

UNITED METHODIST WOMEN
FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

UNITED METHODIST WOMEN

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Independent Auditor's Report

The Board of Directors of
United Methodist Women
New York City, New York

We have audited the accompanying financial statements of United Methodist Women ("UMW") (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities 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 United Methodist Women as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Crosslin & Associates, P.C.

Nashville, Tennessee
May 27, 2016

UNITED METHODIST WOMEN

Statements of Financial Position

December 31, 2015 and 2014

Assets	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 2,038,730	\$ 4,321,682
Cash and cash equivalents - State of North Carolina operating reserve requirement for Brooks-Howell Home	2,714,000	2,620,000
Receivables:		
Due from conferences	4,342,157	5,027,072
Loans	413,136	414,886
Property sales	116,318	123,569
Other	1,604,230	1,501,105
Inventories and other assets, net	1,320,331	1,278,472
Prepaid expenses	576,081	622,229
Investments in debt securities of The United Methodist Development Fund	5,500	5,500
Investments	78,176,967	73,856,239
Land, buildings, and equipment, net	5,015,349	5,329,181
Perpetual trusts held by others	<u>1,517,670</u>	<u>873,112</u>
Total assets	<u>\$97,840,469</u>	<u>\$95,973,047</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,905,364	\$ 2,489,068
Due to the General Board of Global Ministries and related entities	197,277	96,452
Deferred revenue	113,174	109,516
Annuities payable	281,108	325,271
Assets held for others	4,814,034	3,471,167
Accrued postretirement and pension benefit costs	<u>28,295,595</u>	<u>29,625,734</u>
Total liabilities	<u>35,606,552</u>	<u>36,117,208</u>
Net assets:		
Unrestricted:		
Undesignated	17,839,978	11,813,231
Board designated for programs	3,397,214	3,679,324
Designated for retirement benefits of missionaries and deaconesses	(438,387)	2,050,051
Designated funds functioning as endowment	<u>524,680</u>	<u>537,551</u>
Total unrestricted net assets	21,323,485	18,080,157
Temporarily restricted	25,062,132	26,470,044
Permanently restricted	<u>15,848,300</u>	<u>15,305,638</u>
Total net assets	<u>62,233,917</u>	<u>59,855,839</u>
Total liabilities and net assets	<u>\$97,840,469</u>	<u>\$95,973,047</u>

See accompanying notes to financial statements.

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Statement of Activities

Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Revenues:				
Mission Giving:				
Pledge to Mission	\$ 12,019,519	\$ -	\$ -	\$ 12,019,519
Supplementary Giving	28,800	53,232	-	82,032
Designated Giving	29,055	681,422	-	710,477
Interest Income:				
Interest Income from Cash Equivalents	1,756	-	-	1,756
Investment Income (Net of Fees)	506,286	648,760	-	1,155,046
Bequests, Trusts, Other Long-term Gifts	249,207	290,079	-	539,286
Publications:				
Response Magazine	379,245	-	-	379,245
PBD/Mission Resources	1,002,436	-	-	1,002,436
Rental and Service Fee Income:				
Resident Service Fees from Brooks-Howell Home	3,823,147	-	-	3,823,147
Proceeds from Church Center for the United Nations	2,546,774	-	-	2,546,774
Proceeds from Alma Mathews	320,411	-	-	320,411
Other Income:				
Events, Seminars, Meetings	10,900	-	-	10,900
Benefits Trust	665,625	-	-	665,625
Miscellaneous Other Income	494,251	-	-	494,251
	22,077,412	1,673,493	-	23,750,905
Net assets released from restrictions and reclassifications	2,240,213	(1,582,817)	(657,396)	-
Total operating revenues	24,317,625	90,676	(657,396)	23,750,905
Operating Expenses:				
Program Services:				
Programs Administered by UMW:				
National Mission Institutions Network	524,963	-	-	524,963
National Mission Institution Property Management				
Insurance	1,443,252	-	-	1,443,252
Repairs and Maintenance	1,705,140	-	-	1,705,140
Property Management	178,198	-	-	178,198
International Mission Work Administration	622,232	-	-	622,232
UMW Membership and Leadership Development	2,180,641	-	-	2,180,641
Mission Education	1,868,382	-	-	1,868,382
Response Magazine	492,110	-	-	492,110
Mission Resources	1,293,295	-	-	1,293,295
Christian Social Action	1,847,927	-	-	1,847,927
Deaconess, Home Missioners Office and Network	500,111	-	-	500,111
Other Programs Administered by UMW	260,912	-	-	260,912
Programs Administered by Other Organizations:				
United Methodist Organizations National Mission	2,078,674	-	-	2,078,674
United Methodist Organizations International Mission	1,321,703	-	-	1,321,703
Ecumenical Organization	351,260	-	-	351,260
Social Action Organizations	10,000	-	-	10,000
Grants from Designated Funds	1,948,017	-	-	1,948,017
Program Support:				
Church Center for the United Nations	2,492,327	-	-	2,492,327
Alma Mathews Hospitality House	656,745	-	-	656,745
Brooks-Howell Retirement Center				
Retired Deaconess, Missionary Home Operations	4,025,375	-	-	4,025,375
Retired Deaconess, Missionary Pension and Health Benefits	1,880,454	-	-	1,880,454
Scarritt-Bennett Center	91,667	-	-	91,667
Organization-wide Program Support	526,262	-	-	526,262
Total program services	28,299,647	-	-	28,299,647

