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**OFFERING CIRCULAR DATED APRIL 30, 2024  
\$3,000,000  
TERM INVESTMENT CERTIFICATES  
Term: 1 or 2 years  
Minimum Investment: \$1,000  
For Current Interest Rates Call: 888-453-8405**

#### **TERMS OF LIMITED OFFERING**

We – the Kansas Methodist Foundation, Inc. (hereinafter referred to as “KMF” or the “Foundation” or the “Kansas Area United Methodist Foundation”) – are offering \$3,000,000 in unsecured debt securities (“Certificates”). This offering runs from the date of this Offering Circular until the expiration date twelve months later. The Certificates pay interest at rates set from time to time according to the policies set forth under “Description of Certificates” on page 20. You may call us at the number stated above or visit our website at <http://www.kansasmethodistfoundation.org> to obtain current rates.

These Certificates are offered only to investors who meet certain requirements in relationship with the United Methodist Church or of churches related to the Methodist movement and located in Kansas. In order for you to purchase any Certificates, you must be, prior to your receipt of an Offering Circular, a congregant of a United Methodist Church or of a church related to the Methodist movement (“Limited Class”), or a person or entity having a reasonable association or affiliation with the Limited Class as set forth on page 21.

This offering is not underwritten, and no commissions or discounts will be paid. Net proceeds of the offering after estimated expenses of \$31,000 are anticipated to be \$2,969,000 if the full \$3,000,000 of securities would be sold.

**AN INVESTMENT IN THE CERTIFICATES IS SUBJECT TO CERTAIN RISKS. PLEASE READ THE “RISK FACTORS” BEGINNING ON PAGE 3.**

**THESE CERTIFICATES HAVE BEEN REGISTERED ONLY IN THE STATE OF KANSAS AND ARE NOT OFFERED IN ANY OTHER STATE OR JURISDICTION. THESE CERTIFICATES ARE ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTIONS 3(a)(4) OF THE FEDERAL SECURITIES ACT OF 1933. A REGISTRATION STATEMENT RELATING TO THESE CERTIFICATES HAS NOT BEEN FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.**

**THE CERTIFICATES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT DETERMINED THE ACCURACY, ADEQUACY, TRUTHFULNESS, OR COMPLETENESS OF THIS OFFERING CIRCULAR AND HAVE NOT PASSED UPON THE MERIT OR VALUE OF THE CERTIFICATES, OR APPROVED, DISAPPROVED, OR ENDORSED THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF KMF AND THE TERMS OF THE OFFERING, INCLUDING THE DISCLOSURE, MERITS, AND RISKS INVOLVED.**

**THE CERTIFICATES ARE NOT SAVINGS OR DEPOSIT ACCOUNTS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, ANY STATE BANK INSURANCE FUND OR ANY OTHER GOVERNMENTAL AGENCY. THE PAYMENT OF PRINCIPAL AND INTEREST TO AN INVESTOR IN THE CERTIFICATES IS DEPENDENT UPON THE KMF’S FINANCIAL CONDITION. ANY PROSPECTIVE INVESTOR IS ENTITLED TO REVIEW THE KMF’S FINANCIAL STATEMENTS, WHICH WILL BE FURNISHED AT ANY TIME DURING BUSINESS HOURS UPON REQUEST. THE CERTIFICATES ARE NOT OBLIGATIONS OF, NOR GUARANTEED BY THE UNITED METHODIST CHURCH OR BY ANY OTHER CHURCH, CONFERENCE, INSTITUTION OR AGENCY AFFILIATED WITH THE UNITED METHODIST CHURCH.**

**NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS OFFERING CIRCULAR, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED ON AS HAVING BEEN MADE BY THE FOUNDATION.**

**INVESTORS ARE ENCOURAGED TO CONSIDER THE CONCEPT OF INVESTMENT DIVERSIFICATION WHEN DETERMINING THE AMOUNT OF CERTIFICATES THAT WOULD BE APPROPRIATE FOR THEM IN RELATION TO THEIR OVERALL INVESTMENT PORTFOLIO, RISK TOLERANCE, AND PERSONAL FINANCIAL NEEDS. YOU SHOULD MAKE AN INDEPENDENT DECISION ABOUT WHETHER PURCHASING CERTIFICATES WILL AID YOU IN ACCOMPLISHING YOUR INVESTMENT OBJECTIVES AND WHETHER THE CERTIFICATES FIT WITHIN YOUR FINANCIAL RISK TOLERANCE.**

**THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER OR SOLICITATION BY ANYONE IN ANY STATE IN WHICH SUCH OFFER OR SOLICITATION**

**IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.**

**THE INFORMATION IN THIS OFFERING CIRCULAR IS NOT INTENDED TO BE LEGAL, INVESTMENT OR PROFESSIONAL TAX ADVICE. EACH INVESTOR'S UNIQUE CIRCUMSTANCES—FINANCIAL AND OTHERWISE—ARE IMPORTANT FACTORS IN DETERMINING THE CONSEQUENCES OF AN INVESTMENT. FOR INFORMATION ABOUT THE LEGAL, INVESTMENT, OR TAX CONSEQUENCES OF INVESTING IN THE CERTIFICATES, YOU SHOULD CONSULT YOUR OWN ATTORNEY, ACCOUNTANT OR INVESTMENT ADVISOR.**

## Forward-looking Statements

This Offering Circular includes “forward-looking statements” within the meaning of the federal and state securities laws. Statements about the Foundation and its expected financial position, business and financing plans are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “pro forma,” “anticipates,” “intends,” “projects,” or other variations or comparable terminology, or by discussions of strategy or intentions. Although we believe that the expectations reflected in its forward-looking statements are reasonable, we cannot assure any Investor that our expectations will prove to be correct. Forward-looking statements are necessarily dependent upon assumptions, estimates, and data that may be incorrect or imprecise and involve known and unknown risks, uncertainties, and other factors. Accordingly, prospective Investors should not consider any forward-looking statements as predictions of future events or circumstances. A number of factors could cause our actual results, performance, achievements, or industry results to be materially different from any future results, performance, or achievements expressed or implied by forward-looking statements. These factors include, but are not limited to: changes in economic conditions in general and in our business; changes in prevailing interest rates and the availability of and terms of financing to fund our operations; and other factors discussed in this Offering Circular. Given these uncertainties, prospective Investors should not rely on forward-looking statements in making an investment decision. We disclaim any obligation to update Investors on any factors that may affect the likelihood of realization of the Foundation’s expectations. All written and oral forward-looking statements attributable to us, including statements before and after the date of this Offering Circular, are deemed to be supplements to this Offering Circular and are incorporated herein and are expressly qualified by these cautionary statements.

Although we believe that the forward-looking statements are reasonable, prospective Investors should not place undue reliance on any forward-looking statements, which speak only as of the date made. Prospective Investors should understand that the factors discussed under “**RISK FACTORS**” could affect our future results and performance. This could cause those results to differ materially from those expressed in the forward-looking statements.

## TABLE OF CONTENTS

SUMMARY OF THE OFFERING	1
RISK FACTORS	3
HISTORY AND OPERATIONS	6
USE OF PROCEEDS	8
CHURCH DEVELOPMENT LOAN FUND FINANCING AND OPERATIONAL ACTIVITIES	9
LENDING ACTIVITIES	10
INVESTING ACTIVITIES	14
SELECTED FINANCIAL DATA	17
MANAGEMENT'S DISCUSSION AND ANALYSIS	17
DESCRIPTION OF CERTIFICATES	20
LIMITED CLASS OF OFFEREES AND RESTRICTIONS ON TRANSFER	21
PLAN OF DISTRIBUTION	21
TAX ASPECTS OF INVESTMENT IN CERTIFICATES	22
LITIGATION	22
MANAGEMENT	22
FINANCIAL STATEMENTS	29
AUDITED FINANCIAL STATEMENTS	Separately Numbered

## SUMMARY OF THE OFFERING

We provide this summary for your convenience, and you must read it together with the more complete statements and information included in this Offering Circular, including the audited financial statements.

**Kansas Methodist Foundation, Inc.** The offeror is the Foundation, a Kansas not-for-profit corporation with its principal offices in Hutchinson, Kansas with a federal tax id number of 48-0697195. The Kansas Methodist Foundation was founded in 1964 by the then-existing annual conferences of the United Methodist Church in Kansas, to help maintain and further the programs and missions of the United Methodist Church in Kansas. We are governed by a Board of Trustees of up to 21 members. These members consist of fifteen (15) lay members of United Methodist churches and churches related to the Methodist movement located in the State of Kansas, and six (6) clergy members of The Great Plains Annual Conference of The United Methodist Church serving in Kansas. At least a majority of the Trustees shall be laypersons. At least 51% of the Board of Trustees shall be members of United Methodist Churches. The Foundation is an autonomous legal entity, and the obligations of the Foundation are not guaranteed by The United Methodist Church or any local church, annual conference, council, general board, agency, or any unit in the organizational structure of the United Methodist Church. See “HISTORY AND OPERATIONS.”

**Description of the Certificates.** We are offering unsecured debt securities in the form of Certificates of Participation, which are a form of promissory note whereby the Foundation undertakes to repay the principal of your investment with interest at a specified rate, as in effect from time to time at the date of purchase. We set the interest rate on new Certificates effective on the first business day of each month based on surveying commercial bank rates on certificates of deposit for like terms and the rates offered by other similar United Methodist entities on comparable investment certificates. While we exercise discretion and judgment in setting our interest rates, it is most often the average of the rates of the surveyed institutions. Due to market fluctuations, interest rates may be adjusted as needed throughout the month.

The minimum investment is \$1,000. Certificates provide for automatic renewal at maturity at the interest rates then being paid by the Foundation for newly issued Certificates unless you or we elect not to renew at the time required by the terms of the Certificates. We will send you the latest copy of the Offering Circular by April 30 of each year. You generally cannot redeem your Certificates without penalty prior to maturity, except in the case of death of the named Certificate holder. See “DESCRIPTION OF CERTIFICATES.”

**Risk Factors.** The purchase of the Certificates is subject to certain described risks, including the fact that the Certificates are unsecured and are not FDIC-insured bank deposit accounts, and investors will be dependent upon the general financial condition of the Foundation for repayment of principal and interest. See “RISK FACTORS,” which you are urged to read carefully.

**Use of Proceeds.** We add the net proceeds of the sale of Certificates to our Church Development Loan Fund and use them to make loans to United Methodist Churches or churches related to the Methodist movement and located in Kansas and Nebraska and related churches and conference organizations, such as youth camps, college campus ministries, and health care ministries (“Church Organizations”). These loans are predominantly for the acquisition,

construction, repair, and renovation of churches, parsonages, and other buildings and the refinancing of such obligations at interest rates at or below prevailing commercial loan rates. Effective November 20, 2019, we also use the net proceeds of the sale of Certificates to invest with Wesleyan Impact Partners (formerly United Methodist Development Fund, Wesleyan Investive) in our loan ministry partnership. Wesleyan Impact Partners uses the funds for loans for the acquisition, construction, repair, and renovation of churches, parsonages, and other buildings and the refinancing of such obligations made in Kansas and Nebraska. We temporarily invest un-loaned proceeds in short-term investments in furtherance of our policy to maintain a reasonable degree of liquidity. No underwriting discounts or commissions will be paid in connection with the sale of the Certificates. See “USE OF PROCEEDS.”

**Management.** The affairs of the Foundation are governed by our outside Board of Trustees that typically meets three times a year. The following officers are responsible for our day-to-day investment and loan operations:

President and CEO	Rev. Dr. Dustin D. Petz
Chief Development Officer	K. Tyler Curtis
Director of Finance	Gloria Markus

See “MANAGEMENT.”

**Purchase of Certificates.** To purchase one or more of our Certificates, you should read the Offering Circular and complete and sign the Application to Purchase and return it to us, along with a check in full payment of the amount being invested. For information concerning present terms and interest rates, you may call at 1-888-453-8405 or visit our website at [www.kansasmethodistfoundation.org](http://www.kansasmethodistfoundation.org).

**Selected Financial Information for the Kansas Methodist Foundation Church Development Loan Fund.** The following summarizes selected financial information for the fiscal years ended December 31, 2022, December 31, 2021 and December 31, 2020. (Certificates are referred to in financial statement presentation as “Notes”). See “SELECTED FINANCIAL DATA” and the Foundation’s “AUDITED FINANCIAL STATEMENTS” attached hereto and made an integral part of this Offering Circular.

Church Development Loan Fund: As of December 31	2021	2022	2023
Cash and Cash Equivalents and Investments	\$2,309,554	\$2,897,972	\$2,504,419
Loans Receivable	184,854	160,599	146,142
Unsecured Loans	1	0	0
Loan Delinquencies as a % of Total Loans	0%	0%	0%
Total Assets	4,943,540	5,122,114	4,362,151
Line of Credit Payable	0	0	0
Investment Certificates Payable	4,568,135	4,837,126	4,026,781
Certificates Redeemed	484,826	137,024	987,361
Net Assets	366,851	273,289	315,450

## RISK FACTORS

**Certificates are Unsecured Obligations.** The Certificates are unsecured, general obligations of the Foundation. You must depend solely upon our financial condition and operations for repayment of principal and interest. See “DESCRIPTION OF CERTIFICATES.”

**No Market Exists and Transferability Is Limited and Restricted.** There is no market for the Certificates and none will develop. The Certificates are not transferrable without our consent. In addition, conditions on transfer of the Certificates may be imposed under the securities laws of Kansas and the United States. Therefore, you should view the purchase of a Certificate as an investment for its full term. See “LIMITED CLASS OF OFFEREES AND RESTRICTIONS ON TRANSFER.”

**No Right to Redeem Prior to Maturity.** We are not legally obligated to redeem your Certificate before its maturity. When early redemption is allowed, normally there is a penalty. See “DESCRIPTION OF CERTIFICATES.”

**Investments Subject to Market Risks.** A significant portion of our liquid assets is invested in readily marketable securities that are subject to various market risks, which may result in losses if market values of investments decline could affect our ability to repay. See “INVESTING ACTIVITIES.”

