

**MIDWEST METHODIST FOUNDATION**

**FINANCIAL STATEMENTS**

**For the Year Ended  
December 31, 2025**

# MIDWEST METHODIST FOUNDATION

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## **Independent Auditors' Report**

Board of Directors  
Midwest Methodist Foundation  
Chicago, Illinois

### ***Opinion***

We have audited the accompanying financial statements of Midwest Methodist Foundation (a not-for-profit foundation), which comprise the statement of financial position as of December 31, 2025 and the related statements 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 Midwest Methodist Foundation as of December 31, 2025 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 audit 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 Midwest Methodist 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 Midwest Methodist 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, including omissions, 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 Midwest Methodist 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 Midwest Methodist 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.

*Eitel Rambo Advisory Group, LLP.*

June 22, 2026  
Frankfort, IL

**MIDWEST METHODIST FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
December 31, 2025**

**Assets**

Current Assets

Cash and cash equivalents	\$ 284,873
Investments - operating	258,999
Investments - board-designated	4,675,627
Amounts held on behalf of others	99,421,081
Split-interest investments	1,746,218
Investments restricted to endowment	989,131

<b>Total Assets</b>	<b>\$ 107,375,929</b>
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**Liabilities and Net Assets**

Current Liabilities

Accounts payable	\$ 20,613
Amounts held on behalf of others	99,421,081
Split-interest obligations	1,746,218
Total current liabilities	101,187,912

Net Assets

Without donor restrictions

Undesignated	80,514
Board-designated for operations reserve	4,859,372
Total without donor restrictions	4,939,886

With donor restrictions

Restricted by purpose and time	670,425
Restricted by perpetuity	577,706
Total with donor restrictions	1,248,131

Total net assets	6,188,017
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<b>Total Liabilities and Net Assets</b>	<b>\$ 107,375,929</b>
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See independent auditor's report and notes to financial statements.

**MIDWEST METHODIST FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2025**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2025</u>
<b><u>Revenues</u></b>			
Investment income, net	\$ 652,114	\$ 194,588	\$ 846,702
Contribution, gifts, and bequests	29,290	1,500	30,790
Management fees	603,247	-	603,247
Other revenue	142,351	-	142,351
Net assets released from restrictions	62,930	(62,930)	-
Total revenues and other support	<u>1,489,932</u>	<u>133,158</u>	<u>1,623,090</u>
<b><u>Expenses</u></b>			
Program services	590,991	-	590,991
Administrative and general	105,416	-	105,416
Fundraising expenses	21,474	-	21,474
Total expenses	<u>717,881</u>	<u>-</u>	<u>717,881</u>
<b>Increase in Net Assets</b>	772,051	133,158	905,209
<b>Net assets (as restated), beginning of year</b>	<u>4,167,835</u>	<u>1,114,973</u>	<u>5,282,808</u>
<b>Net assets, end of year</b>	<u><u>\$ 4,939,886</u></u>	<u><u>\$ 1,248,131</u></u>	<u><u>\$ 6,188,017</u></u>

See independent auditor's report and notes to financial statements.

**MIDWEST METHODIST FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2025**

	Program Services	Administrative and General	Fundraising	Total
Administrative fees	32,564	-	-	32,564
Advertising and promotions	-	3,032	-	3,032
Conferences and meetings	3,434	1,922	-	5,356
Distributions	108,055	-	-	108,055
Dues	-	1,794	-	1,794
Employee benefits	48,811	6,161	785	55,757
Facilities	21,521	2,391	-	23,912
Information technology	46,580	480	6,353	53,413
Insurance	-	10,311	-	10,311
Office expenses	606	8,096	-	8,702
Payroll taxes	4,533	504	-	5,037
Printing and postage	937	937	99	1,973
Professional services	11,968	43,739	11,968	67,675
Salaries and wages	155,965	21,363	2,269	179,597
Service fee	-	1,694	-	1,694
Travel	2,992	2,992	-	5,984
Ministry Service	101,983	-	-	101,983
Charitable Gift Annuities	51,042	-	-	51,042
	<u>\$ 590,991</u>	<u>\$ 105,416</u>	<u>\$ 21,474</u>	<u>\$ 717,881</u>

See independent auditor's report and notes to financial statements.

