



**THE UNITED METHODIST FOUNDATION OF  
NORTHERN ILLINOIS CONFERENCE, INC.  
D/B/A MIDWEST METHODIST FOUNDATION**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended December 31, 2023**

The background of the lower half of the cover features a teal header bar and a large, abstract geometric design. This design consists of various overlapping triangles and polygons in shades of gray and white, creating a complex, architectural feel. In the bottom right corner, there is an orange rectangular box containing the website address.

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**THE UNITED METHODIST FOUNDATION OF  
NORTHERN ILLINOIS CONFERENCE, INC.  
D/B/A MIDWEST METHODIST FOUNDATION**

**TABLE OF CONTENTS**

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	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT .....	3-4
FINANCIAL STATEMENTS	
Statement of Financial Position .....	5
Statement of Activities .....	6
Statement of Functional Expenses.....	7
Statement of Cash Flows.....	8
Notes to Financial Statements.....	9-18

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
The United Methodist Foundation of  
Northern Illinois Conference, Inc.  
D/B/A Midwest Methodist Foundation  
Chicago, Illinois 60602

### **Opinion**

We have audited the accompanying financial statements of the United Methodist Foundation of Northern Illinois Conference, Inc. d/b/a Midwest Methodist Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2023 and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United Methodist Foundation of Northern Illinois Conference, Inc. d/b/a Midwest Methodist Foundation (the Foundation) as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Sikich CPA LLC*

Naperville, Illinois  
June 18, 2024

## **FINANCIAL STATEMENTS**

**THE UNITED METHODIST FOUNDATION OF  
NORTHERN ILLINOIS CONFERENCE, INC.  
D/B/A MIDWEST METHODIST FOUNDATION**

**STATEMENT OF FINANCIAL POSITION**

December 31, 2023

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<b>ASSETS</b>	
Cash and cash equivalents	\$ 265,158
Investments - operating	1,261,960
Investments - board designated	3,481,563
Amounts held on behalf of others	85,366,901
Split-interest investments	<u>3,848,786</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 94,224,368</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Amounts held on behalf of others	\$ 85,366,901
Split-interest obligations	<u>3,668,267</u>
Total liabilities	<u>89,035,168</u>
<b>NET ASSETS</b>	
Without donor restrictions	
Undesignated	485,266
Board-designated for operations reserve	<u>3,481,563</u>
Total without donor restrictions	<u>3,966,829</u>
With donor restrictions	
Restricted by perpetuity	577,706
Restricted by purpose and time	<u>644,665</u>
Total with donor restrictions	<u>1,222,371</u>
Total net assets	<u>5,189,200</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 94,224,368</u></u>

See accompanying notes to financial statements.

**THE UNITED METHODIST FOUNDATION OF  
NORTHERN ILLINOIS CONFERENCE, INC.  
D/B/A MIDWEST METHODIST FOUNDATION**

**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2023

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUES</b>			
Investment return	\$ 549,869	\$ 722,390	\$ 1,272,259
Contributions, gifts, and bequests	85,257	3,238	88,495
Management fees	518,310	-	518,310
Other income	21,616	-	21,616
Change in value of split-interest agreements	-	241,629	241,629
Net assets released from restriction	732,631	(732,631)	-
Total revenues	1,907,683	234,626	2,142,309
<b>EXPENSES</b>			
Program expenses	1,083,069	-	1,083,069
Management and general expenses	167,210	-	167,210
Fundraising expenses	11,438	-	11,438
Total expenses	1,261,717	-	1,261,717
<b>CHANGE IN NET ASSETS</b>	645,966	234,626	880,592
<b>NET ASSETS, BEGINNING OF THE YEAR</b>	3,320,863	987,745	4,308,608
<b>NET ASSETS, END OF YEAR</b>	\$ 3,966,829	\$ 1,222,371	\$ 5,189,200

See accompanying notes to financial statements.