**Unique Borrowers and Relationships.** The Foundation’s loans are made to United Methodist churches and church-affiliated organizations or agencies whose ability to repay depends primarily upon the contributions received from their members. Both the number of members and the amount of contributions may fluctuate and could adversely affect the ability of borrowers to repay. In addition, because of the nature of these relationships, our loan eligibility and approval criteria may be more flexible and less stringent than loan policies of commercial lending institution. We may be more willing to accept partial, deferred, or late payments and extend terms of loans. See “LENDING ACTIVITIES – General.”

**Geographic Concentration of Loans.** Our lending is confined to borrowers in the States of Kansas and Nebraska, which subjects us to risks of loss due to adverse conditions specifically affecting the local economy and industries of this state, such as agriculture and manufacturing, without diversification. See “LENDING ACTIVITIES – General.”

**Property Securing Our Loans is Special Purpose Property.** If a borrower defaults on one of our loans, the property securing the loan may not sell for a sufficient amount to repay the balance of the loan due to the fact that our collateral is generally special purpose property with a limited resale market. If the property sells for less than the outstanding balance of the loan, we will likely suffer a loss, which could have an adverse effect upon us and our ability to repay our Certificates when due. See “LENDING ACTIVITIES.”

**Additional Risks Associated with Real Estate Loans.** There are additional risks associated with loans made for construction of new facilities or the renovation of existing facilities. Construction lending may involve the risk of contractor default and cost overruns. Possible delays in



completion may occur due to, among other things, shortages in materials, possible strikes, acts of nature, delays in obtaining necessary building permits or architectural certificates, environmental regulations, or fuel or energy shortages. Our mortgages may be subordinate to other liens, making it difficult or impossible to obtain payment by foreclosing on property taken as security. There is potential environmental liability associated with loans secured by real estate. We do not typically conduct an environmental audit before approving a loan. If environmental pollution or other contamination is found on or near property securing a loan, our borrower (or in some instances a lender like us) could face environmental liability or our security for the loan could be impaired. See “LENDING ACTIVITIES – General.”

**Automatic Renewal and Extension of Certificates.** We will automatically renew Certificates at maturity for an additional like term unless, prior to or within 10 days after the end of the term, you send the Certificate along with a written request for payment to our office. We will send you a notice of maturity and proposed renewal, however, at least 10 days prior to the maturity date. We will send you the latest copy of the Offering Circular, with our current audited financial statements within 120 days after the end of our fiscal year. In the case of automatic extension of existing Certificates upon maturity, the new extension interest rate may be less than the interest rate on the original Certificate. The new interest rate will be the applicable interest rate for the term of the Certificate being extended at the time of the extension. See “DESCRIPTION OF CERTIFICATES.”

**Competition with Other Institutions.** Other institutions may offer notes or other securities with a higher rate of return, notes or other securities which provide greater security and less risk than our Certificates. Also, in many instances, we compete with commercial lenders with respect to loans to churches. See “DESCRIPTION OF CERTIFICATES,” and “LENDING ACTIVITIES – General.”

**Legal Compliance and Changes in Securities Laws – Sales of Certificates Could Be Curtailed.** Changes in federal and state laws, rules, or regulations regarding the sale of debt securities of religious, charitable, or other nonprofit other organizations may make it more difficult or costly to or may prohibit us from offering and selling our Certificates in the future. If this occurs, it could result in a decrease in the amount of Certificates sold by us, which could affect our ability to meet our obligations. During 2014, we experienced a substantial reduction in the amount of outstanding Certificates due to failure to register Certificates for offering with the Kansas Securities Commissioner, which has now been effected. If we do not continue to qualify our Certificates to be offered in Kansas, you along with other Investors may not be able to reinvest at maturity. See “LITIGATION.”

**Taxable Interest Income.** There are no income tax benefits with respect to your investment in the Certificates, and interest paid or payable on the Certificates will be taxable as ordinary income to you regardless of whether interest is paid or retained and compounded. See “TAX ASPECTS.”

**No Sinking Fund or Trust Indenture.** We have not established and will not establish any sinking fund or trust indenture to provide for repayment of the Certificates. Accordingly, repayment is dependent upon the current liquidity and cash flow of the Foundation at the time of maturity or other date of redemption. See “DESCRIPTION OF CERTIFICATES.”

**The Fund May Have Debt Senior to the Notes.** The Foundation may pledge a portion of its loans or other assets as collateral for debt obligations that the Foundation issues or incurs, which would rank senior to the Notes (“Senior Secured Indebtedness”). It is the Foundation’s policy, however, that the amount of Senior Secured Indebtedness may not exceed an amount equal to ten percent (10%) of the Foundation’s tangible assets. As of the date of this Offering Circular, the Foundation had no outstanding Senior Secured Indebtedness.

## HISTORY AND OPERATIONS

The Kansas Foundation, Inc. was incorporated on September 1, 1964 by the then-existing Kansas annual conferences of the Methodist Church as a not-for-profit corporation under the laws of the State of Kansas. Following the merger of The Methodist Church and the Evangelical United Brethren Church in 1968, we changed our name to the Kansas Area United Methodist Foundation, Inc. The name was changed again in 2022 to the Kansas Methodist Foundation, Inc. The general objects and purposes of the corporation are to operate solely and exclusively as a charitable, religious, literary, and educational organization to help maintain and further the programs and ministries of churches, affiliated organizations, and members of United Methodist Churches in Kansas and Nebraska, and of the churches, affiliated organizations, and members within the Methodist movement in Kansas and Nebraska. We are located at 100 East First Avenue, PO Box 605, Hutchinson, Kansas 67504-0605, and may be contacted at 888-453-8405 or through our website at [www.kansasmethodistfoundation.org](http://www.kansasmethodistfoundation.org).

We are organized and operated exclusively for religious, charitable, and educational purposes and are exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. We solicit and receive gifts, bequests, and donations from individuals and organizations for these purposes, which are tax-deductible charitable contributions under Section 170(c)(2) of the Internal Revenue Code. We hold these funds in trust and invest and administer the funds (including making grants for purposes specified by donors) for the furtherance of the religious, charitable, and educational undertakings of the churches and related agencies in the state of Kansas of the Great Plains Conference (a combination effective January 1, 2014, of formerly separate conferences in Kansas and Nebraska) and other charitable organizations benefitting these purposes.

In addition to managing funds donated and bequeathed to the Foundation, we provide fund management services under contracts with individual churches and agencies that typically do not have resources or professional employees to devote to such purposes. We also provide a variety of educational and consultation services to local church congregations, including stewardship education, ministry endowments, annual giving campaigns, capital campaign consultations, Christian money- management seminars, and planned giving programs.

In 1996, we established the Church Development Loan Fund of the Kansas Methodist Foundation. Through this fund, we began offering loans for the purchase of real estate, new construction, renovation of existing facilities, operating loans, and refinancing existing loans for United Methodist churches, conferences, districts, and conference-related organizations and agencies in Kansas and, most recently in, Nebraska. Since its inception, the Church Development Loan Fund has helped 98 qualified borrowers with loans totaling \$20,005,500, not including loans established through partnership with Wesleyan Impact Partners. Prior to March 2014, these lending activities were funded largely from offering interest bearing certificates of participation to Kansas United Methodist individuals and organizations offered in reliance on the availability of an exemption from the registration requirements of federal and state securities law. Certificates are unsecured general obligations of the Foundation.

As a result of an inquiry by staff of the Foundation to the Kansas Securities

Commissioner's office, we learned that no such exemption is available due to amendment of the Kansas Statutes in 2005. In order to comply with the law, we stopped offering Certificates, pending making the filings necessary to register this Offering. See "CHURCH DEVELOPMENT LOAN FUND FINANCING AND OPERATIONAL ACTIVITIES."

We discovered during the first quarter of 2014 that we had failed to keep apprised of the Kansas laws governing registration of our Certificates, which are described by law "church extension fund securities." Such securities are exempt from the registration requirements of federal securities law, but since new statutes were enacted in 2005 have not been exempt from the registration requirements of Kansas securities law. In order to comply with the law, we stopped offering Certificates (except to institutional investors exempt from the registration requirement) pending making the filings necessary to register this Offering with the Kansas Securities Commissioner. In addition, in order to settle a potential enforcement action by the Securities Commissioner and remedy the past failure to register, we entered into an agreement with the Kansas Securities Commissioner whereby we undertook to make a rescission offer (which is an offer to make a refund with statutory interest of investments made in unregistered Certificates) to Kansas investors within the previous year. Our registration of Certificates in Kansas became effective in October 2014, the rescission offer was completed in November 2014, and we are now able to offer Certificates in compliance with the registration requirements of Kansas securities law. However, as a result of redemptions of Certificates that matured or were rescinded and the absence of new and renewal sales of Certificates for approximately seven months, the amount of outstanding Certificates had decreased by more than \$2.2 million to \$4,699,417 as of October 10, 2014. This reduction has not had a material adverse effect on payment of our obligations to Certificate holders, but our funds available for church development loans have decreased in a material amount in 2014. Our registration of Certificates in Nebraska became effective in July 2017 through the Nebraska Department on Banking and Finance. On December 30, 2022, paperwork was filed to cease offering certificates to Nebraska individuals, churches, and agencies.

In November 2019, the Foundation entered into a new partnership with Wesleyan Impact Partners (formerly United Methodist Development Fund, Wesleyan Investive) governed by a memorandum of understanding for them to provide lending services to church development loan ministries in the states of Kansas and Nebraska. The Foundation agrees that it will purchase notes and maintain an investment balance in an amount at least equal to the unpaid balance of those loans purchased by Wesleyan Impact Partners from the Foundation ("Note Purchase based on Outstanding Loan Balance") and all future loans made in Kansas and Nebraska.

## USE OF PROCEEDS

We add the proceeds received from the sale of Certificates to our general funds for use as our Church Development Loan Fund. We use these funds to make loans to church organizations to finance capital improvement projects, including the construction of new church facilities and the remodeling of, and additions to, existing church facilities in Kansas and Nebraska, and to pay principal and interest on past, current, or future Certificates, and to pay our operating and financing expenses. During the year ended December 31, 2021, we advanced \$0 in direct loans for these purposes. During the year ended December 31, 2022, we advanced \$0 in direct loans for these purposes. During the year ended December 31, 2023, we advanced \$0 in direct loans for these purposes, outside of our relationship with Wesleyan Impact Partners. We have not committed all or any portion of the proceeds from this offering for any specific projects. In the normal course of our operations, however, we are continuously reviewing applications and considering making loans based upon the availability of funds. We may use the proceeds of this offering to fund some portion of these loans in process and loan commitments. However, we have not made these commitments in contemplation of this offering.

Additionally, we invest our Certificate of Participation portfolio with Wesleyan Impact Partners (formerly United Methodist Development Fund, then formerly Wesleyan Investive) through the purchase of notes under the conditions, risks, and disclosures made by Wesleyan Impact Partners in their current year's offering circular and named in a separate partnership memorandum of understanding, which expresses this commitment: The Foundation agrees that it will purchase notes and maintain an investment balance in an amount at least equal to the unpaid balance of those loans purchased by Wesleyan Impact Partners from the Foundation ("Note Purchase based on Outstanding Loan Balance") and all future loans made in Kansas and Nebraska. We also make temporary investments of proceeds of the offering in short-term income funds in furtherance of our policy of maintaining a reasonable degree of liquidity and ability to make loans.

No underwriters are participating in this offering, and we will pay no underwriting discounts or commissions in connection with the sale of the Certificates. The Certificates are sold by Officers of the Foundation who receive no commissions, fees, or other special remuneration for or in connection with the sale of the Certificates. We will pay all expenses of this offering, including printing, mailing, attorneys' fees, accountants' fees and securities registration fees, which are estimated to be approximately \$31,000.

The Foundation is an autonomous legal entity, and the obligations of the Foundation are not guaranteed by The United Methodist Church or any local church, annual conference, council, general board, agency, or any unit forming the organizational structure of The United Methodist Church.

## CHURCH DEVELOPMENT LOAN FUND FINANCING AND OPERATIONAL ACTIVITIES

### Outstanding Certificates

One of our primary means of obtaining the funds necessary to conduct our operations has been from the sale of our Certificates. The following describes our outstanding Certificates at the dates shown.

<u>Description</u>	<u>Number of Accounts</u>	<u>Weighted Average Interest Rate</u>	<u>Aggregate Principal Balance</u>
As of December 31, 2021 1- and 2-year term Certificates	188	0.99%	\$4,568,135
As of December 31, 2022 1- and 2-year term Certificates	180	1.37%	\$4,837,126
As of December 31, 2023 1- and 2-year term Certificates	135	2.68%	\$4,026,781

As of December 31, 2021, December 31, 2022, and December 31, 2023, our outstanding Certificates and accrued interests represented substantially all of our Church Development Loan Fund's total liabilities.

### Sale and Redemption of Certificates in 2021

During 2021, we received cash proceeds of \$3,371,249 from sales of our Certificates, of which \$2,962,249 was received from reinvestment of principal and interest of matured Certificates. During 2021, we paid \$484,826 to redeem matured Certificates that were not immediately reinvested. Historically, our investors have reinvested at least 83.55% of the principal balance of Certificates maturing in each of the last five years.

### Sale and Redemption of Certificates in 2022

During 2022, we received cash proceeds of \$2,299,782.22 from sales of our Certificates, of which \$1,931,782.22 was received from reinvestment of principal and interest of matured Certificates. During 2022, we paid \$136,950.82 to redeem matured Certificates that were not immediately reinvested. Historically, our investors have reinvested at least 85.55% of the principal balance of Certificate maturing in each of the last five years.

### Sale and Redemption of Certificates in 2023

During 2023, we received cash proceeds of \$3,103,930.06 from sales of our Certificates, of which \$2,982,930.06 was received from reinvestment of principal and interest of matured Certificates. During 2023, we paid \$986,768.94 to redeem matured Certificates that were not immediately reinvested. Historically, our investors have reinvested at least 83.31% of the principal balance of Certificates maturing in each of the last five years.

### Outstanding Loans

In addition to the sale of our Certificates, we generate funds from the interest income we receive on our outstanding loans. Interest rates on our outstanding loans vary from 6.25% to 6.50%.

The following table describes our outstanding loans as of December 31, 2021.

