



# **Wesleyan Impact Partners Inc.**

**Financial Statements as of  
December 31, 2023 and 2022  
and for the Years Ended  
December 31, 2023, 2022, and 2021  
and Independent Auditors' Report**

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**Wesleyan Impact Partners Inc.**

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## Independent Auditors' Report

To the Board of Directors of  
Wesleyan Impact Partners Inc.:

### Opinion

We have audited the accompanying financial statements of Wesleyan Impact Partners Inc. (formerly Wesleyan Investive) (a nonprofit organization) ("WI"), 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 ended December 31, 2023, 2022, and 2021, 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 WI as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years ended December 31, 2023, 2022, and 2021, 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 WI 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about WI'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 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 WI'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 WI'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.

*Maxwell Locke & Ritter LLP*

Austin, Texas  
March 21, 2024

# Wesleyan Impact Partners Inc.

## Statements of Financial Position December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 13,765,585	\$ 12,269,743
Investments	6,519,843	5,862,027
Accrued interest receivable	709,491	696,845
Prepaid expenses and other assets	99,941	36,775
Mortgage loan receivables, less allowance for credit losses of \$3,250,000 (Note 6)	<u>94,132,780</u>	<u>96,912,186</u>
Total	<u><u>\$ 115,227,640</u></u>	<u><u>\$ 115,777,576</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 315,177	\$ 281,257
Deferred revenue	1,273,455	6,000
Investment obligations	72,036,377	77,873,242
Amounts held on behalf of the General Board of Global Ministries (Note 8)	<u>4,759,904</u>	<u>2,164,240</u>
Total liabilities	78,384,913	80,324,739
Net assets:		
Without donor restrictions	36,779,219	35,409,696
Without donor restrictions - Board-designated endowment	26,513	23,191
With donor restrictions	<u>36,995</u>	<u>19,950</u>
Total net assets	<u>36,842,727</u>	<u>35,452,837</u>
Total	<u><u>\$ 115,227,640</u></u>	<u><u>\$ 115,777,576</u></u>

See notes to financial statements.

# Wesleyan Impact Partners Inc.

## Statements of Activities Years Ended December 31, 2023, 2022, and 2021

	2023	2022	2021
<b>Change in net assets without donor restrictions:</b>			
Interest income on mortgage loans	\$ 4,332,983	\$ 4,261,064	\$ 4,419,044
Interest expense on investment obligations	1,711,452	1,433,366	1,526,930
Net interest income	2,621,531	2,827,698	2,892,114
Reduction in allowance for credit losses	-	250,000	-
Net interest income after allowance for credit losses	2,621,531	3,077,698	2,892,114
Non-interest income (expense), net:			
Contributions	9,508	2,754	7,082
Other income	381,957	334,566	91,142
Grants expense	(328)	-	(100,000)
Other expenses	(2,280,594)	(2,121,937)	(1,806,971)
Total non-interest expense, net	(1,889,457)	(1,784,617)	(1,808,747)
Total interest and non-interest income, net	732,074	1,293,081	1,083,367
Realized and unrealized gains (losses) on investments	640,771	(950,976)	157,303
Change in net assets without donor restrictions	1,372,845	342,105	1,240,670
<b>Change in net assets with donor restrictions:</b>			
Contributions	12,772	10,897	10,259
Realized and unrealized gains (losses) on investments	4,273	(1,328)	122
Change in net assets with donor restrictions	17,045	9,569	10,381
<b>Change in net assets</b>	1,389,890	351,674	1,251,051
<b>Net assets, beginning of year</b>	35,452,837	35,101,163	33,850,112
<b>Net assets, end of year</b>	<u>\$ 36,842,727</u>	<u>\$ 35,452,837</u>	<u>\$ 35,101,163</u>

See notes to financial statements.