**THE UNITED METHODIST FOUNDATION OF  
NORTHERN ILLINOIS CONFERENCE, INC.  
D/B/A MIDWEST METHODIST FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2023

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	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Administrative fees	\$ -	\$ 59,450	\$ -	\$ 59,450
Advertising and promotions	5,363	-	-	5,363
Conferences and meetings	-	4,928	-	4,928
Distributions	807,372	-	-	807,372
Dues	-	1,286	-	1,286
Employee benefits	43,663	4,919	700	49,282
Facilities	17,225	1,914	-	19,139
Information technology	51,123	643	-	51,766
Insurance	-	8,817	-	8,817
Office expenses	318	318	-	636
Payroll taxes	4,111	457	-	4,568
Printing and postage	835	835	80	1,750
Professional services	8,600	61,272	8,600	78,472
Salaries and wages	141,465	19,377	2,058	162,900
Travel	2,994	2,994	-	5,988
<b>TOTAL</b>	<b>\$ 1,083,069</b>	<b>\$ 167,210</b>	<b>\$ 11,438</b>	<b>\$ 1,261,717</b>

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See accompanying notes to financial statements.

**THE UNITED METHODIST FOUNDATION OF  
NORTHERN ILLINOIS CONFERENCE, INC.  
D/B/A MIDWEST METHODIST FOUNDATION**

**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2023

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 880,592
Adjustments to reconcile change in net assets to net cash from operating activities	
Net realized and unrealized loss (gain) on investments	(1,104,976)
Change in fair value of split-interest agreements	<u>(241,629)</u>
Net cash from operating activities	<u>(466,013)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of investments	(17,398,886)
Proceeds from sale of investments	<u>17,923,405</u>
Net cash from investing activities	<u>524,519</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from issuance of split-interest obligations	418,934
Payment of split-interest obligations	<u>(368,379)</u>
Net cash from financing activities	<u>50,555</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	109,061
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>156,097</u>
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CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 265,158</u></u>
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See accompanying notes to financial statements.

**THE UNITED METHODIST FOUNDATION OF  
NORTHERN ILLINOIS CONFERENCE, INC.  
D/B/A MIDWEST METHODIST FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2023

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**1. NATURE OF ORGANIZATION**

The United Methodist Foundation of Northern Illinois Conference, Inc. d/b/a Midwest Methodist Foundation (the Foundation) is a not-for-profit organization providing stewardship opportunities for United Methodist churches and members through various programs which support the ministries of the Northern Illinois Conference of the United Methodist Church, Inc. (the Conference). Services are also available to assist donors in making cash gifts, bequests, annuities, and trust agreements with the Conference and its agencies as beneficiaries. The Foundation also acts as a custodian of funds subject to market fluctuations for account holders which are distributable at fair market value upon demand.

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Foundation are deductible for income tax purposes within the limitations of the law. The Foundation is not classified as a private foundation.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. The significant accounting policies followed are described below.

Financial Statement Presentation

The accompanying financial statements have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. The Board of Directors (the Board) has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**THE UNITED METHODIST FOUNDATION OF  
NORTHERN ILLINOIS CONFERENCE, INC.  
D/B/A MIDWEST METHODIST FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (Continued)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash and Cash Equivalents

The Foundation considers all investments purchased with an original maturity date less than three months to be cash equivalents, except amounts classified as investments due to pooling arrangements. The Foundation maintains its cash balance in financial institutions, which at times may exceed federally insured limits. As of December 31, 2023, there was \$38,054 in uninsured cash. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Investments

Money market funds are stated at cost. Investments, other than money market funds, are reflected in the accompanying financial statements at fair value. Investment return is reported net in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses. Investment return is reflected in the statement of activities as income without donor restrictions, or income with donor restrictions based upon the existence and nature of any donor restrictions.

Amounts Held on Behalf of Others

Amounts held on behalf of others include pooled investments and cash held temporarily while awaiting investment. The statement of activities does not include revenues and expenses related to funds placed with the Foundation by various churches and agencies, except for management fees received on these funds. Earnings and distributions of investment income on these funds are similarly not shown since the Foundation acts only as fiscal agent for these account holders. The funds are distributable at fair market value upon demand.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (USGAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. It is reasonably possible that the significant estimates used will change within the next year. Accordingly, actual results could differ from those estimates.