<u>Description</u>	<u>Number of Loans</u>	<u>Weighted Average Interest Rate</u>	<u>Aggregate Principal Balance</u>
Loans to Church Organizations secured by real property interest	2	4.149%	\$179,096
Unsecured loans	1	0.093%	\$5,758
Total loans*	3	4.242%	\$184,854

\*Not including loans to church organizations provided through partnership with Wesleyan Impact Partners.

The following table describes our outstanding loans as of December 31, 2022.

<u>Description</u>	<u>Number of Loans</u>	<u>Weighted Average Interest Rate</u>	<u>Aggregate Principal Balance</u>
Loans to Church Organizations secured by real property interest	2	4.2803%	\$160,598.65
Unsecured loans	0	0%	\$0
Total loans	2	4.2803%	\$160,598.65

\* Not including loans to church organizations provided through partnership with Wesleyan Impact Partners.

The following table describes our outstanding loans as of December 31, 2023.

<u>Description</u>	<u>Number of Loans</u>	<u>Weighted Average Interest Rate</u>	<u>Aggregate Principal Balance</u>
Loans to Church Organizations secured by real property interest	2	6.2766%	\$146,141.93
Unsecured loans	0	0%	\$0
Total loans*	2	6.2766%	\$146,141.93

\*Not including loans to church organizations provided through partnership with Wesleyan Impact Partners.

## LENDING ACTIVITIES

### General

We intend to use the proceeds from this offering primarily to make loans to church organizations directly or through our new partnership with Wesleyan Impact Partners. Pending the utilization of the funds, we may invest these proceeds in low risk, liquid investments such as certificates of deposit with banks or savings institutions, government bonds, or high-grade corporate bonds.

At December 31, 2021, we had 3 loans outstanding having an aggregate principal balance of \$184,854 and an average principal balance per loan of \$61,618. During the year ended

December 31, 2021, we advanced \$0 in loan funds in connection with approved loans.

At December 31, 2022, we had 2 loans outstanding having an aggregate principal balance of \$160,598.65 and an average principal balance per loan of \$80,299.32. During the year ended December 31, 2022, we advanced \$0 in loan funds in connection with approved loans.

At December 31, 2023, we had 2 loans outstanding having an aggregate principal balance of \$146,141.93 and an average principal balance per loan of \$73,070.97. During the year ended December 31, 2023, we advanced \$0 in loan funds in connection with approved loans.

Our loans are secured and unsecured loans at interest rates generally equivalent to or slightly lower than prevailing commercial rates. The types of loans we make include the following:

**Construction loans** are available for applicants who are planning to build a new facility, construct an addition to an existing church structure, or make extensive renovations, repairs, and improvements to an existing church structure or grounds. Draws of loan funds are made available as funds are needed for labor, materials, engineer, and architectural fees and furnishings during the construction project, with interest accruing from the date of each draw. The interest rate for construction loans is fixed during the term of construction. Monthly payments of interest only are typically required during the construction period. Upon completion of the construction project, the loan will then be converted to an adjustable rate term loan for the principal balance of the construction loan, as explained below.

**Adjustable rate term loans** are available for the purchase of real estate and re-financing an existing loan with another lender, and construction loans will be converted to adjustable rate loans upon completion of construction. Our loan terms provide for adjustment of the interest rate at intervals agreed to with the borrower. The borrower has the option of fixing the interest rate for a period of one, three, or five years from the origination date. Thereafter, the interest rate is subject to adjustment either semi-annually on January 1 and July 1 of each year during the term of the loan or annually on January 1 of each year. Adjustments to the rate are based on an index that is a measure of current interest rates for similar loans in marketplace, but the interest rate will not be increased by more than 2% at any adjustment date and not more than 6% over the life of the loan. Construction loans and term loans are generally secured by a mortgage on the real property of the borrower involved in the purchase, construction, or remodeling.

**Line-of-credit loans** provide flexibility for a borrower to meet its financial needs. A line-of-credit loan allows a borrower to draw on a pre-established line of credit for capital projects or operating needs without needing to repeat the loan approval process. Interest only payments are available during construction projects. The borrower may draw on the line of credit whenever funds are needed up to their maximum loan limit. The interest rate for a line-of-credit loan is adjusted annually. The maximum loan term for line-of-credit loans is ten years, with a maximum 15-year amortization schedule, with a balloon payment of the remaining unpaid balance due at the end of the ten-year repayment period. To renew a line-of-credit loan, a new loan application will need to be filed and approved.

**Operating loans** allows a borrower to meet their cash flow needs during typical low-



giving months, or to meet unexpected financial needs. Pursuant to The Book of Discipline of The United Methodist Church, 2016, ¶2543.1 & 3; *“No real property on which a church building or parsonage is located shall be mortgaged to provide for the current budget or operating expense of a local church.”* *“Exceptions to this restriction may be granted in specifically designated instances to allow use of equity and/or accumulated assets from the sale of property to provide for congregational redevelopment efforts including program and staff. Such exception may be granted by the annual conference, the bishop and the cabinet upon request of the local church in consultation with congregation development staff where applicable. A clear and detailed three-to-five-year redevelopment plan that projects a self-supporting ministry must accompany the request.”* Alternative collateral may need to be provided for an operating loan by a church, such as accounts on deposit with the Foundation. On a rare occasion, the Financial Services Committee may grant an unsecured loan.

**Special condition loans** are loans in which a borrower has sought a variance from the Foundation’s standard loan terms and conditions described above. Special condition loans may involve interest only payments on the loan for a period of time, no interest or principal payments until an asset is sold to apply on the loan or other special circumstances for the loan applicant. In such instances, the additional loans may be secured by a pledge of marketable securities, guaranteed by certain Church Organizations, or may be wholly unsecured.

As of December 31, 2021, the outstanding loans ranged in amount from \$5,758 to \$156,186. The majority ranged between \$5,750 to \$23,000. As of December 31, 2022, the outstanding loans ranged in amount from \$19,456 to \$141,143. As of December 31, 2023, the outstanding loans ranged in amount from \$15,540 to \$130,602. All loans were made predominantly for the construction, renovation, and repair of churches, parsonages, church camp and college campus ministry facilities, and for the refinancing of such obligations.

### **Loan Policies**

Loan amounts are limited to not more than 80% of the cost of new construction and/or the purchase of real estate or 80% of appraised fair market value for refinancing an existing loan with another lender. Loans for operating needs, renovation of existing facilities or grounds, repairs of existing facilities, and to re-finance existing loans may be made for up to 100% of the demonstrated need by the church. A bridge loan will be considered as a special condition loan, to finance 100% of the cost for the purchase of real estate, such as a new parsonage, with the condition that the net sale proceeds from the sale of other real estate, such as the existing parsonage, will be applied on the loan upon the completion of the sale of the other real estate.

The term of adjustable rate loans may be up to twenty years. Loan payments may be amortized for up to twenty-five years, providing for a balloon payment at the end of the twenty year or less loan term.

Loans generally must be secured by either a first or second real estate mortgage lien, by accounts on deposit with the Foundation, or by marketable securities that are placed with the Foundation during the term of the loan for collateral. When using accounts on deposit with the Foundation as collateral for a loan, the Borrower may borrow up to 75% of the fair market value of the account. When using marketable securities that are placed on deposit with the Foundation

as collateral for a loan, the Borrower may borrow up to 75% of the fair market value of the marketable securities. As noted, in limited circumstances, we have agreed to make unsecured loans. In considering each loan application, the Financial Services Committee reviews data on construction costs of the proposed project, the value of the property to be mortgaged, the financial capability of the Borrower seeking the loan and other purposes of the loan such as operating capital, along with our officers' recommendation as to approval or disapproval. We may from time to time require independent appraisals of properties to be mortgaged, although it is not required to do so by our loan policies. Loans are typically secured by a first lien on real property, but our experience indicates that a borrower's present and anticipated cash flow is a stronger indication of credit worthiness than property value.

Loan applications are considered and evaluated by our Financial Services Committee, consisting of eight members of the Board of Trustees. In evaluating the ability of a Church Organization to repay a loan, in addition to collateral requirements, our Financial Services Committee uses the following guidelines:

- A. Total annual debt service of the Church Organization will not exceed 33% of the total annual revenue of the Church Organization (annual revenue being defined as (1) the operating fund, (2) any capital improvements budget, and (3) any building fund);
- B. Total annual operating budget and debt service of the Church Organization will not exceed \$2,500 per giving unit (giving unit defined as pledge or regular contribution);
- C. Total loan amount will not exceed \$3,500 per giving unit;
- D. Annual debt service per giving unit of a Church Organization will not exceed \$500.00.

Borrowers must agree to not incur any additional debt without our prior written consent during the term of the loan.

### **Certain Information Regarding Loans**

We do not believe any single loan is material to our financial position. Within the past three fiscal years, we have not suffered any material loan losses. As of December 31, 2021, December 31, 2022, and December 31, 2023, no loans were delinquent or on nonaccrual status. Our management reviews loans for purposes of establishing reserves for potential loan losses. Our management's periodic evaluation of the adequacy of the allowance is based on their past lending experience, known and inherent risks in the notes and mortgages' receivable portfolio, adverse situations that may affect the borrower's ability to repay, industry standards, the estimated value of any underlying collateral, and current economic conditions. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. As of December 31, 2023, 2022 and 2021, management believes no allowance for notes and mortgage notes receivable is considered necessary.

## INVESTING ACTIVITIES

As described above, the proceeds of this offering of Certificates will be invested in loans to United Methodist Churches or churches related to the Methodist movement and located in Kansas and Nebraska. We endeavor to maintain appropriate and prudent margins between our borrowing costs from paying interest on our Certificates and the interest earned on loans to our borrowers. Any portion of the annual revenues earned on Church Development Loan Fund loans not used to pay operating expenses and interest on Certificates is added to our capital as undesignated net assets available for the general operating purposes of the Foundation, including making additional funds available to the Church Development Loan Fund. In addition to loan quality and managing the risk of loan losses, the principal factor in the return on our investment in loans is the interest rate margin. Over the past five years interest rates have remained relatively stable. As of December 31, 2021, our Certificates paid rates of 0.40% to 1.75%. Interest rates on outstanding loans vary from 3.00% to 4.50%. As of December 31, 2022, our Certificates paid rates of 0.65% to 2.50%. Interest rates on outstanding loans vary from 4.25% to 4.50%. As of December 31, 2023, our Certificates paid rates of 1.25% to 3.50%. Interest rates on the two remaining outstanding loans vary from 6.25% to 6.50%, not including the loans with Wesleyan Impact Partners. It is uncertain whether interest rates will increase, decrease, or remain constant in the future. A significant increase in interest rates would likely have a material adverse effect on our Church Development Loan Fund in one or more of the following respects, (1) increasing interest rate costs on Certificates, which have one- and two-year maturities, faster than the rates on loaned funds, which the borrower has the option to fix for an initial term of three or five years, (2) increasing the risk of default because of increased debt service cost to borrowers for adjustable rate loans, and (3) reducing demand for new loans because of higher interest rates.

Our Foundation assets as of December 31, 2021, included \$2,944,058 endowed, unrestricted funds which we invest and use the income primarily for purposes of making grants to carry out the purposes of the Foundation to support the programs and ministries of the United Methodist Church and churches and organizations related to the Methodist movement in Kansas. Custodial trust funds, which are restricted asset of the Foundation, may be used only for purposes directed by the grantor of the trust. This amount as of December 31, 2022 was \$2,375,561 and as of December 31, 2023 was \$2,866,523.

The Foundation invests endowment funds under the guidance provided by the Kansas Uniform Prudent Management of Institutional Funds Act, which provides seven criteria to guide investment and expenditure of endowment funds:

- (1) The duration and preservation of the endowment fund;
- (2) The purposes of the Foundation and the endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation or deflation;
- (5) The expected total return from income and appreciation of assets;
- (6) Other resources of the Foundation; and
- (7) The investment policy of the Foundation.

We have adopted investment and spending policies for endowment fund assets intended

to provide a predictable stream of revenue for funding organizations and programs currently while also maintaining the purchasing power of the endowment fund assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income and capital appreciation which exceeds the annual distributions made within acceptable levels of risk. Endowment assets are invested in a diversified mix including equity and debt securities intended to allow an annual distribution of 4.0% of the principal of the endowment, while growing the endowment if possible. We target a long- run rate of return of 7.0%-8.0%, but investment returns may vary from year to year and for cycles that may be of several years duration. Results of investments depend on numerous factors, including general economic conditions, equity market volatility, and interest rates, as well as the investment decisions affecting our portfolio of investments.

The Foundation's investments at December 31 are stated at fair value as summarized below:

2023	Church Loan		Custodial	
	<u>Fund</u>	<u>Endowments</u>	<u>Trust Funds</u>	<u>Total</u>
Cash and cash equivalents	\$	\$	\$	\$
Flexible investment notes	2,294,206			2,294,206
Balanced fund		21,046,527	27,494,701	48,541,228
Equity income fund	75,585	912,404	8,169,502	9,157,491
Fixed income fund		940,184	6,880,959	7,821,143
Short-term fund		123,383	4,574,866	4,698,249
US Treasury Bills	485,600			485,600
Marketable securities		37,459	21,433	58,892
Insurance		21,944		21,944
Mineral interest		32,459		32,459
Closely held stock				
	\$2,855,391	\$23,114,360	\$47,141,461	\$73,111,212

2022	Church Loan		Custodial	
	<u>Fund</u>	<u>Endowments</u>	<u>Trust Funds</u>	<u>Total</u>
Cash and cash equivalents	\$	\$	\$	\$
Flexible investment notes	4,758,172			4,758,172
Balanced fund		19,288,668	24,282,000	43,570,668
Equity income fund	63,438	790,440	6,701,712	7,555,590
Fixed income fund		709,612	5,676,192	6,385,804
Short-term fund		131,413	5,901,316	6,032,729
Marketable securities		36,042	21,352	57,394
Insurance		20,861		20,861
Mineral interest		40,212		40,212
Closely held stock				
	\$4,821,610	\$21,017,248	\$42,582,572	\$68,421,430

2021	Church Loan		Custodial	
	<u>Fund</u>	<u>Endowments</u>	<u>Trust Funds</u>	<u>Total</u>
Cash and cash equivalents	\$0	\$12	\$542	\$554
Flexible and term notes	4,241,183			4,241,183
Balanced fund	391,279	23,953,462	26,062,800	50,407,541
Equity income fund		1,057,006	8,089,577	9,146,583
Fixed income fund		894,172	6,747,571	7,641,743
Short-term fund		81,933	3,895,152	3,977,085
Marketable securities		88,746	53,638	142,384
Insurance		19,857		19,857
Mineral interest		31,946		31,946
Closely held stock				
	\$4,632,462	\$26,127,134	\$44,849,280	\$75,608,876

\*The Church Loan Fund's investment in cash, cash equivalents, and readily marketable securities which, for purposes of GAAP include the short-term fund in the table above, was increased by \$500,000 to total of \$2,573,481 at December 31, 2013, by subsequent action of the Board of Trustees. The Church Development Loan Fund does not treat cash held for operations as an "Investment" for purposes of the table above.