## Wesleyan Impact Partners Inc.

### Statements of Functional Expenses Years Ended December 31, 2023, 2022, and 2021

	2023		
	Program	Support	2023 Total
	Loans and Investor Services	General and Administrative	
Interest on investment obligations	\$ 1,711,452	\$ -	\$ 1,711,452
Salaries, wages, and benefits	872,587	352,413	1,225,000
Promotional programs	513,705	28,106	541,811
Administrative	26,935	279,800	306,735
Professional fees	131,364	38,259	169,623
State registration fees	18,071	-	18,071
Loan and investment system	13,888	-	13,888
Offering circular	5,466	-	5,466
Grants	328	-	328
Total expenses	<u>\$ 3,293,796</u>	<u>\$ 698,578</u>	<u>\$ 3,992,374</u>
	2022		
	Program	Support	2022 Total
	Loans and Investor Services	General and Administrative	
Interest on investment obligations	\$ 1,433,366	\$ -	\$ 1,433,366
Salaries, wages, and benefits	781,654	333,346	1,115,000
Promotional programs	576,581	70,576	647,157
Administrative	36,667	181,645	218,312
Professional fees	85,096	35,642	120,738
State registration fees	375	-	375
Loan and investment system	13,888	-	13,888
Offering circular	6,467	-	6,467
Total expenses	<u>\$ 2,934,094</u>	<u>\$ 621,209</u>	<u>\$ 3,555,303</u>

(continued)

See notes to financial statements.

## Wesleyan Impact Partners Inc.

### Statements of Functional Expenses (Continued) Years Ended December 31, 2023, 2022, and 2021

	2021		2021 Total
	Program	Support	
	Loans and Investor Services	General and Administrative	
Interest on investment obligations	\$ 1,526,930	\$ -	\$ 1,526,930
Salaries, wages, and benefits	761,959	338,041	1,100,000
Promotional programs	411,442	21,875	433,317
Administrative	20,950	114,536	135,486
Professional fees	71,320	44,634	115,954
State registration fees	775	-	775
Loan and investment system	13,888	-	13,888
Offering circular	7,551	-	7,551
Grants	100,000	-	100,000
Total expenses	<u>\$ 2,914,815</u>	<u>\$ 519,086</u>	<u>\$ 3,433,901</u>

See notes to financial statements.



# Wesleyan Impact Partners Inc.

## Statements of Cash Flows Years Ended December 31, 2023, 2022, and 2021

	2023	2022	2021
<b>Cash Flows from Operating Activities:</b>			
Change in net assets	\$ 1,389,890	\$ 351,674	\$ 1,251,051
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Realized and unrealized losses (gains) on investments	(645,044)	952,304	(159,667)
Donated stock	(12,514)	-	-
Reduction in allowance for credit losses	-	(250,000)	-
Non-cash interest accrued	1,711,452	1,430,566	1,526,905
Changes in assets and liabilities that provided (used) cash:			
Accrued interest receivable	(12,646)	6,546	(109,478)
Prepaid expenses and other assets	(63,166)	83,690	(98,115)
Accounts payable and accrued expenses	33,920	(37,896)	5,614
Deferred revenue	1,267,455	-	-
Net cash provided by operating activities	3,669,347	2,536,884	2,416,310
<b>Cash Flows from Investing Activities:</b>			
Proceeds from maturities and sale of investments	-	12,050,000	4,500,000
Purchases of investments	(258)	(20,900)	(3,465,261)
Mortgage loan repayments received	10,249,853	8,904,071	9,939,570
Mortgage loans made to churches	(7,470,447)	(12,452,292)	(6,184,296)
Net cash provided by investing activities	2,779,148	8,480,879	4,790,013
<b>Cash Flows from Financing Activities:</b>			
Proceeds from issuance of term notes (investment obligations)	7,482,356	3,079,633	8,263,948
Repayments of investment obligations	(15,030,673)	(12,925,406)	(8,492,822)
Proceeds (repayments) of amounts held on behalf of others- General Board of Global Ministries	2,595,664	234,530	(826,691)
Net cash used in financing activities	(4,952,653)	(9,611,243)	(1,055,565)
<b>Net change in cash and cash equivalents</b>	<b>1,495,842</b>	<b>1,406,520</b>	<b>6,150,758</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>12,269,743</b>	<b>10,863,223</b>	<b>4,712,465</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 13,765,585</b>	<b>\$ 12,269,743</b>	<b>\$ 10,863,223</b>
<b>Supplemental Disclosure -</b>			
Cash paid for interest	\$ 1,304,631	\$ 601,377	\$ 657,418

See notes to financial statements.

# Wesleyan Impact Partners Inc.

## Notes to Financial Statements

Years Ended December 31, 2023, 2022 and 2021

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### 1. Organization and Nature of Operations

Wesleyan Impact Partners Inc. (formerly Wesleyan Investive) (“WI”) is incorporated as a nonprofit organization which, until December 31, 2018, was under the control of the General Board of Global Ministry (“GBGM”), an agency of the United Methodist Church. Commencing on January 1, 2017, GBGM transferred day to day management of all WI activities to Texas Methodist Foundation (“TMF”), a non-profit organization. On January 1, 2019, the parties entered into two agreements, and WI reorganized their entity under the laws of the State of Texas. A minority of directors on the WI’s Board of Directors also serve on the TMF’s Board of Directors, to aid in aligning the two ministries. TMF’s officers and staff continue to manage WI’s activities under the governance of the WI Board of Directors (the “Board”), which is further discussed in Note 10.