**MIDWEST METHODIST FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2025**

**Cash flows from operating activities**

Increase in Net Assets	\$ 905,209
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Unrealized and realized gain on investments	(730,443)
Interest and dividends on investments	(128,688)
(Increase) Decrease in operating assets	
Amounts held for others	(4,316,906)
Increase (Decrease) in operating liabilities	
Accounts payable	20,613
Amounts held for others	4,316,906
Net cash provided by operating activities	<u>66,691</u>
 Cash flows from investing activities	
Purchases of investments	(573,788)
Proceeds from sale of investments	507,938
Net cash used in investing activities	<u>(65,850)</u>
 <b>Net increase in cash and cash equivalents</b>	 841
<b>Cash and cash equivalents, beginning of year</b>	<u>284,032</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 284,873</u></u>

See independent auditor's report and notes to financial statements.

**MIDWEST METHODIST FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**

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 Foundation 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.

Use of Estimates in the Preparation of Financial Statements

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.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities in accordance with the accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Presentation

The Foundation is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions, as required by Generally Accepted Accounting Principles. Accordingly, net assets and changes therein are classified and reported as follows:

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 and other uses.

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.

Cash and Cash Equivalents

The Foundation considers all highly liquid debt securities and money market funds purchased with an original maturity of three months or less to be cash equivalents. At times, the amount included in this account may exceed the federally insured limit. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

**MIDWEST METHODIST FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2025**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

Investments

Investments are recorded at the fair market value. The fair market value of investments is based on quoted market prices. Realized and unrealized gains and losses are reflected in the Statement of Activities.

Amounts Held on Behalf of Others

Amounts held on behalf of others include pooled investments and cash held temporarily while awaiting investment. The statements of activities do 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 value upon demand.

Accounts Receivable

Account receivables are stated at the amount the Foundation expects to collect. The Foundation has tracked historical loss information for its trade receivables and compiled historical credit loss percentages for different aging categories. Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for trade receivables held at December 31, 2025 because the composition of the trade receivables at that date is consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers and its lending practices have not changed significantly over time). However, management has determined that the current and reasonable and supportable forecasted economic conditions have remained steady as compared with the economic conditions included in the historical information. Accordingly, the allowance for expected credit loss at December 31, 2025 was \$0.

Leases

Leases are classified as operating or finance leases at the lease commencement date. The Foundation determines whether an arrangement is a lease at inception based on whether there is an identified asset and the Foundation has the right to control that asset. The Foundation records leases on the statements of financial position in the form of a lease liability for the present value of future minimum payments under the lease terms and a right-of-use (ROU) asset equal to the lease liability adjusted for items such as deferred or prepaid rent and lease incentives.

The discount rate used in determining the lease liability is based upon the risk-free U.S. Treasury rate at the commencement date, as the Foundation's leases do not provide the lessors' implicit rate. At lease inception, the Foundation determines the lease term by considering the noncancelable lease term and all optional renewal periods that the Foundation is reasonably certain to renew. The lease term is also used to calculate straight-line lease expense. The Foundation does not record short-term leases with an initial lease term of 12 months or less on the statements of financial position.

As a practical expedient, the Foundation has elected to include both lease and non-lease components in the calculation of operating lease ROU assets and liabilities. Operating lease expense consists of a

**MIDWEST METHODIST FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

single lease cost allocated over the remaining lease term on a straight-line basis. The Foundation's lease agreements do not contain residual value guarantees or material variable lease payments.

Revenue Recognition

Revenue is recognized in the year in which it is earned. The following discloses the recognition of revenue for the Foundation's most significant revenue streams:

**Management Fees:** Management fee revenue consists of fees charged to fund holders for investment management services. Fees are charged monthly based on the market value of assets under management and are recognized over time using the time elapsed method as the performance obligation, which is managing the investments, is satisfied. Recognition is done over time.