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Statement of Activities

Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Supporting Services:				
Management and general	4,242,781	-	-	4,242,781
Fund-raising				
Development office	171,724	-	-	171,724
Fund-raising programs – SMR’s	<u>28,662</u>	<u>-</u>	<u>-</u>	<u>28,662</u>
Total supporting services	<u>4,443,167</u>	<u>-</u>	<u>-</u>	<u>4,443,167</u>
Total operating expenses	<u>32,742,814</u>	<u>-</u>	<u>-</u>	<u>32,742,814</u>
(Decrease) increase in net assets from operations	<u>(8,425,189)</u>	<u>90,676</u>	<u>(657,396)</u>	<u>(8,991,909)</u>
Non-operating Activities:				
Net depreciation in fair value of investments	(1,346,638)	(1,498,588)	-	(2,845,226)
Net depreciation in assets held by others	-	-	(75,739)	(75,739)
Gain on sale of properties	13,015,155	-	-	13,015,155
Endowment and other permanent contributions	<u>-</u>	<u>-</u>	<u>1,275,797</u>	<u>1,275,797</u>
Total non-operating activities	<u>11,668,517</u>	<u>(1,498,588)</u>	<u>1,200,058</u>	<u>11,369,987</u>
Increase (decrease) in net assets	3,243,328	(1,407,912)	542,662	2,378,078
Net assets at beginning of year	<u>18,080,157</u>	<u>26,470,044</u>	<u>15,305,638</u>	<u>59,855,839</u>
Net assets at end of year	<u>\$ 21,323,485</u>	<u>\$ 25,062,132</u>	<u>\$ 15,848,300</u>	<u>\$ 62,233,917</u>

See accompanying notes to financial statements.

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Statement of Activities

Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Revenues:				
Mission Giving:				
Pledge to Mission	\$ 13,045,303	\$ -	\$ -	\$ 13,045,303
Supplementary Giving	47,137	38,630	-	85,767
Designated Giving	33,380	757,677	-	791,057
Interest Income:				
Interest Income from Cash Equivalents	3,266	-	-	3,266
Investment Income (Net of Fees)	578,642	785,107	-	1,363,749
Bequests, Trusts, Other Long-term Gifts	544,930	34,112	-	579,042
Publications:				
Response Magazine	500,032	-	-	500,032
PBD/Mission Resources	1,259,311	-	-	1,259,311
Rental and Service Fee Income:				
Resident Service Fees from Brooks-Howell Home	3,559,377	-	-	3,559,377
Proceeds from Church Center for the United Nations	2,442,448	-	-	2,442,448
Proceeds from Alma Mathews	348,528	-	-	348,528
Other Income:				
Events, Seminars, Meetings	16,844	-	-	16,844
Benefits Trust	697,799	-	-	697,799
Miscellaneous Other Income	<u>1,886,723</u>	<u>400</u>	<u>-</u>	<u>1,887,123</u>
	24,963,720	1,615,926	-	26,579,646
Net assets released from restrictions	<u>4,118,854</u>	<u>(4,118,854)</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>29,082,574</u>	<u>(2,502,928)</u>	<u>-</u>	<u>26,579,646</u>
Operating Expenses:				
Program Services:				
Programs Administered by UMW:				
National Mission Institutions Network	592,009	-	-	592,009
National Mission Institution Property Management				
Insurance	1,680,841	-	-	1,680,841
Repairs and Maintenance	679,821	-	-	679,821
Property Management	221,245	-	-	221,245
International Mission Work Administration	569,958	-	-	569,958
UMW Membership and Leadership Development	1,640,090	-	-	1,640,090
Mission Education	2,416,428	-	-	2,416,428
Response Magazine	480,889	-	-	480,889
Mission Resources	1,368,030	-	-	1,368,030
Christian Social Action	1,891,624	-	-	1,891,624
Deaconess, Home Missioners Office and Network	516,452	-	-	516,452
Other Programs Administered by UMW	1,457,372	-	-	1,457,372
Programs Administered by Other Organizations:				
United Methodist Organizations National Mission	2,137,458	-	-	2,137,458
United Methodist Organizations International Mission	1,468,101	-	-	1,468,101
Ecumenical Organization	230,375	-	-	230,375
Social Action Organizations	10,000	-	-	10,000
Grants from Designated Funds	3,401,937	-	-	3,401,937
Program Support:				
Church Center for the United Nations	2,289,027	-	-	2,289,027
Alma Mathews Hospitality House	515,892	-	-	515,892
Brooks-Howell Retirement Center				
Retired Deaconess, Missionary Home Operations	3,365,451	-	-	3,365,451
Retired Deaconess, Missionary Pension and Health Benefits	4,542,122	-	-	4,542,122
Annuity Fund	111,009	-	-	111,009
Scarritt-Bennett Center	100,000	-	-	100,000
Organization-wide Program Support	<u>423,713</u>	<u>-</u>	<u>-</u>	<u>423,713</u>
Total program services	<u>32,109,844</u>	<u>-</u>	<u>-</u>	<u>32,109,844</u>