WI provides first mortgage loans to Wesleyan-related churches and other Wesleyan-related organizations for the purchase, construction, expansion, or major improvement of churches, parsonages, or mission buildings. WI’s primary activities include the sale of its investment obligations to Wesleyan-related individuals and organizations and the lending of those funds to local churches and other Wesleyan-related organizations. Beginning in 2012, WI began administering GBGM’s loan program, which is further discussed in Note 8.

### 2. Summary of Significant Accounting Policies

**Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**Reclassifications** - Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year. Total net assets and changes in net assets are unchanged due to these reclassifications.

**Net Asset Classifications** - Net assets, revenues, gains, losses, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions - These net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Net assets without donor restrictions are those currently available for use, or at the discretion of the Board for WI's use. As of December 31, 2023 and 2022, the Board had designated \$26,513 and \$23,191, respectively, for the Legacy Endowment Fund in recognition of the contributions of leaders to the mission of WI.

With Donor Restrictions - These net assets are subject to donor-imposed stipulations which limit their use to a specific purpose and/or the passage of time, or which require them to be maintained permanently. WI has not received any permanently restricted contributions. As of December 31, 2023 and 2022, donor-restricted net assets were restricted for the Tom Locke Innovative Leaders Award Endowment Fund to foster innovation and entrepreneurship in the spiritual landscape particularly for those who demonstrated the ability to see beyond existing models (Note 11).

**Fair Value Measurements** - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 - Inputs based on quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 - Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

**Cash and Cash Equivalents** - Cash and cash equivalents include interest-bearing time deposits and demand notes with original maturities of three months or less, except for short-term investments held by WI's investment managers as part of a long-term strategy.

**Investments** - Investments are reported at fair value in the statements of financial position. Investment transactions are recorded on the trade date and investment income is recorded in the statements of activities when earned. Realized gains and losses are recorded as the difference between historical cost and the proceeds received from the sale of the investment. Unrealized gains and losses are recorded for the change in fair value of investments between reporting periods.

**Change in Accounting Principle for Recently Adopted Accounting Pronouncement** - In June 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, requiring the measurement and recognition of expected credit losses for financial assets held at amortized cost, including mortgage loan receivables and accrued interest receivable. WI adopted ASU No. 2016-13 on January 1, 2023 using a modified retrospective approach. The adoption did not have a significant impact on WI’s statement of financial position or statement of activities.

**Mortgage Loan Receivables and Interest Income** - Mortgage loan receivables are stated at the outstanding principal balances, less the allowance for credit losses. Such loans are made primarily to United Methodist churches and are secured by a first lien on single purpose religious structures. While the mortgagors and the collateral are widely disbursed geographically, the mortgagors are United Methodist organizations, which rely on contributions to service such debt. Interest, due monthly, accrues at rates up to 9.2% (Note 6) and is calculated using the simple-interest method on principal amounts outstanding. Interest is recognized over the terms of the mortgage loans and recorded as interest income on mortgage loans in the statements of activities.

The accrual of interest on loans is discontinued when there is a significant deterioration in the financial condition of the borrower and full repayment of principal and interest is not expected. Loans for which interest is more than 90 days past due are reviewed to determine if the additional accrual of interest is warranted. Generally, all interest income accrued, but not collected, for loans that are placed on non-accrual status, is reversed against current income. Interest income is subsequently recognized only to the extent cash payments are received or after the borrower establishes a reasonable basis to expect future payments.

**Allowance for Credit Losses** - An allowance for credit losses is established to reflect management’s best estimate of the losses inherent in the mortgage portfolio. Management establishes the allowance based on a variety of factors, such as loan payment history, current financial information, geographic location, demographic changes, reasonable and supportable forecasts, and other relevant factors. In establishing the adequacy of the allowance for loan losses, management performs periodic reviews of the mortgage portfolio.

**Investment Obligations** - WI’s outstanding investment obligations consist of one to five-year Term Notes (the “Term Notes”), GBGM loan fund (Note 8), Flexible Investment Notes, and IRA Notes, as well as untendered Certificates of Participation. Investment obligations are carried at cost. Since no public market exists (or is expected to develop) for WI’s investment obligations, an estimate of fair value is not practical to obtain. However, because of the relatively short duration of the obligations and annual reset for new obligations, fair value is not believed to be significantly different than carrying value.