**Contributions, Gifts, and Bequests:** Contributions, gifts, and bequests are recognized as revenue in the period received. Donor-imposed restrictions are reflected as net assets with donor restrictions and are reclassified to net assets without donor restrictions when the restrictions are satisfied. Recognition is done at a point in time.

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 managing the investments. These fees are charged on a monthly basis once the performance obligation is met. Revenue is recognized monthly over time using the time elapsed method.

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

No significant judgments are involved in the recognition of revenue.

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

Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Directly identifiable expenses are charged to the specific program or supporting service. Expenses related to more than one function are allocated to program expenses and supporting services on the basis of time incurred. Expenses allocated mainly consist of management fees to a third party.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Foundation qualify for the charitable contribution deduction under Section 170(b)(1)(A). The Foundation has been classified as an organization other than a private

**MIDWEST METHODIST FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2025**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

foundation pursuant to Section 509(a)(2). Management believes the Foundation continues to operate in compliance with its tax-exempt purpose, and thus, no provision for income taxes has been provided in the financial statements. The Foundation is included in the group ruling issued to the General Council on Finance and Administration of The United Methodist Church (GCFA) by the Internal Revenue Service on October 16, 1974. As such, the Foundation does not have to file an annual information return with the IRS. However, the Foundation can be subject to an IRS examination.

Subsequent Events

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Foundation has evaluated subsequent events through June 22, 2026, which is the date the statements were available to be issued. No subsequent events have been identified that are required to be disclosed as of that date.

**Note 2 – Financial Assets and Liquidity Resources**

As of December 31, 2025, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets, at year-end:

Cash and cash equivalents	\$ 284,873
Investments - operating	258,999
Investments - board-designated	4,675,627
Investments restricted to endowment	989,131
Total financial assets, at year-end	<u>6,208,630</u>

Less amounts not available to be used for general expenditures within one year:

Donor-imposed restrictions	(1,248,131)
Internal designations	<u>(4,859,372)</u>

Financial assets available to meet cash need for general expenditures within one year

\$ 101,127

The Foundation manages its liquidity and reserves following three guiding principles: 1) operating within a prudent range of financial soundness and stability; 2) maintaining adequate liquid assets to fund near-term operating needs; and 3) maintaining sufficient reserves to provide reasonable assurance that programming is continued, and obligations will be adequately discharged in the future. Amounts not available include board-designated endowments that have been set aside for

**MIDWEST METHODIST FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025**

**Note 2 – Financial Assets and Liquidity Resources (cont.)**

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. During the year ended December 31, 2025 the level of liquidity and reserves was managed within the policy requirements.

**Note 3 – Fair Value Measurements and Investments**

Generally Accepted Accounting Principles (GAAP) defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date.

GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair value of debt and equity investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by quoted market prices of similar securities with similar due dates or matrix pricing. This is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on securities' relationship to other benchmark quoted securities (Level 2 inputs).

The following is a description of the valuation methodologies used for the Foundation's financial instruments measured at fair value. There have been no changes in the methodologies used at December 31, 2025.

*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.

**MIDWEST METHODIST FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2025**

**Note 3 – Fair Value Measurements and Investments**

*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.

*Amount held on behalf of others:* Charitable remainder trusts are based on the quoted fair values of the underlying securities as of the measurement date.

Assets measured at fair value on a recurring basis are summarized below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 11,493,732	\$ -	\$ -	\$ 11,493,732
Equity securities	66,068,168	-	-	66,068,168
Corporate bonds	-	15,809,509	-	15,809,509
U.S. government securities	-	10,272,778	-	10,272,778
	<u>\$ 77,561,900</u>	<u>\$ 26,082,287</u>	<u>\$ -</u>	<u>\$ 103,644,187</u>
Cash and cash equivalents*				<u>3,731,742</u>
Total Assets				<u>\$ 107,375,929</u>
Liabilities				
Amounts held on behalf of others				<u>101,167,299</u>
Total Liabilities				<u>\$ 101,167,299</u>