Our investment policies, including asset allocations, are made and maintained by the Financial Services Committee of the Board of Trustees, which currently consists of Trustees Shawn Wyatt, a Certified Financial Planner; Gary Beach, former Great Plains Conference treasurer; Sandra Holt, retired Investment Adviser Representative of Commonwealth Financial Network; Richard Martin, retired Kansas Health Foundation Investment Manager; Steve Schulte, retired CFO; Garth Strand, retired CEO of Heartland Credit Union; Carol Shelton, CPA; and Melinda Parks, Principal of Freestate Advisors.

We contract with third parties for custodial and investment management services. LPL Financial, Vanguard and Wesleyan Impact Partners serve as three of our four custodians of our Short Term Investment funds and Wespath Institutional Investments, 1901 Chestnut Avenue, Glenview, IL 60025, services our remaining investment accounts as well as our Short Term Investment fund. Consulting and fund management services are provided to us by Wespath Institutional Investments.

### SELECTED FINANCIAL DATA

The table below sets forth certain selected financial data with respect to the Foundation and its operations for the most recent three (3) fiscal years. Management has compiled this data from the Foundation's audited financial statements, and it should be read in conjunction with its current audited financial statements including notes thereto, included elsewhere in this Offering Circular.

<b>As of December 31</b>			
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash and investments	\$74,812,917	\$68,617,416	\$75,971,779
Total outstanding loans	146,142	160,599	184,854
Unsecured loans-amounts	0	0	5,758
Unsecured loans - % of total loans	0%	0%	0.0934%
Loan delinquencies as % of total loans	0%	0%	0%
Total assets	75,049,750	68,866,637	76,189,841
Outstanding Notes	4,026,781	4,837,126	4,568,135
Notes redeemed during year	987,361	137,024	484,826
Net assets	23,229,000	20,838,170	25,921,683

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Management regularly reviews the Church Development Loan Fund's overall financial condition, including past and expected performance in certain areas. The following discussion represents five of such areas.

**Changes in 2021, 2022 and 2023 Compared to Prior Years.** In 2021, the Foundation's cash and investment increased by \$15,539,288. Contributing factors to the increase were deposits into new and existing accounts of \$15,848,882. Capital gains received were \$1,838,737. Distributions from accounts totaled \$3,779,389. Unrealized market value decreased by \$1,384,314. Total outstanding loans decreased by \$53,478 in 2021. In 2022, even though the Foundation's cash and investment decreased by \$7,354,363, there were deposits into new and

existing accounts of \$7,674,556. Capital losses incurred were \$87,661. Distributions from accounts totaled \$3,115,844. Unrealized market value decreased by \$3,120,250. Total outstanding loans decreased by \$24,256 in 2022. In 2023, the Foundation’s cash and investment increased by \$6,195,501. Contributing factors to the increase were deposits into new and existing accounts of \$4,175,803. Capital gains received were \$9,401. Distributions from accounts totaled \$5,076,400. Unrealized market value increased by \$2,007,664. Total outstanding loans decreased by \$14,457 in 2023.

**Capital Adequacy.** The Board of Trustees has adopted a policy of maintaining a capital reserve for the Church Development Loan Fund from net assets at the end of each year of at least 5% of the outstanding principal balance of our Certificates. We consider this to be an adequate capital position to support our operation and provide a reasonable degree of protection to Investors against losses in the value of assets available to repay Certificates. An additional measure of Capital Adequacy is provided by comparing net assets to total assets as follows:

As of 12/31/23

Net assets of the Church Development Loan Fund	\$ 315,450
Total assets of the Church Development Loan Fund	<u>4,362,151</u>
Net Assets as Percentage of Total Assets	<u>7.23%</u>

**Liquidity.** The Foundation staff uses good faith efforts to manage the daily liquidity position in an effort to continually maximize the rate of return on the total Portfolio, while providing the necessary liquidity to provide funds for daily operations, withdrawals, and outstanding loan commitments. Historically, we have made interest and principal payments on our Certificates primarily from amounts we receive as principal and interest payments on outstanding loans and from investments in and renewals of Certificates. The Certificate of Participation Accounts are redeemable upon written notice sent to us by the holder of the Certificate of Participation Accounts. There can be no assurance that we will have the liquid assets sufficient to redeem the Certificate of Participation Accounts, which are redeemable upon demand, if a substantial number of Certificate of Participation Accounts are presented for redemption at one time. The operating capital allocated to the Church Development Loan Fund as described in the preceding paragraph is invested in cash, cash equivalents, such as money market funds, and marketable securities. See “INVESTING ACTIVITIES.” The Foundation requires that at the end of its most recent fiscal year, the issuer's cash, cash equivalents and readily marketable securities and available lines of credit have a value of at least 8% of the principal balance of its total outstanding notes, with the value of available lines of credit for meeting this standard not exceeding two percent (2%) of the principal balance of its total outstanding notes. As of December 31, 2023, the Kansas Methodist Foundation had cash, cash equivalents, and readily marketable securities equal to 62.2% of the total outstanding certificates determined as follows:

As of 12/31/23

Cash, cash equivalents and readily marketable securities	\$ 2,504,419
Total Investment Certificates	<u>\$ 4,026,781</u>
Liquid Assets as a Percentage of Outstanding Investment Certificates	<u>62.2%</u>

**Cash Flow.** In 2021, the amount of cash at the end of the year was \$125,854. In 2022, the amount of cash at the end of year was \$139,800. In 2023, the amount of cash at the end of the year was \$1,360,213. The Kansas Methodist Foundation’s ratio of available cash to the redemption of certificates as of December 31, 2023 is greater than 1 as follows:

Cash Flow for Redemption of Certificates as of 12/31/23	
Net cash flow from operating activities	\$ 106,099
Liquid assets at beginning of year	2,897,972
Net purchase of investments	1,966,218
Loan repayments	14,457
Loan disbursements	0
Proceeds from sale of Certificates	<u>121,000</u>
Cash available for redemption of Certificates	<u>5,105,746</u>
Redemption of Certificates during the year	<u>\$ 987,361</u>
Coverage Ratio	<u>5.17</u>

**Loan Losses.** In 2021 and 2022, and 2023, we had no loan losses.

**Operating Trends.** We strive to manage our Church Development Loan Fund operations to provide net investment income sufficient to pay interest expense on Certificates and other operating expenses. Gains on investments and gift income are also important sources for enhancing our capital position. However, we evaluate trends on operating results alone. In 2021, we had a decrease in net assets of the Church Development Loan Fund of \$490,040. In 2022, we had a decrease in net assets of the Church Development Loan Fund of \$93,562. In 2023, we had an increase in net assets of the Church Development Loan Fund of \$42,161.



## DESCRIPTION OF CERTIFICATES

The Certificates are in form of promises to repay with interest the amount invested by the purchaser of each Certificate. Key features and terms of our Certificate are as follows:

Term:	One-year or two-year maturity; maturity is on the 15 <sup>th</sup> of the maturing month
Minimum amount:	\$1,000
Interest rate:	Fixed rates adjusted monthly, or as needed due to market fluctuation, for new or maturing certificates
Interest payable:	Semi-annually or compounded monthly and reinvested in the Certificate.
Early withdrawal:	Permitted only in emergencies with penalty equal to 90 days' interest, penalty is waived in the event of Certificate holder's death.
Redemption:	At maturity for face amount plus accrued and unpaid interest upon timely surrender of the Certificate to the Foundation.
Renewal:	Automatic at our option for same term at then-current interest rate offered by the Foundation on new Certificates unless you surrender for redemption within ten days after the maturity date. We will notify you in writing of maturity and proposed extension at least ten (10) days prior to the Certificate's maturity date.

Certificates accrue interest daily from the date of issuance. We compound interest at the rate set forth on the face of each Certificate monthly until maturity date or any extension thereof. We will retain and credit interest to your account unless you specifically elect on the Application to Purchase to receive interest payments semiannually. At our election, we automatically extend the term of a Certificate on maturity at the then-current rate of interest for the Certificates of like term, unless you send a written demand for redemption to us prior to or ten (10) days after the original or any extended maturity date, along with the Certificate. In the case of automatic extension upon maturity, the new interest rate may be less than the interest rate on the original Certificate. If we elect not to extend the term, we will notify you in writing at least twenty (20) days prior to the original or extended maturity date. We send the most current copy of the Offering Circular to each Investor by April 30 of each year. Our Certificates are not insured by FDIC or SIPC or any other governmental agency.

We set the interest rate on new Certificates effective on the first business day of each month based on surveying commercial bank rates on certificates of deposit for like terms and the rates offered by other similar United Methodist entities on comparable investment certificates. While we exercise discretion and judgment in setting our interest rates, it is most often the average of the rates of the surveyed institutions. Due to market fluctuations, interest rates may be adjusted as needed throughout the month.

Although you have no right to redeem your Certificates before the maturity date, it has been our policy and practice to honor requests for early redemption upon a representation of personal or financial emergency need, subject to a penalty in the amount of 90 days' interest. We waive the penalty if a Certificate holder is deceased. We cannot assure you that we will continue this policy

in the future and we are not legally obligated to do so.

The Certificates are unsecured general obligations of the Foundation. We have not established and will not establish any sinking fund or trust indenture to provide for repayment of the Certificates. Accordingly, repayment is dependent upon the current liquidity and cash flow of the Foundation at the time of maturity or other date of redemption.

### **LIMITED CLASS OF OFFEREES AND RESTRICTIONS ON TRANSFER**

The Certificates are offered only to individuals, who certify to us that they are (1) individuals who attend, give to, or are members of a United Methodist Church or a church related to the Methodist movement or participate in a program, activity, or organization which is connected to the United Methodist Church or a church related to the Methodist movement; (2) legal entities such as partnerships, limited liability companies, and corporations, in which qualified individuals own more than 50% of the voting interests; (3) trusts of which the grantor, trustee, or one or more beneficiaries meets the definition of who would be a qualified individual under the foregoing standards; and (4) organizations such as churches, educational institutions, and other organizations historically or presently or formerly affiliated with the United Methodist Church in some significant connection. In addition, the offering is limited to persons who are bona fide residents of the State of Kansas who are purchasing for investment for their own account and not for distribution or resale to any other person or entity. For purposes of determining the residence of offerees and purchasers:

- A corporation, partnership, trust or other form of business organization shall be deemed to be a resident of Kansas if, at the time of the offer and sale to it, it has its principal office in the state.
- An individual shall be deemed to be a resident of Kansas if such individual has, at the time of the offer and sale to him, his or her principal residence in the state.
- A corporation, partnership, trust or other form of business organization which is organized for the specific purpose of acquiring a Certificate pursuant to this Offering Circular shall be deemed not to be a resident of Kansas unless all of the beneficial owners of such organization are Kansas residents.

### **PLAN OF DISTRIBUTION**

The Foundation's offering of the Certificates is made solely by the Offering Circular. We primarily solicit indications of interest in the purchase of our Certificates through advertisements in United Methodist Church publications in Kansas, our website, electronic mail, and direct mail to Kansas United Methodists. You can obtain an Offering Circular and additional material concerning the Certificates by contacting us. We then transmit materials to you. We directly mail or email our Offering Circular and advertising materials to current, past, and prospective investors. If you wish to purchase a Certificate, you must complete the Application to Purchase that accompanies the Offering Circular and send it to us with a check for the full amount, which must be a minimum of \$1,000. If we accept your Application to Purchase, we will notify you and send you your Certificate.

No underwriting or selling agreements exist and no direct or indirect commissions or remuneration will be paid to any individuals or organizations in connection with the offer and sale of the Certificates. The Certificates are sold for the Foundation by Executive Officers who receive no commissions, fees, or other special remuneration for or in connection with the sale of the Certificates. See “MANAGEMENT.”

## **TAX ASPECTS OF INVESTMENT IN CERTIFICATES**

Investors will not receive a charitable deduction upon the purchase of a Certificate. The interest paid or payable on the Certificates will be taxable as ordinary income to the holder in the year it is paid or accrued. As to interest accrued over the life of a Certificate to be paid at the maturity date, all investors must report such interest as income on their federal income tax returns and state income tax returns, if applicable, ratably over the term of the Certificate as interest accrues. We will report your interest income on Certificates each year by sending you an IRS Form 1099.

Federal law requires us to withhold the current backup withholding percentage from any interest payment made for which we have not received your Taxpayer Identification Number (“TIN”) and statement certification that backup withholding does not apply to you. If the Internal Revenue Service (“IRS”) has notified us that the TIN listed on your account is incorrect according to its records, we are required by law to withhold 28% of any interest payment. Any amounts withheld are applied to your federal tax liability, and a refund may be obtained from the IRS if withholding results in overpayment of taxes.

## **LITIGATION**

As of the date hereof, no litigation or other legal or administrative proceedings or claims (actual or threatened) are pending against us or our officers or directors.

## **MANAGEMENT**

### **Board of Trustees**

The Kansas Methodist Foundation, Inc. is a non-stock, not-for-profit corporation organized under the laws of the State of Kansas. We are governed by a Board of Trustees of up to 21 members. These members consist of fifteen (15) lay members of United Methodist churches and churches related to the Methodist movement located in the State of Kansas, and six (6) clergy members of The Great Plains Annual Conference of The United Methodist Church serving in Kansas. At least a majority of the Trustees shall be laypersons. At least 51% of the Board of Trustees shall be members of United Methodist Churches. The Foundation is an autonomous legal entity, and the obligations of the Foundation are not guaranteed by The United Methodist Church or any local church, annual conference, council, general board, agency, or any unit in the organizational structure of the United Methodist Church.