**Contributions** - All contributions are recorded at their fair value and are considered to be available for operations of WI unless specifically restricted by the donor. Unconditional promises to give cash and other assets are reported as net assets with donor restrictions, if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or purpose is accomplished, the related net assets are reclassified to net assets without donor restrictions. This is reported in the statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire within the same fiscal year in which the contributions are received. Conditional promises to give, defined as those with a measurable performance or other barrier and a right to return, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**Advertising Costs** - Advertising costs are expensed as incurred and were not significant during the years ended December 31, 2023, 2022, and 2021.

**Federal Income Taxes** - WI is a nonprofit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent of any unrelated business income. WI did not incur any significant tax liabilities due to unrelated business income during the years ended December 31, 2023, 2022, and 2021. WI is not required to file a Form 990 tax return in the United States (“U.S.”) federal jurisdiction, as a public charity/association of churches.

### 3. Liquidity and Availability of Financial Assets

WI’s financial assets available within one year for general expenditure were as follows as of December 31:

	2023	2022
Cash and cash equivalents	\$ 13,765,585	\$ 12,269,743
Investments	6,519,843	5,862,027
Mortgage loan receivables due within one year	4,591,199	5,099,416
Total financial assets available within one year	24,876,627	23,231,186
Less amounts unavailable for general expenditure within one year:		
Liquidity reserve	(5,762,910)	(6,229,859)
Board-designated endowment	(26,513)	(23,191)
Total financial assets available to management for general expenditure within one year	<u>\$ 19,087,204</u>	<u>\$ 16,978,136</u>

The Board has established a policy to maintain at least 8%, as of December 31, 2023 and 2022, of outstanding investment obligations in cash, cash equivalents, and investments as a liquidity reserve. This policy meets the minimum requirements established by the various state regulatory agencies which generally require a minimum of 8% of outstanding obligations (6% in cash and cash equivalents and investments, and no more than 2% in a line of credit).

WI's officers and staff work closely with the Board's Loan and Investment Committee to track the purchases and renewals of WI's notes, anticipated redemptions based on historical performance, gains and losses from investments, anticipated loan payments in the current period, and unfunded loan commitments. WI invests its funds to meet cash flow requirements set out in the policy of the North American Securities Administration Association adopted by the various states' regulatory bodies. Investments generally have minimal redemption restrictions (Note 5) and are kept short-term to meet any cash flow needs and to minimize interest rate risk. WI also has an available line of credit of \$10,000,000 (Note 9).

#### 4. Concentrations of Credit Risk

Financial instruments that potentially subject WI to credit risk consist of cash and cash equivalents, investments, and mortgage loan receivables. WI places its cash and cash equivalents with a limited number of high-quality financial institutions and may exceed the amount of insurance provided on such deposits. Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the statements of financial position. WI provides mortgage loans solely to churches which draw their origin from the Wesleyan Reform movement as expressed through several denominations. A church borrower's ability to repay their mortgage obligation is dependent on their parishioners' financial support of the local church. Factors such as unemployment, aging congregations, and declining church attendance can result in a reduction in a church borrower's contribution income, which could impair their ability to repay their mortgage loan obligation.

As of December 31, 2023 and 2022, two investors accounted for 43% and 36%, respectively, of investment obligations.

#### 5. Investments

WI's investment portfolio is primarily invested in the Wespath Short-Term Investment Fund ("STIF-I - Wespath"), the Wespath Fixed Income Fund ("FIF-I - Wespath"), and the Wespath Multiple Asset Fund ("MAF-I - Wespath"). The cost and estimated fair value of investments were as follows as of December 31, 2023:

	Cost	Fair Value	Realized Gains	Unrealized Gains
STIF-I - Wespath	\$ 1,000,991	\$ 1,070,382	\$ -	\$ 53,028
FIF-I - Wespath	1,674,508	1,756,897	-	129,811
MAF-I - Wespath	3,058,929	3,692,564	-	462,205
	<u>\$ 5,734,428</u>	<u>\$ 6,519,843</u>	<u>\$ -</u>	<u>\$ 645,044</u>

The cost and estimated fair value of investments were as follows as of December 31, 2022:

	<u>Cost</u>	<u>Fair Value</u>	<u>Realized Gains</u>	<u>Unrealized Losses</u>
STIF-I - Wespath	\$ 1,000,991	\$ 1,017,354	\$ 55,344	\$ (29,339)
FIF-I - Wespath	1,647,508	1,627,085	182,350	(502,132)
MAF-I - Wespath	3,046,158	3,217,588	-	(658,527)
	<u>\$ 5,694,657</u>	<u>\$ 5,862,027</u>	<u>\$ 237,694</u>	<u>\$ (1,189,998)</u>

As of December 31, 2023 and December 31, 2022, all investments were measured at fair value using the net asset value per share (“NAV”) (or its equivalent) as a practical expedient, and have therefore not been classified in the fair value hierarchy.