Total assets measured at fair value were presented on the statements of financial position as follows for the year ended December 31, 2025:

Investments	\$ 5,923,757
Amounts held on behalf of others	99,421,081
Cash and cash equivalents	284,873
Split-interest investments	<u>1,746,218</u>
Total Assets	<u>107,375,929</u>

**MIDWEST METHODIST FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025**

**Note 4 – Split-Interest Agreements**

The Foundation administers various 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, including the Foundation. Assets held under split-interest agreements totaled \$1,746,855 at December 31, 2025. 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 \$1,210,948 at December 31, 2025 are calculated using multiple discount rate and applicable mortality tables. At December 31, 2025, the assets under split-interest agreements exceed the obligation held for that purpose. For charitable gift annuities, the obligations to make payments to designated beneficiaries are general obligations of the Foundation.

**Note 5 – Net Assets**

Undesignated and board-designated net assets are for the following purposes as of December 31, 2025:

Undesignated (donor advised funds and other)	\$ 80,514
Board-designated	
Operations reserve	4,859,372
	<hr/>
Total Net Assets Without Restrictions	<u>\$ 4,939,886</u>

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

Time and Purpose restricted	
Subject to expenditure for specified beneficiaries and churches	<u>\$ 258,999</u>
Subtotal	<u>258,999</u>
Endowments	
Accumulated earnings on endowment, time and purpose restricted	411,426
Amounts held in perpetuity whose earnings are to be used for the following:	
General operations	<u>577,706</u>
Subtotal	<u>989,132</u>
Total Net Assets With Restrictions	<u>\$ 1,248,131</u>

**MIDWEST METHODIST FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025**

**Note 6 – Endowment Fund**

The endowment includes donor-restricted endowment funds. As required by US GAAP, 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, 2025, 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 amounts 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 Foundation 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.

**MIDWEST METHODIST FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2025**

**Note 6 – Endowment Fund (cont.)**

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 US GAAP, deficiencies of this nature are reported in net assets with donor restrictions. As of December 31, 2025, 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, 2025 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds for grant ministry	\$ -	\$ 989,132	\$ 989,132
Total Endowments	<u>\$ -</u>	<u>\$ 989,132</u>	<u>\$ 989,132</u>

Changes in endowment net assets for the year ended December 31, 2025 were:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ -	\$ 867,561	\$ 867,561
Contributions	-	1,500	1,500
Investment return, net	-	156,335	156,335
Amount appropriated for expenditure	-	(36,264)	(36,264)
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 989,132</u>	<u>\$ 989,132</u>

**Note 7 – Revenues From Contract with Customers**

The Foundation recognizes revenue from contracts with customers through one primary revenue stream, management fees. Management fees are recognized over time. As of December 31, 2025, management fees totals were \$603,247.

**MIDWEST METHODIST FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2025**

**Note 8 – Leases**

The Foundation entered into an office service agreement with Servcorp for office space located in Chicago, Illinois. The agreement commenced on November 1, 2024 and expires on October 31, 2026. Monthly service fees are \$1,780 through October 31, 2025 and increase to \$1,834 from November 1, 2025 through October 31, 2026.

As of December 31, 2025, the remaining term of the agreement was less than one year. Accordingly, management determined the agreement qualified for the short-term lease exception under ASC 842 and no right-of-use asset or lease liability was recorded in the accompanying statement of financial position. Lease expense recognized under the agreement was \$23,912 for the year ended December 31, 2025.

**Note 9 – Related Party Transactions**

The Conference charged the Foundation approximately \$57,141 for the year ended December 31, 2025 for operating expenses incurred by the Conference on behalf of the Foundation.

**Note 10 – 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 \$19,567 for the year ended December 31, 2025.

**Note 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.

**Note 12 – Restatement of Net Assets**

During fieldwork, it was noted by management that the prior year financial statement reported certain amounts held for others as assets of the Foundation. The prior year net assets as restated reflects the adjustment of \$680,454 in relation to funds that are amounts held for others and are reported as such on the Statement of Financial Position.