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Statement of Activities

Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Supporting Services:				
Management and general	3,318,574	-	-	3,318,574
Fund-raising				
Development office	173,922	-	-	173,922
Fund-raising programs – SMR’s	<u>169,450</u>	<u>-</u>	<u>-</u>	<u>169,450</u>
Total supporting services	<u>3,661,946</u>	<u>-</u>	<u>-</u>	<u>3,661,946</u>
 Total operating expenses	 <u>35,771,790</u>	 <u>-</u>	 <u>-</u>	 <u>35,771,790</u>
 Decrease in net assets from operations	 <u>(6,689,216)</u>	 <u>(2,502,928)</u>	 <u>-</u>	 <u>(9,192,144)</u>
Non-operating Activities:				
Net appreciation in fair value of investments	1,484,037	798,959	-	2,282,996
Net depreciation in assets held by others	-	-	(84,710)	(84,710)
Gain on sale of properties	3,075,739	-	-	3,075,739
Endowment and other permanent contributions	<u>-</u>	<u>-</u>	<u>215,791</u>	<u>215,791</u>
Total non-operating activities	<u>4,559,776</u>	<u>798,959</u>	<u>131,081</u>	<u>5,489,816</u>
 (Decrease) increase in net assets	 <u>(2,129,440)</u>	 <u>(1,703,969)</u>	 <u>131,081</u>	 <u>(3,702,328)</u>
 Net assets at beginning of year	 <u>20,209,597</u>	 <u>28,174,013</u>	 <u>15,174,557</u>	 <u>63,558,167</u>
 Net assets at end of year	 <u>\$ 18,080,157</u>	 <u>\$ 26,470,044</u>	 <u>\$ 15,305,638</u>	 <u>\$ 59,855,839</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 2,378,078	\$(3,702,328)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	621,897	597,206
Contribution of perpetual trusts held by others	(720,297)	-
Net depreciation (appreciation) in fair value of investments	2,845,226	(2,282,996)
Net depreciation (appreciation) in fair value of assets held for others	115,195	(31,076)
Net depreciation in perpetual trusts held by others	75,739	84,710
Gain on sale of properties	(13,015,155)	(3,075,739)
Contributions and investment return restricted for long-term investment	(1,275,797)	215,791
Actuarial loss on annuity obligations	-	67,228
Matured annuity agreements	-	37,683
Decrease (increase) in receivables	590,791	(261,815)
Increase in inventories and other assets	(41,859)	(190,118)
Decrease (increase) in prepaid expenses	46,148	(10,616)
(Decrease) increase in accounts payable and accrued expenses	(583,704)	48,453
Increase in due to/from the General Board of Global Ministries and related entities, net	100,825	164,764
Increase (decrease) in deferred revenue	3,658	(1,025,920)
Decrease in grants payable	-	(122,539)
Increase in assets held for others	1,342,867	180,455
(Decrease) increase in accrued postretirement and pension benefit costs	(1,330,139)	925,303
Net cash used in operating activities	(8,846,527)	(8,381,554)
Cash flows from investing activities:		
Proceeds from sale of properties	13,015,155	3,075,739
Purchases of equipment and improvements	(308,065)	(366,744)
Proceeds from sales of investments	9,315,007	14,433,719
Purchases of investments	(16,596,156)	(8,479,932)
Net cash provided by investing activities	5,425,941	8,662,782
Cash flows from financing activities:		
Contributions and investment return restricted for long-term investment	1,275,797	(215,791)
Payments of annuity obligations	(44,163)	(43,780)
Net cash provided by (used in) financing activities	1,231,634	(259,571)
Net (decrease) increase in cash and cash equivalents	(2,188,952)	21,657
Cash and cash equivalents at beginning of year	6,941,682	6,920,025
Cash and cash equivalents at end of year	\$ 4,752,730	\$ 6,941,682

See accompanying notes to financial statements.

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Notes to Financial Statements

December 31, 2015 and 2014

(1) Nature of Organization

United Methodist Women (“UMW”), a tax-exempt, not-for-profit organization, operates under the *Book of Discipline* of The United Methodist Church, as it is from time to time promulgated by the General Conference of The United Methodist Church (the “Church”), which is the ultimate governing body of The United Methodist Church.

UMW previously operated as the Women’s Division of the General Board of Global Ministries of The United Methodist Church. Action of the 2012 General Conference established United Methodist Women as an independent Church organization.

UMW relates to United Methodist Women jurisdictions, conferences, districts, and local units in interpreting the purpose of United Methodist Women by advocating for the oppressed and dispossessed, especially women, children, and youth. It works to build a supportive community among women and engages in activities, which foster growth in the Christian faith, mission education, and Christian social involvement throughout the Church.