Additional information about investments measured at NAV was as follows as of December 31, 2023 and 2022:

	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
STIF-I - Wespath	None	No limits	None
FIF-I - Wespath	None	No limits	Up to 15 days
MAF-I - Wespath	None	No limits	Up to 15 days

The investment objective of the STIF-I - Wespath is to preserve capital while earning current income higher than that of money market funds. The STIF-I - Wespath exclusively holds funds of the sweep account. The sweep account holds short-term fixed income investments.

The investment objective of FIF-I - Wespath is to earn current income while preserving capital by primarily investing in a diversified mix of fixed income securities. The FIF-I - Wespath seeks to achieve its investment objective by investing primarily in fixed income securities such as U.S. and non-U.S. government bonds, agency bonds, corporate bonds, emerging market debt, and securitized products. The corporate bonds held are primarily those of companies domiciled in the U.S. that are rated investment grade or high yield. FIF-I - Wespath also holds loan participation interests secured by mortgages and other types of loan participations originated through the Positive Social Purpose Lending Program, which provides funding for affordable housing and community development facilities in the U.S., as well as for institutions focused on microfinance opportunities in developing countries.

The investment objective of the MAF-I - Wespath is to attain current income and capital appreciation by investing in a broad mix of investments. The MAF-I - Wespath is a fund of funds which seeks to achieve its investment objective by holding an allocation primarily among four other I Series Funds (including U.S. Equity Fund-I Series, International Equity Fund-I Series, Fixed Income Fund-I Series, Inflation Protection Fund-I Series) in accordance with pre-specified allocation targets.

As of December 31, 2023 and 2022, the effective duration of the STIF-I - Wespath was 0.25 and 0.2 of a year, respectively. As of December 31, 2023 and 2022, the effective duration of the FIF-I - Wespath was 5.53 and 5.7 years, respectively.

## 6. Mortgage Loan Receivables

Mortgage loans made by WI are subject to prepayments, as such, expected future cash flows may differ from contractual amounts. However, future mortgage payments scheduled to be collected on outstanding mortgage loans as of December 31, 2023 and 2022 were as follows:

Amount Due Within	2023	2022
1 year	\$ 4,591,199	\$ 5,099,416
2 years	5,343,636	5,350,550
3 years	5,465,506	6,495,619
4 years	5,734,167	6,304,023
5 years	5,756,778	6,394,521
Thereafter	70,491,494	70,518,057
	97,382,780	100,162,186
Allowance for credit losses	(3,250,000)	(3,250,000)
	\$ 94,132,780	\$ 96,912,186

Mortgage loans are generally approved for terms ranging from 10 to 20 years, but occasionally, to accommodate a particular situation, a term of up to 30 years may be approved. WI's Board may increase or decrease the interest rates of a loan when the loan contracts permit or decrease the rate without regard to the contractual rate where appropriate, in relation to the prevailing rates and economic conditions.



Mortgage loans bore annual interest rates ranging as follows, as of December 31:

Interest Rate	2023	2022
0.00%	\$ 176,821	\$ 186,868
1.00%	1,138,056	1,138,187
2.15%	-	3,876
2.20%	-	1,349,091
2.50%	1,349,091	-
3.95%	5,370,669	7,762,043
4.00%	12,494,467	12,981,805
4.25%	7,915,348	8,816,299
4.50%	32,329,889	36,603,537
4.70%	68,847	1,862,082
4.75%	15,739,634	18,220,156
4.95%	86,825	90,935
5.00%	1,680,248	827,190
5.25%	-	304,883
5.50%	2,929,711	7,345,754
5.75%	19,209	76,765
6.00%	666,450	-
6.25%	-	26,561
6.49%	205,660	224,992
6.50%	5,228,702	96,085
6.75%	2,191,250	-
6.95%	602,997	670,890
7.00%	249,498	330,379
7.25%	1,997,641	-
7.50%	3,667,413	-
7.75%	588,966	1,243,808
8.00%	156,780	-
8.50%	220,479	-
9.20%	308,129	-
	\$ 97,382,780	\$100,162,186

#### Credit Quality Indicators

WI measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. Loans are risk-weighted based upon a past due (aging) schedule. All loans which are at least 90 days past due and/or on a nonaccrual status are considered high risk. This generally results in an allocation of the allowance for these loans. WI considers new customers and cash secured loans separately. Other risk factors considered by management in determining the credit quality include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due.

