<u>\$ 725,480</u>

Note E - Net Assets

Net assets consisted of the following at December 31:

	2015	2014
Unrestricted	\$ 1,922,135	\$ 1,915,882
Temporarily Restricted		
Capital improvements	842,217	885,986
Program service	385,197	386,781
Total temporarily restricted	<u>1,227,414</u>	<u>1,272,767</u>
Permanently Restricted		
Endowment fund	<u>13,683,015</u>	<u>12,926,077</u>
	<u>\$ 16,832,564</u>	<u>\$ 16,114,726</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.