Funding for UMW’s operations is principally pledged by United Methodist Women members in local churches through undesignated and designated gifts, and channeled to UMW via the districts and conferences. Contributions received from United Methodist Women conferences accounted for 54% and 52% of total operating revenue of UMW in 2015 and 2014, respectively. In addition to appropriating the funds of United Methodist Women, UMW operates the following program areas: Alma Mathews, a small housing and meeting facility in New York City (See Note 12); Church Center for the United Nations (“CCUN”) building, a non-profit providing office space for religious and charitable groups working on issues related to the United Nations; UMW Mission Resources (“MR”), a handling and distribution program for the distribution of UMW’s media resources and *response* magazine, the official publication of United Methodist Women; and Brooks-Howell Home (“BHH”), a retirement facility in Asheville, North Carolina, for UMW’s retired missionaries and deaconesses.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements of UMW are prepared on the accrual basis of accounting. UMW considers the net appreciation or depreciation in fair value of investments, endowment contributions, perpetual trust contributions and change in value, property sale gains, and nonrecurring transactions to be nonoperating activities.

(b) Principles of Presentation

The financial statements present the financial position, changes in net assets, and cash flows of UMW and its controlled affiliates and operating divisions: Alma Mathews, CCUN, MR, and BHH. All significant intercompany accounts and transactions have been eliminated.

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Notes to Financial Statements

December 31, 2015 and 2014

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturity dates of 90 days or less that are readily convertible to known amounts of cash, except for short-term investments held by UMW's investment manager as part of a long-term investment strategy.

(d) Investments

Securities purchased for investments and those received as gifts are carried at fair value. Except for investments in United Methodist Foundation of Western North Carolina, Inc. (the "Foundation") and the Funds of the General Board of Pension and Health Benefits of The United Methodist Church ("GBOPHB"), fair value is based upon quoted market prices. Investments in funds of the Foundation are stated at fair value, as determined by management of the Foundation, based on unitized market value of the fund portfolio. Investments in GBOPHB's Funds are stated at fair value primarily based on unitized market value of the fund portfolio. As of December 31, 2015, GBOPHB's Multiple Asset Fund is a composite of U.S. equity funds (41%), fixed income funds (25%), international equity funds (23%), inflation protection funds (10%), and multiple asset fund cash (1%).

(e) Inventories

Inventories consist primarily of publications and are valued at the lower of cost or market, with cost determined principally on the first-in, first-out basis. Inventories are presented net of an allowance for obsolescence of \$283,716 and \$423,399 at December 31, 2015 and 2014, respectively.

(f) Land, Buildings and Equipment

Land, buildings, and equipment are recorded at the cost of acquisition, if purchased or at fair value at the date of gift. It is UMW's policy to capitalize expenditures for equipment in excess of \$2,500; purchases, which do not exceed this amount, are expensed as incurred. Buildings, building improvements, and equipment are depreciated on a straight-line basis over their estimated useful lives of 30, 20, and 5 years, respectively.

UMW has granted use of certain properties (land and buildings) to related church organizations under leasing or other arrangements and, accordingly, these properties are not reflected in the accompanying financial statements. These arrangements may call for nominal payments and are typically renewed so long as the grantee continues to carry out the stated programs. The carrying value of such properties was reflected as program expenditure at the time the arrangements for indefinite use of the properties were made.

Renovation, repair and maintenance, and insurance costs incurred by UMW for such properties are recorded as program expenses in the accompanying financial statements. Such costs amounted to approximately \$3,327,000 and \$2,582,000 in 2015 and 2014, respectively.

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Notes to Financial Statements

December 31, 2015 and 2014

(g) Bequests, Contributions and Other

Contributions, which include unconditional promises to give, are recognized as revenue when received. Bequest income is recorded when the will is declared valid. Contributions received on behalf of a specified beneficiary are recorded as a liability to the specified beneficiary concurrent with recognition of the assets received from the donor.

In its operation of Brooks-Howell Home, UMW may collect certain entrance fees upon admittance of a resident. When material, such entrance fees are included in liabilities when received and amortized over the expected life of the resident. Entrance fees for 2015 and 2014 totaled approximately \$5,000 in each year.

(h) Net Assets

Unrestricted net assets represent resources over which the Board of Directors has full discretion with respect to use. Temporarily restricted net assets represent expendable resources which have been time or purpose restricted by the donor. Permanently restricted net assets represent contributions and other gifts, which require that the corpus be maintained intact and that only the income be used as specified by the donor.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. New York State law (substantially in conformity with The Uniform Prudent Management of Institutional Funds Act) authorizes expenditures of appreciation (both realized and unrealized) in the value of endowment funds subject to a standard of business care and prudence. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by donors or state law. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

In the event a donor makes changes to the nature of a restricted gift which affects its classification among the net asset categories, such amounts are reflected as reclassifications in the statement of activities.

(i) Federal Income Tax Exemption

UMW is covered under the General Council on Finance and Administration's ("GCFA") group determination letter from the Internal Revenue Service indicating that it is a nonprofit corporation and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. UMW believes it had no unrelated business income during the years ended December 31, 2015 and 2014.

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Notes to Financial Statements

December 31, 2015 and 2014

UMW accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax position being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for UMW include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, UMW has determined that such tax positions do not result in an uncertainty requiring recognition.

(j) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and judgments 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.