The Board also has organized and delegated authority to committees to give specific attention to certain aspects of its work. The Executive Committee represents the Board of

Trustees as needed to ensure the effective implementation of established board policies and procedures, and the development of appropriate governance recommendations for board policies to advance the organizational mission. The Executive Committee represents the interests of the Board of Trustees for issues which need Board consideration between scheduled meetings of the Board and derives its authority from delegation by Board action. Such authority shall not include amendment or repeal of the Corporation Articles or Bylaws or taking any action which violates established Board policies. The Executive Committee authority includes taking action on behalf of the Board in situations of emergency when Corporation assets or programs are at risk. All Executive Committee actions shall be reported to the full Board at the first reasonable opportunity. The Financial Services Committee meets approximately four times a year to provide oversight, coordination and full reporting to the Board of Trustees of the financial activities of the Corporation, including but not limited to investments, loans, budgeting and the annual audit. The committee reviews and monitors compliance of all agreements between donors, investors, and the Corporation, and is responsible for ensuring the financial commitments of the Corporation. The Missional Outreach Committee guides and coordinates the Corporation programs as needed to implement the established Corporation mission. The committee develops recommendations for the Board of Trustees on the strategies, resource requirements and the appropriate definition of success for Corporation efforts to serve churches, affiliated organizations and individuals across Kansas.

The members of the Board of Trustees, their terms of office, their principal occupations for the past five years, and the functions each performs for the Board are set forth below.

#### **Class of 2024**

Rev. Andrew Conard has been serving as a Pastor in the United Methodist Church since 2012. He began serving at Church of the Resurrection in 2006, at El Dorado First in 2012, at Berryton in 2018, and Susanna Wesley in 2019. He has engaged the services of the Foundation in two of the congregations he has served. Andrew received a Bachelor of Science in Biology from Pittsburg State University and a Masters of Divinity from Wesley Theological Seminary. Andrew is part of the Missional Outreach Committee for the Kansas Methodist Foundation.

Sue Dondlinger graduated from Kansas State University with a Bachelor of Science and later received her MBA from Wichita State University. She is a certified administrator of MBTI and has coach certification through ICF. Sue spent fifteen years as a management professor at Newman University. Following her years of teaching at Newman University, Cessna Aircraft hired Sue to start a leadership certificate program for their first-level managers. Several years later, Sue left to work as a consultant/contractor for small businesses, banks and non-profit organizations across Kansas. These years included work for the United Methodist Church, Legasus Group- a family business consulting firm and the Kansas Leadership Center. She remains involved in the community, volunteering on non-profit boards and in her church. Sue is part of the Missional Outreach Committee for the Kansas Methodist Foundation.

Rev. Jo Mead has served as the pastor at University United Methodist Church since 2015 and served Hugoton United Methodist Church from 2013 – 2015. She is viewed as a relational pastor and very connected. Her strengths area administrative and pastoral care. Jo is an elder in

full connection. Jo is part of the Missional Outreach Committee for the Kansas Methodist Foundation.

Mark Queen is a financial services professional, owner of several small businesses and an author. He specializes in building navigation teams that assist entrepreneurs in their pursuits both personally and entrepreneurially. He believes that just because you want to run your own company doesn't mean you have to do it by yourself. Mark has been called a "lifecoach" by many entrepreneurs. He believes that there is a difference between finding answers and being the one who must provide the solution. A highly functioning team approach can deploy solutions faster and more effectively than a person where all things must be done by the leader. Mark gives his time, financial expertise (talent) and financial resources to a number of organizations including Rotary International, his local church and a business resource group in his home area. He has served as president and chair for many organizations, as well as serving on several boards. Mark is part of the Missional Outreach Committee for the Kansas Methodist Foundation.

Sandra Holt graduated from Mississippi State University with a BS in consumer economics. She received her MBA from the University of South Florida in Tampa. Prior to joining the Financial Group in St. Petersburg, Florida, in 1986, Sandra worked in the banking industry. Sandra formed LifeStages Financial Solutions in 2007. She was an Investment Adviser Representative of Commonwealth Financial and an active member and past board member of the Financial Planning Association (FPA) for many years. She has been involved in planned giving programs. She is the current board chair and is part of the Financial Services Committee for the Kansas Methodist Foundation.

Richard Martin is retired from the Kansas Health Foundation. He is a member of the Topeka First United Methodist Church and has served in the past as a trustee and investment committee chair of both the United Methodist Health Ministry Fund and the Kansas Methodist Foundation. Richard has also served as a non-trustee investment committee member of the Foundation. For his local churches in Hutchinson, Newton and Wichita, he has served on various committees and boards. After graduation from the University of Kansas with a BS and MS in Business Administration, Richard's career included working for CPA firms in Kansas City and Hutchinson, financial officer and fixed income portfolio manager in several financial institutions in Newton and Wichita, and investment officer for the Kansas Health Foundation. Richard is part of the Financial Services Committee for the Kansas Methodist Foundation.

Ron Holt is a former Sedgwick County assistant manager who focused on the divisions of culture, entertainment, recreation, public safety and community development. Managing efforts to bring INTRUST Bank Arena to downtown Wichita, he held the responsibility of funding relationships with a number of community museums and attractions supported by Sedgwick County. Prior to joining Sedgwick County, Ron served in various roles for more than 30 years at Westar Energy, including leadership positions in customer service operations, human resources management, community affairs and field operations. Ron is part of the Missional Outreach Committee for the Kansas Methodist Foundation.

### **Class of 2025**

Janice Frahm came from a line of teachers and Methodists. After graduating from

Southwestern College and a graduate year at Kansas State University, she moved to Colby KS. Janice taught at Colby Community College for a brief time before marrying her husband Bruce and becoming a farming family who enjoy traveling. Janice is a past member of AAUW, current member of Colby UMC and UMW. She served on Colby Board of Education for a dozen years, served the Special Education Advisory Board for KS for six years and was re-elected in 2020 to the Board of Education. Janice is part of the Missional Outreach Committee for the Kansas Methodist Foundation.

Rev. Lance Carrithers has served United Methodist churches as a pastor in Kansas since 1989. He currently serves as lead pastor of Woodlawn United Methodist Church in Derby, Kansas. Lance's previous service includes the Board of Ordained Ministry of the Kansas West Annual Conference of the United Methodist Church, the United Methodist Health Ministry Fund Trustees, and the Camp Lakeside Site Council, as well as a number of conference and district committees in the United Methodist Church through the years. He currently serves on the Site Council of Camp Horizon. Lance is part of the Missional Outreach Committee for the Kansas Methodist Foundation.

Steve Schulte, a member of the United Methodist Church since 1976, recently retired as the Chief Financial Officer at Warehouse One, Inc. He served as Vice President on the Platte County R-3 Board of Education from 1989-1993, is a member of the American Institute of Certified Public Accountants and has held numerous volunteer positions in the Boy Scouts of America - Heart of America Council. He earned a BSBA with majors in Accounting and Finance and an MBA from the University of Central Missouri. He has been a member of Stilwell United Methodist Church since 1995. Steve is part of the Financial Services Committee for the Kansas Methodist Foundation.

Melinda Parks is a Principal at Freestate Advisors in Overland Park, KS. In addition to client management she is responsible for all accounting and finance functions at the firm. Melinda began her career as a Certified Public Accountant at Ernst & Young. After public accounting, she worked in banking and commercial mortgage loan servicing businesses. In 1997, she joined Sprint and held roles in Sprint's Financial Planning & Analysis and Finance Operations organizations. After transitioning to marketing, Melinda directed acquisition and retention marketing functions. Melinda served as Executive Sponsor of Sprint's women's resource group, WISE. Melinda graduated with distinction from the University of Kansas in Accounting and Business Administration. She is a member at Fairway Old Mission United Methodist Church. Melinda is part of the Financial Services Committee for the Kansas Methodist Foundation.

Duane Dunn recently retired as the Associate Dean of the Global Campus at Kansas State University. He is a member of the First United Methodist Church in Manhattan and served as the former chair of the Staff Parish Relations Committee. Duane is a member of the Manhattan Rotary Club and is a Paul Harris Fellow Rotary and a trustee of the Greater Manhattan Community Foundation. Duane is a graduate of Kansas State University where he received a Bachelors and Masters in Agriculture Education and a Doctorate in Educational Administration. Duane is part of the Missional Outreach Committee for the Kansas Methodist Foundation.

Stephen Morris attended Kansas State University where he graduated in 1969. Following graduation, he served in the United States Air Force as an active duty pilot. His active duty service

ceased in 1974 when he moved to reserve duty until 1991. He served on the Hugoton Board of Education (1977-1993), the KSU Alumni Association Board of Directors (1985-1991) and served as president of that board from 1989-1991. Stephen represented the 39th District as a Senator for twenty years (1993-2013), during which he served as President of the State Senate from 2005-2013. Additionally, he has been a member of the National Conference of State Legislators during his 20-year span as a senator, and President of that group from 2011-2012 part of the Council of State Governments, and additionally served on the executive board from 1997-2013. He has served on the Board of the United Methodist Health Ministry Fund (2012-2018), the Western Kansas Community Foundation (2013-2019), the Kansas Native Sons and Daughters Board (2014-2018) where he was also President 2017-2018. He currently serves on the Kansas Appleseed Board in addition to the Foundation's Board of Trustees. Steve is part of the Missional Outreach Committee for the Kansas Methodist Foundation.

Rev. Michael Tomson-DeGreeff grew up in St. Louis, MO, and then, moved to Boston where he attended Berklee College of Music, played drums in bands and managed a restaurant. In 1996, Michael began to feel the call to ordained ministry in the United Methodist Church. In 1999, he earned a Bachelor of Religious Studies from the University of Kansas. Then, he attended Saint Paul School of Theology in Kansas City, MO, and earned a Master of Divinity in 2003. He was ordained in 2006. Michael served for one year as the Campus Minister at KU (1998-99), then as the Senior Pastor at Pleasant Hill UMC in Topeka, KS (1999-2006), the Senior Pastor at Eudora UMC (2006-2013), the Senior Pastor at Wamego UMC (2013-2020) and starting in 2020, the Senior Pastor at Trinity UMC in Hutchinson, KS. Michael is part of the Missional Outreach Committee for the Kansas Methodist Foundation.

### **Class of 2026**

Gary Beach is retired from the Great Plains Annual Conference after serving as Treasurer and Director of Administrative Services. Gary graduated from Wichita State University where he obtained his degree in business administration and accounting. After graduating from St. Paul School of Theology in Kansas City, he served churches in Pittsburg, St. Mary's-Emmett-Bellevue, Council Grove and Ottawa, all in Kansas. He became the Emporia-Manhattan district superintendent from 1995 to 2001, and was director of connectional ministries for the former Kansas East Conference from 2001 to 2010. A vacancy in the treasurer/director of administrative services office of the conference led to his appointment in 2010. The Kansas West conference was added to his duties in 2011. He has 43 years in the ministry. Gary is part of the Financial Services Committee for the Kansas Methodist Foundation.

Shawn Wyatt began his career in the financial services industry in 2006 after graduating from Emporia State University. As a Certified Financial Planner®, Shawn believes that with proper strategy and planning both personal and financial goals can be achieved. He also sees the absolute need to stay vigilant in the management of his client's assets given the volatility that the market is capable of. Shawn has lived in central Kansas all his life and has been a Hutchinson resident since 2008. Shawn is part of the Financial Services Committee for the Kansas Methodist Foundation.

Rev Evelyn Fisher has undergraduate degrees in journalism and political science, but her

first job was working in corporate public relations and public affairs for a Fortune 500 company in Kansas City. She became a provisional member of the former Kansas East Conference in 1978 and a full member in 1981. Prior to being named director of congregational excellence for the new Great Plains Conference in 2013 where she oversaw much of the congregational programming resources, with supervisory duties over such areas as new church development, small-membership church ministry, young-adult ministry, youth ministry, mercy and justice advocacy and disaster response., she served churches in Bucyrus, Pomona-Richter, Burlington, Manhattan and Lenexa in Kansas, and she served six years as the Topeka District superintendent. She also served as consultant for pastoral and congregational concerns in the former Kansas East Conference and as director of clergy and congregational excellence in the Kansas Episcopal Area, which included both former Kansas conferences. One of her greatest accomplishments was being on the front row of the unification that led to the Great Plains Conference. Evelyn resides in Wichita where she has served as a consultant and coach for churches. Evelyn is part of the Missional Outreach Committee for the Kansas Methodist Foundation.

Randy Clinkscales founded Clinkscales Elder Law Practice, P.A. in 1985. He is a 1980 graduate of Washburn Law School and has represented clients at the administrative, county, state and federal levels in his 30+ years of practice. Randy was the first area attorney to become a member of the National Academy of Elder Law Attorneys (NAELA). He is also a member of the Kansas Chapter of NAELA, serving as its president for two terms (2009-2011), the Life Care Planning Law Firm Association, and the Elder Law Section of the Kansas Bar Association. In 2004, Clinkscales Elder Law Practice, P.A. began its Elder-Centered Practice, focusing on issues facing our aging population, as well as the caregivers for those who are aging. Randy has co-authored two books and authors a bi-weekly column in the Hays Daily News and Hays Post, where he writes about legal issues facing older adults and the benefits available to them. He presents seminars and workshops for continuing education purposes to health care professionals, financial professionals, and attorneys throughout the state of Kansas, as well as seminars to the public. Randy is a member at Hays FUMC where he is a Stephen minister and Sunday School class member. Randy is part of the Missional Outreach Committee for the Kansas Methodist Foundation.

