GEORGIA UNITED
METHODIST FOUNDATION, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2018, 2017 AND 2016

GEORGIA UNITED METHODIST FOUNDATION, INC.

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BROOKS, McGINNIS & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Georgia United Methodist Foundation, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Georgia United Methodist Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Georgia United Methodist Foundation, Inc., as of December 31, 2018, 2017 and 2016, 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.

Brooks, McGinnis & Company, LLC

Atlanta, Georgia
June 20, 2019

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GEORGIA UNITED METHODIST FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018, 2017 AND 2016

	2018	2017	2016
Assets:			
Cash and cash equivalents	$ 7,717,464	$ 7,278,827	$ 2,637,791
Certificates of deposit	2,814,153	4,995,124	4,164,963
Account and interest receivables	39,176	59,937	46,676
Investments - Foundation	9,148,754	10,132,234	9,197,322
Investments - held for others	105,872,178	105,358,609	93,364,599
Less unsecured promissory notes payable issued by the Foundation included in investments	(6,250,028)	(5,920,100)	(5,602,813)
Loans receivable, net	26,668,419	24,691,732	28,363,142
Prepaid expenses and other assets	18,256	17,779	31,507
Cash surrender value of life insurance	152,304	152,304	145,901
Property and equipment, net	2,404	6,911	9,895
Total assets	$ 146,183,080	$ 146,773,357	$ 132,358,983

(Continued on next page.)
The accompanying notes are an integral part of these financial statements.

GEORGIA UNITED METHODIST FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION – CONTINUED
DECEMBER 31, 2018, 2017 AND 2016

	2018	2017	2016
Liabilities:			
Accounts payable and other liabilities	$ 104,866	$ 89,730	$ 65,131
Managed assets held for others	88,926,730	86,842,108	75,813,679
Endowment funds held for others	15,143,122	16,281,828	15,393,299
Charitable remainder trust and gift annuity benefits payable	664,727	852,999	858,735
Charitable remainder trust and gift annuity deferred benefits payable	931,823	1,067,995	976,519
Unsecured promissory notes payable	37,568,837	37,512,152	35,659,891
Less unsecured promissory notes issued by the Foundation and included in investments	(6,250,028)	(5,920,100)	(5,602,813)
Total liabilities	137,090,077	136,726,712	123,164,441
Commitments and contingencies			
Net assets:			
Without donor restrictions	7,041,587	7,842,582	7,170,448
With donor restrictions	2,051,416	2,204,063	2,024,094
Total net assets	9,093,003	10,046,645	9,194,542
Total liabilities and net assets	$ 146,183,080	$ 146,773,357	$ 132,358,983

The accompanying notes are an integral part of these financial statements.

GEORGIA UNITED METHODIST FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	2018	2017	2016
Changes in net assets without donor restrictions:			
Revenues, gains and support:			
Contributions	$ 36,122	$ 27,900	$ 243,625
Asset management fees	432,191	401,357	374,111
Interest income from loan program	1,280,693	1,297,464	1,274,058
Investment return (loss)	(352,137)	1,121,043	536,997
Other	1,144	7,277	13,953
Total revenues and gains without donor restrictions	1,398,013	2,855,041	2,442,744
Net assets released from restrictions	259,244	155,809	135,736
Total revenues, gains and support without donor restrictions	1,657,257	3,010,850	2,578,480
Expenses:			
Loans and certificates	1,128,950	1,133,962	1,022,591
Investment management	671,137	588,946	570,215
Planned giving and training	507,502	466,018	422,623
Total program services	2,307,589	2,188,926	2,015,429
General and administrative	150,663	149,790	167,058
Total expenses	2,458,252	2,338,716	2,182,487
Increase (decrease) in net assets without donor restrictions	(800,995)	672,134	395,993

(Continued on next page.)
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GEORGIA UNITED METHODIST FOUNDATION, INC.
STATEMENTS OF ACTIVITIES – CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	2018	2017	2016
Changes in net assets with donor restrictions:			
Contributions	286,976	143,408	218,218
Investment return (loss)	(72,476)	219,796	108,587
Change in value of split interest agreements	(107,903)	(27,426)	57,818
Net assets released from restrictions	(259,244)	(155,809)	(135,736)
Increase (decrease) in net assets with donor restrictions	(152,647)	179,969	248,887
Increase (decrease) in net assets	(953,642)	852,103	644,880
Net assets at beginning of year	10,046,645	9,194,542	8,549,662
Net assets at end of year	$ 9,093,003	$ 10,046,645	$ 9,194,542

The accompanying notes are an integral part of these financial statements.