(k) Financial Instruments

Assets recorded at fair value in the statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by Financial Accounting Standards Board Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures*, are as follows:

Level 1 - Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the UMW’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

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Notes to Financial Statements

December 31, 2015 and 2014

(3) Related Parties

UMW reimburses the financial services division of the General Board of Global Ministries of The United Methodist Church (“GBGM”) for providing certain administrative services. In addition, undesignated funds received by UMW are allocated, in part, for the work of several sections of UMW for the fulfillment of the responsibilities of UMW. The total amount appropriated to GBGM (excluding the United Methodist Committee on Relief and the United Methodist Development Fund) in 2015 and 2014 (included in program and supporting services expenses) was \$276,871 and \$271,310, respectively.

UMW is affiliated with the Scarritt-Bennett Center (the “Center”), a conference, retreat, and educational center in Nashville, Tennessee. UMW appoints certain of the Center’s Board members and the Center operates on property, title to which is held by UMW. UMW retains sole ownership of the property, including the rights to sell and shares interest in the proceeds from the sale of property with GCFA. In 2015 and 2014, UMW provided the Center with financial support of \$91,667 and \$100,000, respectively, in addition to the rent-free use of the facilities.

(4) Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land, buildings and improvements	\$ 9,008,085	\$ 13,057,863
Equipment	<u>3,380,203</u>	<u>3,274,686</u>
	12,388,288	16,332,549
Accumulated depreciation	<u>(7,372,939)</u>	<u>(11,003,368)</u>
Land, buildings, and equipment, net	<u>\$ 5,015,349</u>	<u>\$ 5,329,181</u>

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(5) Investments

At December 31, 2015 and 2014, the cost and fair value of investments are as follows:

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Short-term securities	\$ 480,360	\$ 480,360	\$ 420,637	\$ 420,637
Marketable equity securities	196,083	196,083	174,908	191,932
International Equities Fund (GBOPHB)	216,759	438,744	251,360	543,917
U.S. Equities Fund (GBOPHB)	2,334,485	6,339,408	2,707,138	7,345,518
Fixed Income Fund (GBOPHB)	3,681,647	5,030,875	5,566,890	7,339,612
Equity Social Values Fund (GBOPHB)	1,000,000	1,002,372	-	-
Multiple Asset Fund (GBOPHB)	50,560,505	64,150,365	41,073,911	57,425,859
Pooled investment funds	<u>538,760</u>	<u>538,760</u>	<u>591,343</u>	<u>588,764</u>
 Total investments	 <u>\$59,008,599</u>	 <u>\$78,176,967</u>	 <u>\$50,786,187</u>	 <u>\$73,856,239</u>

Investments in international common stocks represent investments in stocks of international companies located primarily in Japan, United Kingdom, France, the Netherlands, and Germany. Such investments are subject to foreign currency risk as well as market risk.

Investments, at fair value, include \$22,645,745 and \$26,090,437 at December 31, 2015 and 2014, respectively, designated for UMW's retirement fund (See Notes 6 and 7).

Investment (loss) return for the years ended December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividends	<u>\$ 1,158,912</u>	<u>\$ 1,367,636</u>
Net (depreciation) appreciation in fair value of investments:		
Realized gains on investments	2,122,600	3,537,029
Decrease in accumulated unrealized gains on investments	<u>(5,083,021)</u>	<u>(1,222,957)</u>
Net (depreciation) appreciation in fair value of investments	<u>(2,960,421)</u>	<u>2,314,072</u>
Total (loss) return on investments	1,801,509	3,681,708
 Investment management expenses	 <u>(3,866)</u>	 <u>(3,887)</u>
 (Loss) return on investments, net	 <u>\$ (1,805,375)</u>	 <u>\$ 3,677,821</u>

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(6) Retirement Benefits

(a) Retirement Benefits Fund

UMW administers all pension plans (the "Plans") for retired deaconesses and missionaries of UMW and its predecessor organizations. These Plans are closed to new participants. With respect to pension funds in existence prior to unification of UMW (for which all participants are currently retired and receiving a pension), UMW maintains a separate retirement fund. The assets designated for retirement benefits are included in UMW's statements of financial position, principally relating to investments (See Note 5), as well as the assets of Brooks-Howell Home. The benefit obligation is included in accrued postretirement and pension benefit costs in statements of financial position. The difference of the assets designated for retirement benefits and the accrued postretirement and pension benefit costs is reported as unrestricted net assets designated for retirement benefits of missionaries and deaconesses (see below and Note 7). Mission personnel expense in the accompanying statements of activities includes benefits paid under the pension plan plus the increase (decrease) in the actuarially calculated benefit obligation of the pension plan.

The annual benefit level (per year of pension credit service) was \$536 and \$520 for the 2015 and 2014 actuarial valuations, respectively. The calculation of the obligation assumes a 3% increase per year in the benefit level for both the 2015 and 2014 valuations. The mortality table used in the calculations was RP-2000 (BB) for both 2015 and 2014. The discount rate assumption as of December 31, 2015 and 2014 was 4.34% and 3.95%, respectively. The actuarial method is the Projected Unit Credit Method.