Garth Strand is the retired CEO of the Heartland Credit Union after 27 years in that position. He is a former Interim KMF CEO. His skills are in the form of financial industry, nonprofit leadership, and organizational change. Garth has had multiple roles within the local church, while also serving on the Board for Wesley Towers, a local retirement community. He received his BS in Business Administration and his BS in Education both from Kansas State University. Garth has served as a strategic planning facilitator for various credit unions. He has a certification from CUNA Mortgage Corp. to sell mortgage loans to secondary markets, and he received extensive ALM training as a Board member of Kansas Corporate Credit Union. He also served as a board member of the Kansas Credit Union Association for 27 years, including five years as Chairman of its board. He also served on the board of Kansas Electronic Transfer System and was a member of the CUNA Cooperative Alliances Committee. Garth was appointed by the Governor to the Kansas Credit Union Council, serving from 2006 to 2012, including four years as Chair. Since 2012, he has served on the Reno County Public Building Commission and also currently serves on the Reno County Planning Commission. Garth is part of the Financial Services Committee for the Kansas Methodist Foundation.



Carol Shelton is a lifelong Methodist and native Kansan. She earned a BS in Accounting from Towson University in Baltimore, MD in 1987 and received her CPA Certificate in 1991. Her CPA career started with an international public accounting firm and has included work in local public accounting firms, aircraft manufacturing and with high wealth individuals. She is currently working for a family-owned group of businesses and serves on the College Hill United Methodist Finance Committee. Carol is part of the Financial Services Committee for the Kansas Methodist Foundation.

### **Employed Officers**

Rev. Dr. Dustin D. Petz has served as the President and CEO of the Foundation since July 2018. An ordained elder in the United Methodist Church, he was a local pastor for 18 years, serving communities and congregations across Kansas and Nebraska. Dustin has experience serving on the General Council on Finance and Administration of the United Methodist Church as Chair of the Fiduciary, Foundation, and Property Matters Committee and the Investment Committee. A 1998 graduate of Kansas State University with a Bachelor of Science, Agribusiness, Dustin received a Master of Divinity (M.Div.) from Saint Paul School of Theology, 2003, a Master of Theology (Th.M.) from Princeton Theological Seminary, 2005, and a Doctor of Ministry (D.Min.) from Wesley Theological Seminary in 2013.

K. Tyler Curtis joined the Foundation staff as the Chief Development Officer in August 2021. Prior to then, Tyler had more than 20 years of experience in education and development. Before coming to the Foundation, Tyler worked in University Advancement, Alumni Relations, and Governmental Affairs at Emporia State University. His professional experience also includes secondary education and administration, where he served as a teacher and principal. In his role at KMF, Tyler serves individuals, churches and related organizations through donor development, working to inspire generosity and facilitate giving to meet their charitable goals in life and via estate planning. Tyler holds a Bachelor of Education and a Master of Science in Educational Administration from Emporia State University as well as an Executive Certificate in Transformational Non-Profit Leadership from Notre Dame. He is a Certified Lay Servant in the Great Plains Conference of the United Methodist Church and working toward Certified Lay Minister credentials.

Gloria Markus joined the staff of the Foundation in December 2005 as the Administrative Assistant and is currently the Director of Finance since September 2015. Gloria received her Bachelor of Science in Business Administration from Emporia State University. Gloria has over 18 years experience in business administration and general accounting for the Foundation. Gloria completed Leadership Reno County in 2018.

### **Compensation**

Members of the Board of Trustees serve as volunteers without compensation. They are reimbursed for travel expenses, including mileage, hotel, and meals in connection with attendance at Board and committee meetings. No individual executive officer, director, or other person performing similar duties received compensation of \$150,000 or more during our last fiscal year.

The compensation of all officers and directors as a group was \$299,089 in 2021, \$359,093.53 in 2022 and \$386,917.65 in 2023.

## **FINANCIAL STATEMENTS**

The financial statements of the Kansas Methodist Foundation, Inc. as of and for years ended December 31, 2023 and 2022 have been audited by Lindburg Vogel Pierce Faris Chartered, independent auditors, as stated in their report appearing herein. These financial statements and the notes thereto are an integral part of this Offering Circular and should be read in conjunction herewith. The Foundation will provide its current audited financial statements upon written request and will mail a copy to all Investors within 120 days of its fiscal year end.

KANSAS METHODIST FOUNDATION, INC.

HUTCHINSON, KANSAS

DECEMBER 31, 2023



KANSAS METHODIST FOUNDATION, INC.  
Hutchinson, Kansas

TABLE OF CONTENTS  
December 31, 2023

INDEPENDENT AUDITORS' REPORT.....	1-2
FINANCIAL STATEMENTS	
Exhibit A    Statements of Financial Position.....	3
Exhibit B    Statements of Activities.....	4
Exhibit C    Statements of Functional Expenses.....	5
Exhibit D    Statements of Cash Flows.....	6
Notes to Financial Statements.....	7-22
SUPPLEMENTARY INFORMATION	
Schedule 1    Schedules of Church Development Loan Fund.....	23-24

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Jeffrey D. Reece, CPA  
Brady H. Byrnes, CPA  
Alex P. Larson, CPA  
Kayleen E. Million, CPA

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Kansas Methodist Foundation, Inc.  
Hutchinson, Kansas

### Opinion

We have audited the accompanying financial statements of Kansas Methodist Foundation, Inc. (the Foundation) Hutchinson, Kansas, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 Kansas Methodist Foundation, Inc. as of December 31, 2023 and 2022, 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.

### 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 Auditors' 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 audits. 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 these 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 the 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.

### Auditors' 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 auditors' 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 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.

### Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of Church Development Loan Fund are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants

Hutchinson, Kansas  
March 26, 2024

KANSAS METHODIST FOUNDATION, INC.  
Hutchinson, Kansas

STATEMENTS OF FINANCIAL POSITION  
December 31, 2023 and 2022

Exhibit A

ASSETS		
	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,639,115	\$ 184,969
Accrued interest receivable	405	105
Notes receivable	146,142	160,599
Prepaid expenses	37,750	-
Investments	25,969,751	25,838,858
Property and equipment, net	24,650	31,456
Operating lease right-of-use asset	27,886	55,747
Assets held as custodian		
Cash and cash equivalents	62,590	11,017
Accounts receivable	-	1,314
Investments	47,141,461	42,582,572
<b>TOTAL ASSETS</b>	<b>\$ 75,049,750</b>	<b>\$ 68,866,637</b>
LIABILITIES AND NET ASSETS		
<b>LIABILITIES</b>		
Payroll taxes payable	\$ 1,705	\$ 1,512
Accrued interest payable	19,920	11,699
Accrued employee benefits	26,437	26,744
Certificates of participation	4,026,781	4,837,126
Split-interest agreement obligations	513,190	499,956
Operating lease liability	28,666	56,527
Custodial funds payable		
Split-interest trust funds	4,080,912	3,903,730
Managed funds	43,123,139	38,691,173
<b>TOTAL LIABILITIES</b>	<b>51,820,750</b>	<b>48,028,467</b>
<b>NET ASSETS</b>		
Without donor restrictions	2,866,523	2,375,561
With donor restrictions	20,362,477	18,462,609
<b>TOTAL NET ASSETS</b>	<b>23,229,000</b>	<b>20,838,170</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 75,049,750</b>	<b>\$ 68,866,637</b>

See accompanying notes to financial statements.

KANSAS METHODIST FOUNDATION, INC.  
Hutchinson, Kansas

STATEMENTS OF ACTIVITIES  
For Years Ended December 31, 2023 and 2022

Exhibit B

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND SUPPORT</b>						
Stewardship services						
Contributions - trust additions	\$ 530,529	\$ 194,265	\$ 724,794	\$ 369,551	\$ 379,451	\$ 749,002
Fund management fees	276,706	-	276,706	264,426	-	264,426
Miscellaneous	594	13,930	14,524	3,572	-	3,572
Church Development Loan Fund						
Interest income church loans	9,244	-	9,244	7,294	-	7,294
Investment income (loss)	450,618	2,644,448	3,095,066	(388,315)	(3,995,626)	(4,383,941)
Net assets released from restrictions	939,541	(939,541)	-	998,618	(998,618)	-
<b>TOTAL REVENUES AND SUPPORT</b>	<b>2,207,232</b>	<b>1,913,102</b>	<b>4,120,334</b>	<b>1,255,146</b>	<b>(4,614,793)</b>	<b>(3,359,647)</b>
<b>EXPENSES</b>						
Program services						
Stewardship	264,285	-	264,285	248,679	-	248,679
Church Development Loan Fund	155,523	-	155,523	127,027	-	127,027
Trust distributions	1,049,578	-	1,049,578	1,200,655	-	1,200,655
Supporting services						
Management and general	246,884	-	246,884	247,282	-	247,282
<b>TOTAL EXPENSES</b>	<b>1,716,270</b>	<b>-</b>	<b>1,716,270</b>	<b>1,823,643</b>	<b>-</b>	<b>1,823,643</b>
<b>OTHER INCREASES (DECREASES)</b>						
Change in value of split-interest agreements	-	(13,234)	(13,234)	-	99,777	99,777
<b>CHANGE IN NET ASSETS</b>	<b>490,962</b>	<b>1,899,868</b>	<b>2,390,830</b>	<b>(568,497)</b>	<b>(4,515,016)</b>	<b>(5,083,513)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>2,375,561</b>	<b>18,462,609</b>	<b>20,838,170</b>	<b>2,944,058</b>	<b>22,977,625</b>	<b>25,921,683</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 2,866,523</b>	<b>\$ 20,362,477</b>	<b>\$ 23,229,000</b>	<b>\$ 2,375,561</b>	<b>\$ 18,462,609</b>	<b>\$ 20,838,170</b>

See accompanying notes to financial statements.



KANSAS METHODIST FOUNDATION, INC.  
Hutchinson, Kansas

STATEMENTS OF FUNCTIONAL EXPENSES  
For Years Ended December 31, 2023 and 2022

Exhibit C

	Program Services			Total	Supporting Services	Total
	Stewardship Services	Church Development Loan Fund	Trust Distributions		Management and General	
2023						
<b>EXPENSES</b>						
Salaries	\$ 227,323	\$ -	\$ -	\$ 227,323	\$ 116,277	\$ 343,600
Employee benefits	52,225	-	-	52,225	34,816	87,041
Insurance	-	-	-	-	5,491	5,491
Office expenses	16,342	329	-	16,671	57,162	73,833
Operations	-	-	-	-	578	578
Professional fees	-	-	-	-	22,555	22,555
Church resourcing	18,180	-	-	18,180	-	18,180
Public relations	6,340	-	-	6,340	465	6,805
Stewardship services	3,000	-	-	3,000	-	3,000
Interest	-	80,444	-	80,444	-	80,444
Consulting expenses	595	-	-	595	1,533	2,128
Other programs	7,830	-	-	7,830	-	7,830
Staff resources	7,200	-	-	7,200	5,819	13,019
Miscellaneous	-	-	-	-	2,188	2,188
Management fees	(74,750)	74,750	-	-	-	-
Trust distributions	-	-	1,049,578	1,049,578	-	1,049,578
<b>TOTAL EXPENSES</b>	<b>\$ 264,285</b>	<b>\$ 155,523</b>	<b>\$ 1,049,578</b>	<b>\$ 1,469,386</b>	<b>\$ 246,884</b>	<b>\$ 1,716,270</b>
2022						
<b>EXPENSES</b>						
Salaries	\$ 215,181	\$ -	\$ -	\$ 215,181	\$ 108,600	\$ 323,781
Employee benefits	50,085	-	-	50,085	33,390	83,475
Insurance	-	-	-	-	5,294	5,294
Office expenses	19,845	624	-	20,469	72,268	92,737
Operations	-	-	-	-	760	760
Professional fees	-	-	-	-	20,740	20,740
Church resourcing	16,393	-	-	16,393	-	16,393
Public relations	9,333	-	-	9,333	431	9,764
Stewardship services	3,000	-	-	3,000	-	3,000
Interest	-	51,131	-	51,131	-	51,131
Consulting expenses	645	-	-	645	760	1,405
Other programs	3,147	-	-	3,147	-	3,147
Staff resources	6,322	-	-	6,322	4,319	10,641
Miscellaneous	-	-	-	-	720	720
Management fees	(75,272)	75,272	-	-	-	-
Trust distributions	-	-	1,200,655	1,200,655	-	1,200,655
<b>TOTAL EXPENSES</b>	<b>\$ 248,679</b>	<b>\$ 127,027</b>	<b>\$ 1,200,655</b>	<b>\$ 1,576,361</b>	<b>\$ 247,282</b>	<b>\$ 1,823,643</b>

See accompanying notes to financial statements.

KANSAS METHODIST FOUNDATION, INC.  
Hutchinson, Kansas

STATEMENTS OF CASH FLOWS  
For Years Ended December 31, 2023 and 2022

Exhibit D

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 2,390,830	\$ (5,083,513)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	6,806	6,502
Noncash contributions	(94,911)	(458,156)
Contributions restricted for investment in Foundation	(194,265)	(379,451)
Interest added to certificates of participation	56,016	38,014
Change in value of split-interest agreements	13,234	(99,777)
(Gain) loss on sale of investments	(25,877)	81,618
Unrealized (gain) loss on investments	(2,343,045)	4,966,311
(Increase) decrease in:		
Accrued interest receivable	(300)	265
Prepaid expense	(37,750)	-
Operating lease right-of-use asset	27,861	(55,747)
Increase (decrease) in:		
Payroll taxes payable	193	(204)
Accrued interest payable	8,221	3,145
Accrued employee benefits	(307)	1,646
Operating lease right-of-use liability	(27,861)	56,527
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(221,155)</u>	<u>(922,820)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments on notes receivable	14,457	24,256
Purchase of property and equipment	-	(5,120)
Proceeds from sale of investments	5,944,716	5,943,380
Purchase of investments	(3,611,776)	(5,612,415)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>2,347,397</u>	<u>350,101</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for investment in Foundation	194,265	379,451
Sale of certificates of participation	121,000	368,000
Redemption of certificates of participation	(987,361)	(137,024)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>(672,096)</u>	<u>610,427</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,454,146	37,708
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>184,969</u>	<u>147,261</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 1,639,115</u>	<u>\$ 184,969</u>
<b>ADDITIONAL CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 72,223</u>	<u>\$ 47,986</u>

See accompanying notes to financial statements.