GEORGIA UNITED METHODIST FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Loans and Certificates	Investment Management	Planned Giving and Training	Total Program	General and Admin	Total
Salaries and wages	$ 186,228	$ 247,601	$ 311,232	$ 745,061	$ 62,265	$ 807,326
Payroll taxes and benefits	35,987	49,812	105,307	191,106	11,081	202,187
Total payroll expense	222,215	297,413	416,539	936,167	73,346	1,009,513
Interest expense	826,273	-	-	826,273	24	826,297
Grants to beneficiaries	-	263,599	-	263,599	-	263,599
Professional fees	25,871	-	9,800	35,671	29,625	65,296
Rent	17,331	17,552	12,948	47,831	11,408	59,239
Marketing and publicity	9,297	12,418	16,705	38,420	3,088	41,508
Travel and meetings	1,568	1,971	23,268	26,807	18,244	45,051
Computer and data processing	7,920	54,965	4,681	67,566	3,861	71,427
Office expense	6,841	8,989	12,752	28,582	2,347	30,929
Insurance	6,746	6,746	4,497	17,989	4,497	22,486
Loan loss provision	52	-	-	52	-	52
Other expense	-	-	1,287	1,287	926	2,213
Depreciation	1,352	1,352	902	3,606	901	4,507
Telephone	1,104	1,144	2,065	4,313	707	5,020
Repairs and maintenance	1,957	1,957	1,305	5,219	1,304	6,523
Dues and subscriptions	423	565	753	1,741	141	1,882
Fees	-	2,466	-	2,466	244	2,710
Total expenses	$ 1,128,950	$ 671,137	$ 507,502	$ 2,307,589	$ 150,663	$ 2,458,252
Percentage of total expenses	46%	27%	21%	94%	6%	100%

The accompanying notes are an integral part of these financial statements.

GEORGIA UNITED METHODIST FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Loans and Certificates	Investment Management	Planned Giving and Training	Total Program	General and Admin	Total
Salaries and wages	$ 197,023	$ 240,439	$ 300,536	$ 737,998	$ 59,281	$ 797,279
Payroll taxes and benefits	47,130	48,459	98,986	194,575	10,409	204,984
Total payroll expense	244,153	288,898	399,522	932,573	69,690	1,002,263
Interest expense	782,230	-	-	782,230	15	782,245
Grants to beneficiaries	-	219,395	-	219,395	-	219,395
Professional fees	31,438	-	-	31,438	27,752	59,190
Rent	17,006	17,005	11,337	45,348	11,337	56,685
Marketing and publicity	12,450	15,222	19,003	46,675	3,730	50,405
Travel and meetings	1,429	2,250	9,062	12,741	21,231	33,972
Computer and data processing	6,789	13,477	5,045	25,311	3,800	29,111
Office expense	7,130	8,283	10,568	25,981	2,114	28,095
Insurance	7,908	7,908	5,271	21,087	5,272	26,359
Loan loss provision	18,000	-	-	18,000	-	18,000
Other expense	42	8,533	-	8,575	1,589	10,164
Depreciation	2,023	2,024	1,349	5,396	1,349	6,745
Telephone	1,165	1,309	2,842	5,316	681	5,997
Repairs and maintenance	1,556	1,556	1,038	4,150	1,038	5,188
Dues and subscriptions	643	786	981	2,410	192	2,602
Fees	-	2,300	-	2,300	-	2,300
Total expenses	$ 1,133,962	$ 588,946	$ 466,018	$ 2,188,926	$ 149,790	$ 2,338,716
Percentage of total expenses	49%	25%	20%	94%	6%	100%

The accompanying notes are an integral part of these financial statements.