The following table sets forth financial information about the plan as of and for the years ended December 31, 2015 and 2014:

	2015	2014
Missionary and deaconess pension		
Projected benefit obligation, beginning of year	\$(11,882,002)	\$(12,312,624)
Service cost	(11,905)	-
Interest cost	(435,256)	(456,503)
Actuarial gain (loss)	452,752	(850,657)
Benefits paid	1,313,020	1,737,782
Projected benefit obligation, end of year	<u>\$(10,563,391)</u>	<u>\$(11,882,002)</u>

Estimated future benefit cash flows for the next five years and thereafter are as follows:

<u>Year</u>	<u>Projected Benefits</u>
2016	\$1,332,151
2017	1,226,469
2018	1,127,732
2019	1,035,220
2020	964,483
2021 - 2025	3,709,014

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(b) Employee Benefits

Full-time laypersons and clergy employed by UMW participate in the Retirement Plan for General Agencies (“RPGA”). This defined contribution plan is administered by the General Board of Pension and Health Benefits of The United Methodist Church (“GBOPHB”).

UMW makes semi-monthly contributions to each eligible employee’s account held by GBOPHB based on 8% of annual employee compensation. Additionally, UMW matches up to 2% of each employee’s contribution to their United Methodist Personal Investment Plan (“UMPIP”). Total contributions made by UMW for both components during 2015 and 2014 were \$474,780 and \$496,735, respectively.

UMW, through Brooks-Howell Home, also participates in the Cumulative Pension and Benefit Fund, which is administered by GBOPHB. All eligible employees of Brooks-Howell Home with more than two years of service participate in the plan. UMW pays 9% of eligible compensation into the plan. No employee contributions are required; however, voluntary employee contributions may be made. During the years ended December 31, 2015 and 2014, UMW made contributions of \$168,271 and \$165,915, respectively.

(7) Health, Life and Other Employee Benefits

UMW provides health, life, and other employee benefits for its active employees and health, dental, and life benefits to retirees through a group plan, which qualifies for treatment as a multiemployer plan under ASC 715, *Compensation - Retirement Benefits*. Substantially all retired employees are eligible to participate in the plan if they have attained normal retirement age while in the employ of UMW.

The General Agencies of The United Methodist Church Benefit Plan (the “Plan”) provides medical, dental, life, and long and short-term disability defined benefits to participants of the General Agencies. The Plan’s unfunded accumulated postretirement benefit obligation was \$94,000,000 and \$121,590,000 and the Plan’s unfunded expected postretirement benefit obligation was \$134,000,000 and \$163,385,000 as of December 31, 2015 and 2014, respectively.

UMW’s active employees are covered by the Plan. The total cost of benefits for active employees was \$646,335 and \$659,611 in 2015 and 2014, respectively, exclusive of reimbursement from the General Agency Benefit Trust (the “Benefit Trust”).

GBOPHB has transferred certain excess pension assets to the Benefit Trust established by the 1996 General Conference as of December 31, 1996. Annually, the Benefit Trust allows a stated percentage, of 6% for 2015 and 2014, respectively, of the fair market value of Benefit Trust assets at year-end to be available for distribution in the subsequent year in order to reimburse the participating agencies, through the GCFA, for their funding of active and retiree employee benefits. The fair value of the Benefit Trust’s assets (not plan assets) was approximately \$147,048,245 and \$160,530,233 as of December 31, 2015 and 2014, respectively. The total amount available for reimbursement in 2015 and 2014 was \$9,631,814 and \$9,855,581, respectively, of which UMW’s share, net of retiree benefits, was \$665,625 and \$697,799, respectively.

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UMW also sponsors an unfunded noncontributory postretirement welfare plan that covers all retired missionaries and deaconesses, with a minimum service requirement of five years, for their respective lifetime. This Plan is closed to new participants. Plan benefits include the following:

- Reimbursements for medical and dental care, medically related travel, Medicare premiums, and expenses for special medical care assistance. The level of benefits is based on the employee's years of service: 25% reimbursement for retirees with five years of service, increasing proportionately to a level of 100% for retirees with 20 years of service and over.
- Medical and retirement home care provided through Brooks-Howell Home for retirees with a minimum of 15 years of service. Benefits provided are based on a shared-cost formula.

The following table sets forth financial information about the unfunded plan as of December 31, 2015 and 2014:

	<u>Medical Plan</u>	<u>Retirement Home</u>	<u>Total</u>
2015:			
Benefit obligation at December 31	<u>\$(4,203,194)</u>	<u>\$(13,529,010)</u>	<u>\$(17,732,204)</u>
Accrued benefit cost recognized in the statement of financial position	<u>\$(4,203,194)</u>	<u>\$(13,529,010)</u>	<u>\$(17,732,204)</u>
Discount rate assumptions:			
Benefit obligation	3.50%	3.50%	
Healthcare cost trend rate	7.00%	3.00%	
Benefit cost included in mission personnel expense	<u>\$ 154,451</u>	<u>\$ 389,626</u>	<u>\$ 544,077</u>
Employer contributions	<u>\$ 348,928</u>	<u>\$ 1,733,316</u>	<u>\$ 2,082,244</u>
Benefits paid	<u>\$ 348,928</u>	<u>\$ 1,733,316</u>	<u>\$ 2,082,244</u>