**THE UNITED METHODIST FOUNDATION OF  
NORTHERN ILLINOIS CONFERENCE, INC.  
D/B/A MIDWEST METHODIST FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (Continued)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Management Fees

The Foundation charges a management fee of 65 basis points (0.65%) for balances from \$0 to \$500,000, 60 basis points (0.60%) from \$500,000 to \$1,000,000, and 50 basis points (0.50%) for values above \$1,000,000. The performance obligation is holding the investments. These fees are charged on a monthly basis once the performance obligation is met. Revenue is recognized monthly at a point in time.

There are no opening balances for contract assets or contract liabilities with customers.

No significant judgments involved in the recognition of revenue.

The key economic factor that affects the recognition of revenues and cash flows is the investment market.

Fair Value Measurements

USGAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. USGAAP requires the Foundation to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAVs are not included in Level 1, 2, or 3, but are separately reported.

**THE UNITED METHODIST FOUNDATION OF  
NORTHERN ILLINOIS CONFERENCE, INC.  
D/B/A MIDWEST METHODIST FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (Continued)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Valuation Techniques

The following is a description of the valuation techniques used for assets and liabilities measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended December 31, 2023.

*Mutual funds:* Valued at the NAV of shares on the last trading day of the fiscal year.

*Equity securities:* Valued at the closing quoted price in an active market.

*Preferred stocks:* Valued at the closing quoted price in an active market.

*Corporate bonds:* The investment grade corporate bonds held by the Foundation generally do not trade in active markets on the measurement date. Therefore, corporate debt securities are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.

*U.S. government securities:* U.S. Treasury bonds and notes in which the Foundation invests are usually “off the run” on the measurement date. Thus, they are valued by a pricing service using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. U.S. Treasury bonds and notes that are “on the run” are measured at quoted prices in active markets for the same security.

*Split-interest obligations:* Charitable remainder trusts are based on the quoted fair values of the underlying securities as of the measurement date. The charitable gift annuities use a present value factor utilizing a discount rate equal to the Foundation’s assumed rate of return on the assets themselves.

Functional Allocation of Expenses

The costs of supporting the various programs and supporting services have been summarized on a functional basis in the statement of activities and statements of functional expenses. Accordingly, conferences and meetings, information technology, insurance, office, other, printing and postage, professional services, and travel expenses have been allocated among the program and supporting services benefited. Facilities are allocated on a square footage basis, while the salaries and wages, payroll taxes, and employee benefits expenses have been allocated based on the job responsibilities of the Foundation employees.

**THE UNITED METHODIST FOUNDATION OF  
NORTHERN ILLINOIS CONFERENCE, INC.  
D/B/A MIDWEST METHODIST FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (Continued)**

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**3. LIQUIDITY AND AVAILABILITY**

The Foundation strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

The following table reflects the Foundation's financial assets as of December 31, 2023, reduced by amounts that are not available to meet general expenditures within one year of the statements of financial position date due to external donor restrictions and internal board designations. Amounts not available include board-designated endowments that have been set aside for various purposes. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution, and these funds would become available for operational needs.

The Foundation's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	<u>2023</u>
Cash and cash equivalents	\$ 265,158
Investments	4,743,523
Split-interest investments	<u>3,848,786</u>
Total financial assets	8,857,467
Less amounts not available to be used for general expenditures within one year	
Split-interest obligation	(3,668,267)
Donor-imposed restrictions	(1,222,371)
Internal designations	<u>(3,481,563)</u>

**FINANCIAL ASSETS AND LIQUIDITY  
RESOURCES AVAILABLE WITHIN ONE YEAR**

\$ 485,266

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, although the Foundation does not intend to spend from its board-designated net assets other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated net assets could be made available if necessary.