KANSAS METHODIST FOUNDATION, INC.  
Hutchinson, Kansas

NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

NOTE 1—NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Kansas Methodist Foundation, Inc. (the Foundation) is a Kansas not-for-profit corporation whose mission is to serve as a catalyst that strengthens and preserves the programs and ministries of churches, affiliated organizations and agencies, and congregants of the United Methodist Church, and of the churches, affiliated organizations and agencies, and congregants of churches related to the Methodist movement located in Kansas and Nebraska through education, planning, resourcing, and financial management.

The Foundation also offers the opportunity to purchase Certificates of Participation by churches, affiliated organizations and agencies, and congregants of the United Methodist Church, and of the churches, affiliated organizations and agencies, and congregants of churches related to the Methodist movement located in Kansas and Nebraska so that the Foundation may provide church loans within Kansas and Nebraska. Beginning December 31, 2022, Certificates of Participation are only available for churches, affiliated organizations and agencies, and congregants within Kansas.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

Basis of Presentation

The Foundation has adopted Financial Accounting Standards Board (FASB) Accounting Standard Codification topic, *Financial Statements of Not-For-Profit Organizations*. Net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** – Net assets available for general use and not subject to donor restrictions. Funds designated for donor advised grants are available for distribution upon recommendation by the donor. The Trustees have designated net assets without donor restrictions for endowment, operations, and the Church Development Loan Fund purposes. Net assets without restrictions also include the investment in property and equipment.

**Net Assets With Donor Restrictions** – Net assets that are contributions and endowment investment earnings subject to donor imposed restrictions. The Foundation may report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

As of December 31, 2023 and 2022, the Foundation's net assets with donor restrictions are restricted for funding religious and philanthropic programs specified by the donor.

Cash and Cash Equivalents

The Foundation considers checking accounts and Money Market accounts as cash equivalents.

### Notes Receivable

The Foundation provides loans to churches and related agencies for building and improvement projects. The ability of the entities to honor their contracts is dependent upon general economic conditions in this area.

Notes receivable are stated as unpaid principal balances. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

A loan is considered impaired when, based on current information and events, it is probable that the Foundation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by the Foundation in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Impairment is measured on a loan-by-loan basis.

The amount of loans on nonaccrual status at December 31, 2023 and 2022, was \$0.

### Allowance for Loan Loss

An allowance for loan loss is maintained at a level management believes is adequate to provide for potential loan losses. Management's periodic evaluation of the adequacy of the allowance is based on their past lending experience, known and inherent risks in the notes and mortgages' receivable portfolio, adverse situations that may affect the borrower's ability to repay, industry standards, the estimated value of any underlying collateral, and current economic conditions. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

As of December 31, 2023 and 2022, management believes no allowance for notes and mortgage notes receivable is considered necessary. While management uses available information to estimate losses on notes and mortgage notes, changes in economic conditions may necessitate revision of the estimate in future years.

### Investment Securities

The Foundation accounts for investments under FASB Accounting Standards Codification 958, *Accounting for Certain Investments Held by Not-For-Profit Organizations*. Under the topic, investments are valued at their fair values in the statements of financial position; unrealized gains and losses are included in the statements of activities. Realized gains or losses on dispositions are based on the net proceeds and the adjusted carrying amounts of the securities sold using the specific identification method.

As a religious entity, the Foundation is exempt from registration as a registered investment advisor under Section 203(b)(4) of the Investment Advisers Act.

### Property and Equipment

Property and equipment are recorded at estimated fair market value at date of donation or at cost if purchased. Depreciation is computed on the straight-line method and is based on expected useful lives ranging from five to seven years.

### Custodial Funds Payable

The Foundation as a custodian has received assets, which are held or disbursed only in accordance with the governing trust documents and investment management agreements. Since funds held as custodian are held in trust and are not income generating assets of the Foundation, the receipt of such funds and the income and expenses that might be generated from them, are not considered a part of the Foundation's operations, and therefore, are not reflected in the statements of activities and changes in net assets.

### Income Tax Status

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

### Revenue Recognition

In accordance with Financial Accounting Standards Board, Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (ASC 606), the Foundation recognizes revenue in a way that depicts the transfer of goods or services to the customer in amounts that reflect the consideration or payment to which the Foundation expects to be entitled.

Contributions, including unconditional promises to give, are recognized as revenues in the period the gift or promise is received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift, and unless instructed otherwise by the donor, are liquidated upon receipt or as soon as practical thereafter. Conditional contributions and promises to give are not recognized until the conditions on which they depend are substantially met.

Revenue from fund management fees is recognized when the Foundation has an enforceable right to payment with fees based on fund market values on date billed. Revenue from capital campaigns is recognized when the Foundation has an enforceable right to payment in accordance with the terms of the campaign agreement.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Foundation has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), and therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to providing consulting services. The performance obligations for these contracts are generally completed when the project is completed.

### Functional Allocation of Expense

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and employee benefits, office expense, professional fees, public relations, consulting, other programs, and staff resources all of which are allocated based on estimates of time, effort, or other reasonable basis.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

### Accounting Changes

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASU's, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2020-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That are not Public Business Entities*. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

The Foundation elected to adopt these ASU's effective January 1, 2022, and utilized all of the available practical expedients. The adoption did not have a material impact on the Foundation's statement of financial position or the statement of activities. The most significant impact was the recognition of ROU and lease liabilities for operating leases. The accounting for finance leases remained substantially unchanged. Adoption of the standard required the Foundation to restate amounts as of January 1, 2022, resulting in an increase in operating lease ROU assets of \$83,589 and an increase in operating lease liabilities of \$83,589.

### NOTE 2—LIQUIDITY

The Foundation manages its cash available to meet general expenditures and distributions by operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use within one year of the balance sheet date, comprise the following at December 31:

	2023			
	Church Development Loan Fund	Board Designated Endowments	Donor Advised Funds	Total
Cash and equivalents	\$ 1,360,213	\$ 19,616	\$ (1,750)	\$ 1,378,079
Accrued interest receivable	405	-	-	405
US Treasury bills	485,600	-	-	485,600
Flexible demand notes	1,144,206	-	-	1,144,206
Short-term time notes	1,150,000	-	-	1,150,000
Balanced fund	-	1,542,296	282,102	1,824,398
Equity fund	75,585	235	34,190	110,010
Fixed income fund	-	67,648	184,375	252,023
Short-term fund	-	11,948	347,989	359,937
	<u>\$ 4,216,009</u>	<u>\$ 1,641,743</u>	<u>\$ 846,906</u>	<u>\$ 6,704,658</u>

	2022			
	Church Development Loan Fund	Board Designated Endowments	Donor Advised Funds	Total
Cash and equivalents	\$ 139,800	\$ 36,315	\$ (1,591)	\$ 174,524
Accrued interest receivable	105	-	-	105
Flexible demand notes	2,758,172	-	-	2,758,172
Short-term time notes	2,000,000	-	-	2,000,000
Balanced fund	-	1,431,535	375,525	1,807,060
Equity fund	63,438	4,707	36,666	104,811
Fixed income fund	-	48,096	14,759	62,855
Short-term fund	-	30,629	99,783	130,412
	<u>\$ 4,961,515</u>	<u>\$ 1,551,282</u>	<u>\$ 525,142</u>	<u>\$ 7,037,939</u>

In addition to these funds available for general expenditures, the Foundation charges an administrative fee based on the fund market values and loan balances to cover general expenses required to operate the Foundation. Administrative fees of \$516,247 for 2023 and \$506,980 for 2022 were charged to specific funds. Such fee income and expense is netted in the presentation of the statements of activities. Budgeted administrative fees for 2024 are \$450,000.

For funds that are endowed and annuity and trust distributions, amounts are calculated periodically with distributions funded by investment sales.

#### NOTE 3—NOTES RECEIVABLE

Notes receivable consist of the following at December 31:

	2023	2022
Notes receivable - church loans	\$ 146,142	\$ 160,599
Allowance for credit losses	-	-
	<u>\$ 146,142</u>	<u>\$ 160,599</u>

Loan rates vary from 6.25% to 6.50%.

Notes receivable are typically secured by either a first or second real estate mortgage, lien by accounts on deposit with the Foundation, or by marketable securities that are placed with the Foundation during the term of the loan for collateral.

## NOTE 4—INVESTMENTS

The Foundation's investments at December 31 are stated at fair value as summarized below:

	2023			
	Church	Endowments	Custodial	Total
	Development Loan Fund		Trust Funds	
Flexible demand notes	\$ 1,144,206	\$ -	\$ -	\$ 1,144,206
Short-term time notes	1,150,000	-	-	1,150,000
Balanced fund				
Multiple Asset Fund	*	21,046,527	27,494,701	48,541,228
Equity fund				
U.S. Equity Fund	*	34,234	413,144	3,619,958
U.S. Equity Index Fund	*	15,274	184,565	1,792,200
International Equity Fund	*	26,077	314,695	2,757,344
Fixed income fund				
Fixed Income Fund	*	-	940,184	6,880,959
Short-term fund				
Short-Term Investment Fund	*	-	57,023	2,114,318
Short-term time notes		-	20,754	769,541
Marketable certificates of deposit		-	45,606	1,691,007
US Treasury bills	485,600	-	-	485,600
Marketable securities	-	37,459	21,433	58,892
Insurance	-	21,944	-	21,944
Mineral interest	-	32,459	-	32,459
	<u>\$ 2,855,391</u>	<u>\$ 23,114,360</u>	<u>\$ 47,141,461</u>	<u>\$ 73,111,212</u>

\* Wespath Institutional Investments Series I



	2022			
	Church Development Loan Fund	Endowments	Custodial Trust Funds	Total
Flexible demand notes	\$ 2,758,172	\$ -	\$ -	\$ 2,758,172
Short-term time notes	2,000,000	-	-	2,000,000
Balanced fund				
Multiple Asset Fund	*	-	19,288,668	24,282,000
Equity fund				
U.S. Equity Fund	*	27,846	346,957	2,941,657
U.S. Equity Index Fund	*	12,290	153,133	1,298,334
International Equity Fund	*	23,302	290,350	2,461,721
Fixed income fund				
Fixed Income Fund	*	-	709,612	5,676,192
Short-term fund				
Short-Term Investment Fund	*	-	32,215	1,446,649
Short-term time notes		-	56,067	2,517,798
Marketable certificates of deposit		-	43,131	1,936,869
Marketable securities		-	36,042	21,352
Insurance		-	20,861	-
Mineral interest		-	40,212	-
	<u>\$ 4,821,610</u>	<u>\$ 21,017,248</u>	<u>\$ 42,582,572</u>	<u>\$ 68,421,430</u>

\* Wespath Institutional Investments Series I

Investment income (loss) for the years ended December 31 was as follows:

	2023	2022
Interest, dividends, and royalties	\$ 705,183	\$ 586,716
Realized gains (losses)	48,798	(2,213)
Unrealized gains (losses)	2,343,045	(4,966,311)
	3,097,026	(4,381,808)
Investment expenses	1,960	2,133
	<u>\$ 3,095,066</u>	<u>\$ (4,383,941)</u>

## NOTE 5—FAIR VALUE MEASUREMENTS

The Foundation has determined the fair value of certain assets and liabilities through application of Fair Value Measurements and Disclosure topic of the FASB Accounting Standards Codification. The standards define fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described below:

- Level 1 inputs - are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 inputs - are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs - are unobservable inputs for assets or liabilities.

A description of the valuation methods used for assets on a recurring basis is set forth below:

- Investment securities classified as Level 1 include mutual funds, bonds, common and preferred stocks, which have values based on unadjusted quoted prices in active markets.
- Investment securities classified as Level 2 include corporate debt, asset backed securities, and government issued debt securities that have observable inputs in markets that are less than active.

The investments held at Wespath Institutional Investments classified as Level 2 are valued daily by fund management after the close of U.S. markets. Fund unit prices are determined by accumulating the fair value of securities owned by the fund and dividing by the number of shares outstanding for the fund. For investments in assets not traded on a recognized market on a daily basis, fair value is determined by information received from the issuers of the investments. Redemptions over \$2,000,000 may require a 15-day notice for all funds other than the Short-Term Investment Fund.

- Insurance contract values represent the cash value of the contracts based on the contract terms and are classified within Level 3.
- Mineral interests are valued at a factor of the royalty income and other observable inputs are not readily available. These assets are classified as Level 3.

	Fair Values	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fair value measurements at December 31, 2023, are as follows:				
Wespath Institutional Investments				
Multiple Asset Fund	* \$ 48,541,228	\$ -	\$ 48,541,228	\$ -
U.S. Equity Fund	* 4,067,336	-	4,067,336	-
U.S. Equity Index Fund	* 1,992,039	-	1,992,039	-
International Equity Fund	* 3,098,116	-	3,098,116	-
Fixed Income Fund	* 7,821,143	-	7,821,143	-
Short-Term Investment Fund	* 2,171,341	-	2,171,341	-
Money market funds	1,683,103	1,683,103	-	-
US Treasury bills	485,600	485,600	-	-
Marketable certificates of deposit	1,736,613	-	1,736,613	-
Flexible demand notes	1,144,206	-	1,144,206	-
Short-term time notes	1,940,295	-	1,940,295	-
Investment securities	58,892	-	58,892	-
Life insurance	21,944	-	-	21,944
Mineral interest	32,459	-	-	32,459
	<u>\$ 74,794,315</u>	<u>\$ 2,168,703</u>	<u>\$ 72,571,209</u>	<u>\$ 54,403</u>

Fair value measurements at December 31, 2022, are as follows:

Wespath Institutional Investments				
Multiple Asset Fund	* \$ 43,570,668	\$ -	\$ 43,570,668	\$ -
U.S. Equity Fund	* 3,316,460	-	3,316,460	-
U.S. Equity Index Fund	* 1,463,757	-	1,463,757	-
International Equity Fund	* 2,775,373	-	2,775,373	-
Fixed Income Fund	* 6,385,804	-	6,385,804	-
Short-Term Investment Fund	* 1,478,864	-	1,478,864	-
Marketable certificates of deposit	3,980,000	-	3,980,000	-
Flexible demand notes	2,758,172	-	2,758,172	-
Short-term time notes	2,573,865	-	2,573,865	-
Investment securities	57,394	-	57,394	-
Life insurance	20,861	-	-	20,861
Mineral interest	40,212	-	-	40,212
	<u>\$ 68,421,430</u>	<u>\$ -</u>	<u>\$ 68,360,357</u>	<u>\$ 61,073</u>

\* Wespath Institutional Investments

Fair value measurements for Level 3 assets are as follows:

	Life Insurance	Mineral Interests
December 31, 2021	\$ 19,857	\$ 31,946
Change in cash surrender value	1,004	-
Change in value based on valuation factor of royalties received	-	8,266
December 31, 2022	20,861	40,212
Change in cash surrender value	1,083	-
Change in value based on valuation factor of royalties received	-	(7,753)
December 31, 2023	<u>\$ 21,944</u>	<u>\$ 32,459</u>

#### NOTE 6—PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2023	2022
Office furniture and equipment	\$ 14,102	\$ 14,102
Computer software	14,815	14,815
Automobile	50,905	50,905
	79,822	79,822
Accumulated depreciation and amortization	<u>(55,172)</u>	<u>(48,366)</u>
	<u>\$ 24,650</u>	<u>\$ 31,456</u>

Depreciable assets are stated at cost and are depreciated on the straight-line basis over their estimated useful lives. The Foundation capitalizes all significant fixed assets. Maintenance and repairs are capitalized when they significantly extend the life of the assets. Depreciation expense for 2023 and 2022, was \$6,806 and \$6,502, respectively.