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	<u>Medical Plan</u>	<u>Retirement Home</u>	<u>Total</u>
2014:			
Benefit obligation at December 31	<u>\$(5,008,762)</u>	<u>\$(12,734,970)</u>	<u>\$(17,743,732)</u>
Accrued benefit cost recognized in the statement of financial position	<u>\$(5,008,762)</u>	<u>\$(12,734,970)</u>	<u>\$(17,743,732)</u>
Discount rate assumptions:			
Benefit obligation	3.25%	3.25%	
Healthcare cost trend rate	6.10%	3.00%	
Benefit cost included in mission personnel expense	<u>\$ 172,559</u>	<u>\$ 404,504</u>	<u>\$ 577,063</u>
Employer contributions	<u>\$ 389,298</u>	<u>\$ 1,572,108</u>	<u>\$ 1,961,406</u>
Benefits paid	<u>\$ 389,298</u>	<u>\$ 1,572,108</u>	<u>\$ 1,961,406</u>

Future Benefit Payments: Estimated future benefit payments reflecting expected future service for the next five fiscal years and thereafter are as follows:

<u>Year</u>	<u>Medical Plan</u>	<u>Retirement Home</u>	<u>Total</u>
2016	\$ 450,206	\$1,642,122	\$2,092,328
2017	423,941	1,537,498	1,961,439
2018	399,529	1,434,266	1,833,795
2019	382,173	1,332,656	1,714,829
2020	361,277	1,232,927	1,594,204
2021 - 2025	1,503,011	4,839,131	6,342,142

Healthcare Cost Trend Rate: The effect of a 1% increase in the healthcare cost trend rate would increase the benefit obligation by approximately \$1,188,000 at December 31, 2015.

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(8) Description of Net Assets

Unrestricted net assets include amounts that are United Methodist Women Board designated for the following purposes at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Board designated for programs:		
Annuities	\$(35,711)	\$(31,845)
Other programs	<u>3,432,925</u>	<u>3,711,169</u>
Total board designated for programs	<u>\$ 3,397,214</u>	<u>\$ 3,679,324</u>

Temporarily restricted net assets at December 31, 2015 and 2014 were available for the following purposes:

	<u>2015</u>	<u>2014</u>
Projects and program activities to support Women, children, and youth; missionaries and deaconesses pension and medical support; scholarships; and educational institutions	<u>\$25,062,132</u>	<u>\$26,470,044</u>

Permanently restricted net assets at December 31, 2015 and 2014 represent contributions restricted to investment in perpetuity. Income from these funds is expendable to support the following purposes:

	<u>2015</u>	<u>2014</u>
Projects and program activities to support Women, children, and youth; missionaries and deaconesses pension and medical support; scholarships; and educational institutions	<u>\$15,848,300</u>	<u>\$15,305,638</u>

Net assets of \$2,240,213 and \$4,118,854 for 2015 and 2014, respectively, were released from donor restrictions by incurring costs and expenses satisfying the restricted purposes or by the occurrence of other events specified by donors. The purpose restrictions accomplished were for program services.

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(9) Endowment

UMW's endowment consists of approximately 595 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of UMW has interpreted the applicable state law as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, UMW classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

2015

Endowment Net Asset Composition by Type of Fund as of December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$20,499,127	\$15,848,300	\$36,347,427
Board-designated endowment funds	<u>524,680</u>	<u>-</u>	<u>-</u>	<u>524,680</u>
Total funds	<u>\$524,680</u>	<u>\$20,499,127</u>	<u>\$15,848,300</u>	<u>\$36,872,107</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 537,551</u>	<u>\$ 22,225,427</u>	<u>\$ 15,305,638</u>	<u>\$ 38,068,616</u>
Investment (loss) return:				
Investment income	9,385	623,644	-	633,029
Net depreciation (realized and unrealized)	<u>(22,256)</u>	<u>(1,467,244)</u>	<u>(75,739)</u>	<u>(1,565,239)</u>
Total investment (loss) return	<u>(12,871)</u>	<u>(843,600)</u>	<u>(75,739)</u>	<u>(932,210)</u>
Contributions	<u>-</u>	<u>-</u>	<u>1,275,797</u>	<u>1,275,797</u>
Appropriation of endowment assets for expenditure and reclassifications	<u>-</u>	<u>(882,700)</u>	<u>(657,396)</u>	<u>(1,540,096)</u>
Endowment net assets, end of year	<u>\$ 524,680</u>	<u>\$ 20,499,127</u>	<u>\$ 15,848,300</u>	<u>\$ 36,872,107</u>

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2014

Endowment Net Asset Composition by Type of Fund as of December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$22,225,427	\$15,305,638	\$37,531,065
Board-designated endowment funds	<u>537,551</u>	<u>-</u>	<u>-</u>	<u>537,551</u>
 Total funds	 <u>\$537,551</u>	 <u>\$22,225,427</u>	 <u>\$15,305,638</u>	 <u>\$38,068,616</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$516,089</u>	<u>\$ 23,715,034</u>	<u>\$ 15,174,557</u>	<u>\$ 39,405,680</u>
Investment return (loss):				
Investment income	10,684	756,916	-	767,600
Net appreciation (depreciation) (realized and unrealized)	<u>10,778</u>	<u>797,582</u>	<u>(84,710)</u>	<u>723,650</u>
Total investment return (loss)	<u>21,462</u>	<u>1,554,498</u>	<u>(84,710)</u>	<u>1,491,250</u>
Contributions	<u>-</u>	<u>-</u>	<u>244,846</u>	<u>244,846</u>
Reclassification	<u>-</u>	<u>-</u>	<u>(29,055)</u>	<u>(29,055)</u>
Appropriation of endowment assets for expenditure and reclassifications	<u>-</u>	<u>(3,044,105)</u>	<u>-</u>	<u>(3,044,105)</u>
Endowment net assets, end of year	<u>\$537,551</u>	<u>\$ 22,225,427</u>	<u>\$ 15,305,638</u>	<u>\$ 38,068,616</u>