The following table presents mortgage loan receivables, at amortized cost, as of December 31, by credit quality indicator and year of origination:

	<u>2023</u>	<u>2022</u>
New customer loans	\$ 3,870,211	\$ 11,323,166
Secured loans	4,980,038	5,457,742
Existing customer loans:		
Low risk loans	76,093,573	72,827,718
Medium risk loans	8,650,115	7,200,277
Higher risk loans	<u>3,788,843</u>	<u>3,353,283</u>
Total	<u>\$ 97,382,780</u>	<u>\$100,162,186</u>

During the years ended December 31, 2023, 2022, and 2021, changes in the allowance for credit losses were as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 3,250,000	\$ 3,500,000	\$ 3,500,000
Change in expected credit losses	<u>-</u>	<u>(250,000)</u>	<u>-</u>
Balance, end of year	<u>\$ 3,250,000</u>	<u>\$ 3,250,000</u>	<u>\$ 3,500,000</u>

The following table presents an aging analysis of WI's loans as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
31-60 days past due	\$ 814,577	\$ -
60-89 days past due	1,349,091	-
Recorded investment > 90 days	<u>176,821</u>	<u>186,868</u>
Total past due	2,340,489	186,868
Current	<u>95,042,291</u>	<u>99,975,318</u>
Total loans	<u>\$ 97,382,780</u>	<u>\$100,162,186</u>

As of December 31, 2023 and 2022, the balances of loans on a nonaccrual status were \$176,821 and \$186,868, respectively.

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification. The allowance for credit losses is adjusted regularly and outside of loan modifications.

The modification categories offered can generally be described in the following categories:

**Rate Modification** - A modification in which the interest rate is changed.

**Term Modification** - A modification in which the maturity date, timing of payment, or frequency of payment is changed.

**Payment Modification** - A modification in which the dollar amount of the payment is changed.

**Combination Modification** - Any other type of modification, including the use of multiple categories above.

The following table shows the amortized cost basis of a loan modified for a borrower experiencing financial difficulty during the year ended December 31, 2023:

	<u>Amortized Cost</u>	<u>Financial Effect</u>
		Restructured by lowering the interest rate from the 9.20% to 3.95% and deferring principal payments until January 1, 2025
Mortgage loans	<u>\$ 1,449,838</u>	

Prior to the adoption of ASU 2016-13, loans were considered impaired when, based on current information and events, it was probable WI would be unable to collect all amounts due in accordance with the original contractual terms of the loan. Impaired loans include loans on nonaccrual status and accruing troubled debt restructurings. When determining if WI would be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement, WI considered the borrower's capacity to pay, which included such factors as the borrower's current financial statements, an analysis of global cash flow sufficient to pay all debt obligations and an evaluation of secondary sources of repayment, such as guarantor support and collateral value.

The tables below include all loans deemed impaired, whether or not individually assessed for impairment. If a loan was deemed impaired, a specific valuation allowance was allocated, if necessary, so that the loan was reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment was expected solely from the collateral. Interest payments on impaired loans were typically applied to principal unless collectability of the principal amount was reasonably assured, in which case interest was recognized on a cash basis.

The following presents WI's impaired loans as of December 31, 2022:

	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
With no related allowance recorded:					
Mortgage loans	\$ 8,862,150	\$ 8,862,150	\$ -	\$ 8,355,230	\$ 445,900
With an allowance recorded:					
Mortgage loans	<u>5,510,247</u>	<u>5,510,247</u>	<u>2,039,197</u>	<u>5,584,254</u>	<u>240,945</u>
Total	<u>\$14,372,397</u>	<u>\$14,372,397</u>	<u>\$ 2,039,197</u>	<u>\$13,939,484</u>	<u>\$ 686,845</u>

WI individually assessed for impairment all troubled debt restructurings totaling \$5,324,625 as of December 31, 2022. There were no troubled debt restructurings on a nonaccrual status. No additional funds are committed to be advanced in connection with impaired loans as of December 31, 2023 and 2022. There were no restructured loans with a payment default which occurred within 12 months of the restructuring date during the years ended December 31, 2023 and 2022.