#### NOTE 7—CERTIFICATES OF PARTICIPATION

The Foundation offers a program of interest-bearing investment certificates of participation for investors in connection with its Church Development Loan Fund program. These funds are used to provide loans to churches and church agencies for building and improvement projects.

At December 31, 2023, scheduled maturities of certificates of participation are as follows:

Interest Rates	2024	2025	Total
1.00% - 1.49%	\$ 98,786	\$ -	\$ 98,786
1.50% - 1.99%	627,897	-	627,897
2.00% - 2.49%	76,492	291,873	368,365
2.50% - 2.99%	812,166	485,150	1,297,316
3.00% - 3.49%	121,011	141,372	262,383
3.50% - 3.99%	1,372,034	-	1,372,034
	\$ 3,108,386	\$ 918,395	\$ 4,026,781

#### NOTE 8—SPLIT-INTEREST AGREEMENT OBLIGATIONS

The Foundation has entered into irrevocable agreements with donors whereby in exchange for the gift from the donor, the Foundation is obligated to provide an annuity to the donor or other designated beneficiaries for a specific number of years or the beneficiaries' lifetime. A liability is recognized for the estimated present value of the annuity obligation and the assets are recorded at their gross market value. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables. The fair market value of assets held under split-interest agreements were \$1,360,166 and \$1,233,583 for the years ended December 31, 2023 and 2022, respectively.

#### NOTE 9—LEASES

During 2010, the Foundation entered into a lease agreement to lease office space from the United Methodist Health Ministry Fund. The lease shall automatically renew for subsequent three-year "Renewal Terms" with base rent increasing 3.0% each year of the renewal term. The lease agreement provides for a monthly lease rent based on the relative percentage of the office space assigned to the Foundation.

The following summarizes the line items in the balance sheets, which include amounts for operating leases as of December 31, 2023:

Operating Leases	
Operating lease right-of-use asset	\$ 27,886
Operating lease liability	\$ 28,666

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2023:

Weighted Average Remaining Lease Term	
Operating leases	1 year
Weighted Average Discount Rate	
Operating leases	0.09%

The maturities of lease liabilities as of December 31, 2023, were as follows:

<u>Year Ending</u>	<u>Amount</u>
2024	\$ 28,680
Total lease payments	28,680
Interest	<u>(14)</u>
Present value of lease liabilities	<u>\$ 28,666</u>

The following summarizes the line items in the statement of activities, which include the components of lease expense for the year ended December 31, 2023:

	<u>Amount</u>
Operating lease expense included in stewardship services	\$ 11,160
Operating lease expense included in management and general	<u>16,740</u>
Total expense	<u>\$ 27,900</u>

The following summarizes cash flow information related to leases for the year ended December 31, 2023:

	<u>Amount</u>
Cash Paid for Amounts Included in the Measurement of Lease Liabilities	
Operating cash flows from operating leases	<u>\$ 27,900</u>

## NOTE 10—CUSTODIAL FUNDS PAYABLE

The changes in custodial funds payable for the years ended December 31 are as follows:

	2023		2022	
	Split-Interest Trust Funds	Managed Funds	Split-Interest Trust Funds	Managed Funds
Revenues and support				
Investment income	\$ 88,000	\$ 1,042,652	\$ 89,987	\$ 790,259
Realized gains (losses)	25,156	(41,632)	21,201	(27,244)
Unrealized gains (losses)	407,942	3,942,767	(965,849)	(7,120,712)
Total revenues and support	521,098	4,943,787	(854,661)	(6,357,697)
Disbursements				
Expenses				
Management fees	32,705	247,219	34,778	233,248
Other increases (decreases)				
Trust principal additions	38,000	3,413,009	-	6,925,554
Trust account distributions	(349,211)	(3,677,611)	(247,022)	(1,668,167)
Total other increases (decreases)	(311,211)	(264,602)	(247,022)	5,257,387
Net change	177,182	4,431,966	(1,136,461)	(1,333,558)
Balance at beginning of year	3,903,730	38,691,173	5,040,191	40,024,731
Balance at end of year	<u>\$ 4,080,912</u>	<u>\$ 43,123,139</u>	<u>\$ 3,903,730</u>	<u>\$ 38,691,173</u>

## NOTE 11—DONOR-DESIGNATED ENDOWMENTS (UPMIFA STATE)

The Foundation follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the State of Kansas (K.S.A. 58-3611 et seq.) and effective July 1, 2008, and its own governing documents and policies for the management of endowment funds. The Foundation's donor-designated endowments consist of approximately 334 individual accounts established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Kansas UPMIFA provides that an institution, in this case being the Foundation, “may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for uses, benefits, purposes, and duration for which the endowment fund is established.” However, the statute provides that the intent of a donor as expressed in the gift instrument shall always control any decision by the Foundation. The Kansas UPMIFA requires the Foundation in making spending decisions for an endowment fund to focus on the purposes of the endowment fund, and subsequently to give priority to the donor’s general intent that the fund be maintained permanently. Although the Kansas UPMIFA does not require that a specific amount be set aside as “principal,” as was the case under prior law, the current law assumes that the Foundation will act to preserve principal (i.e., to maintain the purchasing power of the amounts contributed to the fund) while spending “income” (i.e., making a distribution each year that represents a reasonable spending rate, given investment performance and general economic conditions), absent explicit donor stipulations to the contrary. Therefore, the Foundation continues to identify and monitor the principal in each endowment fund under accounting principles, identifying the original value of any gifts to the fund, and the increases in value necessary to maintain the purchasing power of the fund. The Foundation therefore, classifies as net assets with donor restrictions (a) the original value of gifts donated to a permanent endowment fund, (b) the original value of subsequent gifts to a permanent endowment fund, and (c) accumulations to the permanent endowment fund made in accordance with the directions of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Kansas UPMIFA.

The Kansas UPMIFA further provides seven criteria to guide the Foundation in its annual expenditure decisions:

- (1) The duration and preservation of the endowment fund;
- (2) The purposes of the Foundation and the endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation or deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Foundation; and
- (7) The investment policy of the Foundation.

#### Investment Return Objectives, Risk Parameters, and Strategies

The Foundation has adopted investment and spending policies, approved by the Foundation’s board of trustees, for endowment fund assets that attempt to provide a predictable stream of funding to organizations and programs supported by its endowment funds while also maintaining the purchasing power of those endowment fund 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. 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 of 4.0% of a three-year rolling average, while growing the funds if possible. Therefore, the Foundation expects its endowment fund assets, over time, to produce an average rate of return of approximately 7.0% to 8.0% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund account; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.



### Spending Policy

The Foundation has a policy of appropriating for distribution each year approximately 4.0% of each endowment fund's three year moving average of fair value as of January 1. The Foundation's spending policy for endowment funds is subject to annual review and adjustment. In establishing the 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 Foundation expects the current spending policy to allow its endowment fund accounts to grow at a nominal average rate of 2.5% - 3.0% annually, which is consistent with the Foundation's objective to maintain the purchasing power of the assets of each endowment fund as well as to provide additional real growth through investment return.

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total Endowment</u>
Endowment net asset composition by type of fund as of December 31, 2023, is as follows:			
Donor-restricted endowment fund	<u>\$ 1,644,474</u>	<u>\$ 20,362,477</u>	<u>\$ 22,006,951</u>

Changes in endowment net assets as of December 31, 2023, are as follows:

Endowment net assets, beginning of year	\$ 1,556,269	\$ 18,462,609	\$ 20,018,878
Contributions	34,107	194,265	228,372
Investment income	185,353	2,644,448	2,829,801
Other income	441,497	13,930	455,427
Net assets released from restrictions	(572,752)	(939,541)	(1,512,293)
Change in value of split-interest agreements	-	(13,234)	(13,234)
Endowment net assets, end of year	<u>\$ 1,644,474</u>	<u>\$ 20,362,477</u>	<u>\$ 22,006,951</u>

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total Endowment</u>
Endowment net asset composition by type of fund as of December 31, 2022, is as follows:			
Donor-restricted endowment fund	<u>\$ 1,556,269</u>	<u>\$ 18,462,609</u>	<u>\$ 20,018,878</u>

Changes in endowment net assets as of December 31, 2022, are as follows:

Endowment net assets, beginning of year	\$ 1,875,443	\$ 22,977,625	\$ 24,853,068
Contributions	53,403	379,451	432,854
Investment loss	(299,085)	(3,995,626)	(4,294,711)
Other income	440,066	-	440,066
Net assets released from restrictions	(513,558)	(998,618)	(1,512,176)
Change in value of split-interest agreements	-	99,777	99,777
Endowment net assets, end of year	<u>\$ 1,556,269</u>	<u>\$ 18,462,609</u>	<u>\$ 20,018,878</u>

**NOTE 12—EMPLOYEE BENEFIT PLAN**

The Foundation has established a pension plan for its lay employees with the General Board of Pensions and Health Benefits of the United Methodist Church. The Foundation annually contributes 7.0% of all full-time employees' base salary. Employees have the option to make salary reduction contributions within the limits of the law. Foundation contributions under the plan for 2023 and 2022, were \$22,782 and \$22,549, respectively.

**NOTE 13—SIGNIFICANT CONCENTRATIONS AND RISKS**

The Foundation maintains cash balances in excess of amounts insured by the Federal Deposit Insurance Corporation. Management believes the credit risk related to these deposits is minimal.

The Foundation loans funds to churches belonging to the Great Plains Conference of the United Methodist Church. The credit risk is controlled through monitoring procedures and requiring appropriate collateral.

For 2023, two donors accounted for 45.5% of contribution revenue. For 2022, two donors accounted for 50.7% of contribution revenue.

**NOTE 14—SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events from January 1, 2024 through March 26, 2024, the date which the financial statements were available for issue.

**NOTE 15—RELATED PARTY TRANSACTIONS**

Foundation trustees may also be trustees of entities investing with, have loans or certificates of participation, or receiving grants through the Foundation. Trustees may also be employees, officers, or directors and/or may own a financial interest in entities that the Foundation does business with. No trustees are entitled to receive a benefit by reason of any contract or agreement between the Foundation and the other entities. Trustees may also invest personally or make donations to the Foundation.

KANSAS METHODIST FOUNDATION, INC.  
Hutchinson, Kansas

SCHEDULES OF CHURCH DEVELOPMENT LOAN FUND  
As of and for Years Ended December 31, 2023 and 2022

Schedule 1  
Page 1 of 2

NET ASSETS

	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,360,213	\$ 139,800
Accrued interest receivable	405	105
Notes receivable	146,142	160,599
Investments		
US Treasury bills	485,600	-
Flexible demand notes	1,144,206	2,758,172
Short-term time notes	1,150,000	2,000,000
Equity fund		
Wespath International Equity	26,077	23,302
Wespath U.S. Equity	34,234	27,846
Wespath U.S. Equity Index	15,274	12,290
<b>TOTAL ASSETS</b>	<b><u>\$ 4,362,151</u></b>	<b><u>\$ 5,122,114</u></b>
<b>LIABILITIES</b>		
Accrued interest payable	\$ 19,920	\$ 11,699
Certificates of participation	4,026,781	4,837,126
<b>TOTAL LIABILITIES</b>	<b>4,046,701</b>	<b>4,848,825</b>
<b>NET ASSETS</b>	<b><u>315,450</u></b>	<b><u>273,289</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 4,362,151</u></b>	<b><u>\$ 5,122,114</u></b>

CHANGES IN NET ASSETS

<b>REVENUES AND SUPPORT</b>		
Investment earnings, net	\$ 197,684	\$ 33,465
<b>DISBURSEMENTS</b>		
Management fees	74,750	75,272
Interest expense	80,444	51,131
Office expense and postage	329	624
<b>TOTAL OPERATING DISBURSEMENTS</b>	<b><u>155,523</u></b>	<b><u>127,027</u></b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b><u>\$ 42,161</u></b>	<b><u>\$ (93,562)</u></b>

See independent auditors' report.

KANSAS METHODIST FOUNDATION, INC.  
Hutchinson, Kansas

SCHEDULES OF CHURCH DEVELOPMENT LOAN FUND (CONTINUED)  
As of and for Years Ended December 31, 2023 and 2022

Schedule 1 (continued)  
Page 2 of 2

CASH FLOWS

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 42,161	\$ (93,562)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Interest income added to certificates of participation	56,017	38,014
(Increase) decrease in accrued interest receivable	(300)	265
Increase (decrease) in accrued interest payable	8,221	3,145
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>106,099</b>	<b>(52,138)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments on notes receivable	14,457	24,256
Net proceeds (purchase) of investments	1,966,218	(189,148)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>1,980,675</b>	<b>(164,892)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Sale of certificates of participation	121,000	368,000
Redemption of certificates of participation	(987,361)	(137,024)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>(866,361)</b>	<b>230,976</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,220,413</b>	<b>13,946</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>139,800</b>	<b>125,854</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 1,360,213</b>	<b>\$ 139,800</b>

See independent auditors' report.