Return Objectives and Risk Parameters

UMW has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that UMW must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index and the Bank of New York Mellon 1 - 3 year Treasury Index while assuming a moderate level of investment risk. UMW expects its endowment funds, over time, to provide an average rate of return of between 6 - 8% annually. Actual returns in any given year may vary from this amount.

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Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, UMW relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). UMW targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

UMW has no formal spending policy. Distributions are made at the discretion of the Board of Directors when determining annual budget. The Board of Directors approved a \$1,300,000 appropriation from the endowment in 2015. UMW considers the long-term expected return on its endowment. Accordingly, over the long term, UMW expects the current spending policy to allow its endowment to grow at an average of between 1 - 3% annually. This is consistent with UMW's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

(10) Fair Value of Financial Instruments

Disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on UMW's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at December 31, 2015 and 2014 for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

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	Fair Value Measurements at Reporting Date Using			
Assets (Liabilities) 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)	
December 31, 2015:				
Assets:				
Investments:				
Short-term securities	\$ 480,360	\$ 480,360	\$ -	\$ -
Marketable equity securities	196,083	196,083	-	-
International Equities Fund	438,744	-	438,744	-
U.S. Equities Fund	6,339,408	6,339,408	-	-
Fixed Income Fund	5,030,875	-	5,030,875	-
Equity Social Values Fund	1,002,372	-	1,002,372	-
Multiple Asset Fund	64,150,365	-	64,150,365	-
Pooled investment funds	<u>538,760</u>	<u>-</u>	<u>538,760</u>	<u>-</u>
Total investments	78,176,967	7,015,851	71,161,116	-
Perpetual trusts held by others	1,517,670	1,517,670	-	-
Liabilities:				
Assets held for others	(4,814,034)	-	(4,814,034)	-
December 31, 2014:				
Assets:				
Investments:				
Short-term securities	\$ 420,637	\$ 420,637	\$ -	\$ -
Marketable equity securities	191,932	191,932	-	-
International Equities Fund	543,917	-	543,917	-
U.S. Equities Fund	7,345,518	7,345,518	-	-
Fixed Income Fund	7,339,612	-	7,339,612	-
Multiple Asset Fund	57,425,859	-	57,425,859	-
Pooled investment funds	<u>588,764</u>	<u>-</u>	<u>588,764</u>	<u>-</u>
Total investments	73,856,239	7,958,087	65,898,152	-
Perpetual trusts held by others	873,112	873,112	-	-
Liabilities:				
Assets held for others	(3,471,167)	-	(3,471,167)	-

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The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Investments

The fair value of short-term securities and common stocks are determined using primarily Level 1 inputs in accordance with ASC 820. The fair values of corporate bonds, international common stocks, domestic bond fund, Multiple Asset Fund (“GBOPHB”), and pooled investment funds with units are determined using primarily Level 2 inputs.

Other

The fair values of financial instruments for which estimated fair value amounts have not been specifically presented are estimated to approximate the related book values.

Operating Reserve Requirement for Brooks-Howell Home

UMW is the provider for the operations of BHH, a retirement facility in Asheville, North Carolina. BHH is operated as a program of UMW. BHH operates under a Certificate of Authority from the State of North Carolina. Pursuant to North Carolina statute for Continuing Care Retirement Communities, certain operating reserves must be maintained by the provider. The operating reserve must cover a percentage of the forecasted total operating expenses for the facility for the upcoming year, excluding depreciation, amortization, and extraordinary items. Specifically, according to statute § 58-64-33, if a facility maintains an occupancy level in excess of ninety percent, a provider shall be required to maintain an operating reserve of twenty-five percent of operating expenses; however, if the occupancy levels fall below ninety percent, a fifty percent operating reserve must be maintained. As of December 31, 2015 and 2014, UMW held \$2,714,000 and \$2,620,000, respectively, in operating reserves for Brooks-Howell Home based on actual occupancy levels of less than ninety percent and anticipated 2016 and 2015 operating expenses, respectively. As UMW is the provider for BHH, the operating reserves are reported in UMW’s financial statements and not within BHH’s financial statements.

Subsequent Events

Management has evaluated subsequent events through May 27, 2016, the date the financial statements were available for issuance, and has determined that the following subsequent event requires disclosure:

During May 2016, UMW sold the Alma Mathews House for gross proceeds of \$34.5 million. Costs incurred in connection with the sale were approximately \$900,000. Alma Mathews is a program of UMW; however, its operations are not considered to be material for separate disclosure as discontinued operations.