WI's allowance for credit losses does not include any provision for potentially uncollectible loans made from the GBGM loan fund as management believes these mortgage loans receivable are collectible. WI has not charged off interest on any loans during the years ended December 31, 2023, 2022, and 2021.

As of December 31, 2023 and 2022, \$4,980,038 and \$5,457,742, respectively, of mortgage loans were guaranteed by conferences of the United Methodist Church. Mortgage loans committed but not funded as of December 31, 2023 and 2022 totaled \$8,848,416 and \$2,867,207, respectively.

## 7. Investment Obligations

The amounts outstanding as of December 31, 2023 and 2022, including reinvested interest by type of obligation, are as follows:

	<u>2023</u>	<u>2022</u>
One-year term notes	\$ 17,559,006	\$ 13,537,618
Two-year term notes	4,435,874	5,273,709
Three-year term notes	9,604,953	12,749,355
Four-year term notes	2,179,385	4,657,115
Five-year term notes	12,609,221	13,451,163
GBGM loan fund (Note 8)	16,338,230	18,581,160
Flexible investment notes	6,533,958	6,405,975
IRA notes	2,775,750	3,217,147
	<u>\$ 72,036,377</u>	<u>\$ 77,873,242</u>

Term Notes bear interest at rates established at their issuance. At December 31, 2023 and 2022, the Term Notes bore interest as follows:

	<u>2023</u>	
	<u>Interest Rate</u>	<u>Weighted</u>
	<u>Per Annum</u>	<u>Average</u>
		<u>Interest Rate</u>
One-year term notes	2.77 - 4.60%	3.99%
Two-year term notes	1.30 - 4.50%	3.00%
Three-year term notes	1.65 - 4.20%	2.58%
Four-year term notes	1.90 - 4.00%	2.52%
Five-year term notes	2.15 - 4.00%	2.95%

	2022	
	Interest Rate Per Annum	Weighted Average Interest Rate
One-year term notes	1.00 - 3.55%	1.76%
Two-year term notes	1.30 - 3.70%	1.50%
Three-year term notes	1.65 - 3.80%	2.13%
Four-year term notes	1.90 - 3.80%	2.75%
Five-year term notes	1.75 - 3.90%	2.90%

At the maturity date of a Term Note, an investor may redeem principal and unpaid accumulated interest by written demand. If demand for payment is not made, where permitted by state regulations, the Term Note will be extended for continuous identical terms at the then prevailing interest rate offered for similar Term Notes until demand for payment upon the extended maturity date is made. In accordance with the provisions of Term Notes and where permitted by state regulations, WI reserves the right to repay the principal amount of Term Notes in five equal annual installments beginning 30 days after the maturity date (such deferral is not available to residents of Alabama, Arkansas, California, Georgia, Idaho, Michigan, Missouri, Oklahoma, Pennsylvania, and Wisconsin).

As of December 31, 2023, the Term Notes' maturity amounts were as follows:

Year Ending December 31,	
2024	\$ 25,020,133
2025	15,626,599
2026	3,236,141
2027	1,901,550
2028	604,016
Total	<u>\$ 46,388,439</u>

During the years ended December 31, 2023 and 2022, Flexible Investment Notes ("Notes") bore interest at a rate of 1.50% and 1.20% per annum, respectively. The Board may increase or decrease the rate of interest from time to time, upon 30 days' written notice to the holders of such Notes. The Notes are payable on demand; however, in accordance with the provisions of the Notes and where permitted by state regulations, WI reserves the right to require 30 days' written notice and to repay the principal amount of the Notes in five equal annual installments (such deferral is not available to residents of Alabama, Arkansas, California, Georgia, Idaho, Michigan, Missouri, Oklahoma, Pennsylvania, and Wisconsin).

IRA Notes are those which are intended by the purchaser for his/her personal individual retirement account. During the years ended December 31, 2023 and 2022, IRA Notes bore interest at a rate of 3.50% and 2.75% per annum, respectively. The Board may increase or decrease the rate of interest from time to time, upon 30 days' written notice to the holders of such IRA Notes. IRA Notes are repayable at any time upon 30 days' written notice by the holder.

Effective April 1, 1996, WI recalled all of its outstanding Certificates of Participation (the “Certificates”) for redemption and, as of September 30, 1996, outstanding Certificates no longer earned interest. The Certificates may be redeemed for the principal amount of the Certificates plus interest accrued through September 30, 1996, and a premium of 2.50% of the principal in accordance with the provisions of the Certificates. As of December 31, 2023 and 2022, there were untendered Certificates of \$26,581.