**THE UNITED METHODIST FOUNDATION OF  
NORTHERN ILLINOIS CONFERENCE, INC.  
D/B/A MIDWEST METHODIST FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**4. FAIR VALUE MEASUREMENTS**

The following table presents information about the Foundation's assets and liabilities measured at fair value on a recurring basis as of December 31, 2023:

	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>				
Mutual funds	\$ 12,697,340	\$ -	\$ -	\$ 12,697,340
Equity securities	59,385,007	-	-	59,385,007
Preferred stocks	54,534	-	-	54,534
Corporate bonds	-	7,305,022	-	7,305,022
U.S. government securities	-	13,130,293	-	13,130,293
Subtotal	<u>\$ 72,136,881</u>	<u>\$ 20,435,315</u>	<u>\$ -</u>	<u>92,572,196</u>
Money market funds at cost				<u>1,369,608</u>
<b>TOTAL ASSETS</b>				<u><b>\$ 93,941,804</b></u>
<b>LIABILITIES</b>				
Split-interest obligations	<u>\$ -</u>	<u>\$ 2,232,494</u>	<u>\$ -</u>	<u>\$ 2,232,494</u>
Split-interest obligations at net present value				<u>1,435,773</u>
<b>TOTAL LIABILITIES</b>				<u><b>\$ 3,668,267</b></u>
Total assets measured at fair value were presented on the statement of financial position as follows for the years ended December 31, 2023:				
Investments				\$ 4,743,523
Amounts held on behalf of others				85,366,901
Less cash held on behalf of others				(17,406)
Split-interest investments				<u>3,848,786</u>
<b>TOTAL ASSETS</b>				<u><b>\$ 93,941,804</b></u>

**THE UNITED METHODIST FOUNDATION OF  
NORTHERN ILLINOIS CONFERENCE, INC.  
D/B/A MIDWEST METHODIST FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (Continued)**

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**5. SPLIT-INTEREST AGREEMENTS**

The Foundation administers various charitable remainder trusts and charitable gift annuities, which provide for the payment of distributions to designated beneficiaries over the instrument's term (usually the designated beneficiary's lifetime). Assets are invested and payments are made to designated beneficiaries in accordance with the respective agreements. At the end of the instrument's term, the remaining assets are distributed to designated beneficiaries. Assets held under split-interest agreements totaled \$3,848,786 at December 31, 2023. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present values of the estimated future payments of \$3,668,267 at December 31, 2023, are calculated using a discount rate of 5.75%, and applicable mortality tables. At December 31, 2023, the assets under split-interest agreements exceed the obligation held for that purpose. For charitable remainder trusts, the payments to designated beneficiaries cease when the trust assets are exhausted. For charitable gift annuities, the obligations to make payments to designated beneficiaries are general obligations of the Foundation.

**6. NET ASSETS**

Undesignated and board-designated net assets are for the following purposes as of December 31, 2023:

Undesignated (donor advised funds and other)	\$ 485,266
Board-designated	
Operations reserve	<u>3,481,563</u>
<b>TOTAL NET ASSETS WITHOUT RESTRICTIONS</b>	<u><b>\$ 3,966,829</b></u>

Net assets with donor restrictions are restricted for the following purposes:

Time and Purpose restricted:	
Contributions from split interest agreements	\$ 180,519
Subject to expenditure for specified beneficiaries and churches	<u>247,988</u>
Subtotal	<u>428,507</u>
Endowments	
Accumulated earnings on endowment	216,158
Amounts held in perpetuity whose earnings are to be used for the following:	
General operations	<u>577,706</u>
Subtotal	<u>793,864</u>
<b>TOTAL NET ASSETS WITH RESTRICTIONS</b>	<u><b>\$ 1,222,371</b></u>

**THE UNITED METHODIST FOUNDATION OF  
NORTHERN ILLINOIS CONFERENCE, INC.  
D/B/A MIDWEST METHODIST FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (Continued)**