WI may recall any of its investment obligations upon six months’ written notice to the investor and the payment of a 1.50% premium of the face amount of the investment.

## **8. GBGM Loan Fund**

During 2012, GBGM transferred a portion of its loan funds to WI for the purpose of making “missional” loans. The GBGM loan fund is comprised of funds available to make loans and the outstanding loan balances on these GBGM loans as of December 31, 2023 and 2022 were \$4,759,904 and \$2,164,240, respectively. These loans were reported as a liability for amounts held on behalf of GBGM.

Outstanding loan balances are included with mortgage loan receivables in the statements of financial position. As of December 31, 2023, there were twelve mortgage loan receivables outstanding with a total balance of \$4,740,304. As of December 31, 2022, there were thirteen mortgage loan receivables outstanding with a total balance of \$2,156,994. Interest on mortgage loans issued from the GBGM loan fund are reported as increases to both the GBGM mortgage loan receivables and the liability for amounts held on behalf of GBGM, and are not reported in the statements of activities of WI. Since these assets are held for the benefit of GBGM, WI has not established an allowance for potential losses on loans made from GBGM funds.

## **9. Line of Credit**

WI has a \$10,000,000 revolving line of credit (the “Line of Credit”) with a financial institution which bears interest at the AMERIBOR-Term 30 rate plus 1.75%, (7.12% and 6.15% at December 31, 2023 and 2022, respectively). There were no advances outstanding at December 31, 2023 or 2022. The Line of Credit matures on June 30, 2024 and is secured by substantially all of WI’s assets, including investments and loans receivable, and requires WI to meet certain financial covenants, including unrestricted tangible net assets and interest coverage ratio.

## **10. Agreement with TMF**

On January 1, 2019, WI entered into an Employee Sharing Agreement and an Administrative Services Agreement with TMF. Under the Administrative Services Agreement and the Employee Sharing Agreement, TMF causes its employees to conduct the day-to-day business of WI in the sale of WI's investment obligations, the management of WI's loan portfolio, the administrative procedure for reviewing loan applications and extending and documenting new loans, management of WI's investments, investor relations, accounting, regulatory compliance, and marketing. The two agreements provide to TMF certain operational authority to discharge its management responsibilities. That authority includes, among other things, the authority to install and utilize new hardware and software computer systems, to develop new operational policies and procedures, and to establish and maintain reasonable accounting and reporting systems and internal controls designed to help WI protect its assets. Under the two agreements, TMF does not have authority to bind WI. WI retains its authority over matters handled by TMF and exercises decision-making authority with respect to the making of loans and raising of funds, including the sale of investment obligations.

The Boards of Directors of TMF and WI have determined that these two agreements, and the operational efficiencies they have achieved, advance the exempt purposes and missional priorities of the two entities.

As of December 31, 2023 and 2022, TMF's balance included in investment obligations totaled \$14,626,334 and \$9,805,361, respectively. As of December 31, 2023 and 2022, WI has investments in TMF money market funds totaling \$9,448,834 and \$9,172,255, respectively.

Administrative expenses, which are primarily for services rendered by TMF, are reimbursed by WI under agreement with TMF. During the years ended December 31, 2023 and 2022, WI incurred expenses totaling \$1,400,000 and \$1,200,000, respectively, related to administrative expenses with TMF.

## **11. Locke Innovative Leader Award**

Starting in 2021, WI's Board authorized the creation of this annual award program in which up to five awards are given out per cycle. An award ceremony and cohorts of past and present awardees are convened throughout the year as part of this program. Its programmatic purpose is rooted in a strong belief that investment in bold, enterprising leaders with inventive approaches to ministry not only advances the church but creates communities of genuine human flourishing.

As of December 31, 2023 and 2022, the program expenses were \$343,213 and \$415,596, respectively, and were paid from unrestricted net assets.

## **12. Related Party Transactions**

WI holds cash and cash equivalents from organizations affiliated with certain Board members totaling \$1,647,054 as of December 31, 2022. WI has investment obligations with a Board member affiliated with GBGM and other investors totaling \$17,817,089 and \$20,286,329 as of December 31, 2023 and 2022, respectively. WI also holds amounts on behalf of GBGM.

## **13. Subsequent Events**

WI has evaluated subsequent events through March 21, 2024, the date the financial statements were available to be issued, and no events have occurred from the statement of financial position date through that date that would impact the financial statements.