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**7. ENDOWMENT FUND**

The endowment includes donor-restricted endowment funds. As required by USGAAP, net assets associated with endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2023, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of the initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful account) donated to the Endowment and (b) any accumulations of the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amount not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Foundation has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. However, it is noted that there may be unexpected circumstances when the annual distribution exceeds investment income and capital appreciation. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The Foundation has a general policy of appropriating for distribution each year an amount up to its accumulated earnings. The income available for distribution during any one year will be a prudent percentage of the market value of the Funds, based on a 3-year rolling average of the market values of the Funds with measures taken at the end of each of the preceding 12 quarters. The maximum distributable percentage shall be the “real return” of the Funds, i.e., the previous 3-year annualized return of the Funds (at the investment pool level, net of fees) minus the previous 3-year annualized rate of inflation. When establishing the distributable percentage, the Investment Committee shall never increase or decrease the percentage more than 0.50% year-to-year, and the distributable percentage shall never be less than 3%. However, it is noted that there may be circumstances when the annual distribution exceeds investment income and capital appreciation. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

**THE UNITED METHODIST FOUNDATION OF  
NORTHERN ILLINOIS CONFERENCE, INC.  
D/B/A MIDWEST METHODIST FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**7. ENDOWMENT FUND (Continued)**

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or Illinois UPMIFA. Such endowments are often referred to as “underwater” endowments. In accordance with USGAAP, deficiencies of this nature are reported in net assets with donor restrictions. As of December 31, 2023, there were no such deficiencies. The Foundation has interpreted Illinois UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Endowment net asset composition by type of fund as of December 31, 2023 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds for grant ministry	\$ -	\$ 793,864	\$ 793,864
<b>TOTAL ENDOWMENTS</b>	<b>\$ -</b>	<b>\$ 793,864</b>	<b>\$ 793,864</b>

Changes in endowment net assets for the year ended December 31, 2023 were:

	Without Donor Restrictions	With Donor Restrictions	Total
<b>ENDOWMENT NET ASSETS, BEGINNING OF YEAR</b>	\$ -	\$ 709,034	\$ 709,034
Contributions	-	1,000	1,000
Investment return, net	-	126,530	126,530
Amount appropriated for expenditure	-	(42,700)	(42,700)
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b>\$ -</b>	<b>\$ 793,864</b>	<b>\$ 793,864</b>

**8. REVENUES FROM CONTRACT WITH CUSTOMERS**

The Foundation recognizes revenue from contracts with customers through one primary revenue stream, management fees. The following table provides disaggregation of revenue from contracts with customers based on the timing of revenue recognition for the years ended December 31, 2023:

**THE UNITED METHODIST FOUNDATION OF  
NORTHERN ILLINOIS CONFERENCE, INC.  
D/B/A MIDWEST METHODIST FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (Continued)**

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**8. REVENUES FROM CONTRACT WITH CUSTOMERS (Continued)**

Revenue recognized at a point in time	<u>\$ 518,310</u>
TOTAL	<u><u>\$ 518,310</u></u>

**9. LEASES**

The Foundation leases office under operating leases expiring in 12 months or less through 2024. The monthly rent expense is from \$1,150 to \$1,696 and the current lease will expire in November 2024. Total rent expense was included in facilities expense in the statement of functional expenses. Future minimum lease payment under the lease is as follows:

2024	\$ 16,960
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The rental expenses on the lease for the year ended December 31, 2023 was \$14,892.

**10. RELATED PARTY TRANSACTIONS**

The Conference charged the Foundation approximately \$11,074 for the year ended December 31, 2023 for operating expenses incurred by the Conference on behalf of the Foundation.

**11. CONTRIBUTED RESOURCES AND SERVICES**

Unpaid volunteers have made significant contributions of their time on behalf of the Foundation. The value of this contributed time and other contributed resources is not reflected in these financial statements since they do not meet the criteria established for recording contributions in the financial statements.

**12. RETIREMENT PLAN**

The Foundation contributes to a retirement plan. Contributions are based on a percentage of an employee's salary. The plan provides benefits to employees who meet minimum age and service requirements. The Foundation's contribution to the plan is \$17,748 for the year ended December 31, 2023.

**13. SUBSEQUENT EVENTS**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 18, 2024, the date the financial statements were available to be issued and noted nothing additional to disclose.