GEORGIA UNITED METHODIST FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Loans and Certificates	Investment Management	Planned Giving and Training	Total Program	General and Admin	Total
Salaries and wages	$ 186,102	$ 300,853	$ 272,471	$ 759,426	$ 55,754	$ 815,180
Payroll taxes and benefits	44,481	58,260	90,413	193,154	9,922	203,076
Total payroll expense	230,583	359,113	362,884	952,580	65,676	1,018,256
Interest expense	677,370	-	-	677,370	220	677,590
Grants to beneficiaries	-	148,687	-	148,687	-	148,687
Professional fees	44,246	-	-	44,246	53,792	98,038
Rent	17,005	17,006	11,337	45,348	11,337	56,685
Marketing and publicity	6,719	10,875	9,843	27,437	2,033	29,470
Travel and meetings	2,303	2,879	12,541	17,723	16,467	34,190
Computer and data processing	6,455	5,383	4,438	16,276	3,588	19,864
Office expense	6,182	9,766	9,979	25,927	1,900	27,827
Insurance	8,264	8,264	5,510	22,038	5,510	27,548
Loan loss provision	18,000	-	-	18,000	-	18,000
Other expense	121	33	30	184	3,265	3,449
Depreciation	2,032	2,032	1,354	5,418	1,355	6,773
Telephone	1,261	1,444	2,967	5,672	719	6,391
Repairs and maintenance	1,582	1,581	1,054	4,217	1,054	5,271
Dues and subscriptions	468	758	686	1,912	142	2,054
Fees	-	2,394	-	2,394	-	2,394
Total expenses	$ 1,022,591	$ 570,215	$ 422,623	$ 2,015,429	$ 167,058	$ 2,182,487
Percentage of total expenses	47%	26%	19%	92%	8%	100%

The accompanying notes are an integral part of these financial statements.

GEORGIA UNITED METHODIST FOUNDATION, INC.
STATEMENT S OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	2018	2017	2016
Cash flows from operating activities:			
Increase (decrease) in net assets	$ (953,642)	$ 852,103	$ 644,880
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:			
Depreciation	4,507	6,745	6,773
Provision for loan losses	-	18,000	18,000
Change in value of split interest agreements	107,903	8,688	(57,818)
Realized and unrealized (gain) loss on investments	414,563	(1,256,260)	(549,143)
Investment funds appropriated for expenditure	577,490	336,922	323,304
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables	20,761	(13,261)	(4,367)
Prepaid expenses and other assets	(477)	13,728	(20,283)
Cash surrender value of life insurance	-	(6,403)	4,235
Increase (decrease) in:			
Accounts payable and other liabilities	15,136	24,599	(12,112)
Total adjustments	1,139,883	(867,242)	(291,411)
Net cash provided by (used in) operating activities	186,241	(15,139)	353,469

(Continued on next page.)
The accompanying notes are an integral part of these financial statements.

GEORGIA UNITED METHODIST FOUNDATION, INC.
STATEMENTS OF CASH FLOWS – CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	2018	2017	2016
Cash flows from investing activities:			
Purchase of property and equipment	-	(3,761)	(2,155)
Purchase of investments	(716,170)	(10,318,962)	(582,479)
Proceeds from the sale of investments	1,285,087	10,640,310	514,832
Investment funds appropriated for expenditure	(577,490)	(336,922)	(323,304)
Net sale (purchase) of certificates of deposit	2,180,971	(830,161)	(87,885)
New mortgage loans made to churches	(6,102,201)	(4,260,066)	(6,041,709)
Repayments made on principal	4,517,121	7,765,607	3,268,429
Net cash provided by (used in) investing activities	587,318	2,656,045	(3,254,271)
Cash flows from financing activities:			
Proceeds from unsecured promissory notes payable	4,390,781	4,875,201	9,338,514
Repayment of unsecured promissory notes payable	(4,334,096)	(3,022,940)	(6,638,203)
Loan participations, net	(391,607)	147,869	(850,716)
Net cash provided by (used in) financing activities	(334,922)	2,000,130	1,849,595
Net increase (decrease) in cash and cash equivalents	438,637	4,641,036	(1,051,207)
Cash and cash equivalents at beginning of year	7,278,827	2,637,791	3,688,998
Cash and cash equivalents at end of year	$ 7,717,464	$ 7,278,827	$ 2,637,791
Supplemental disclosure of cash flow information:			
Interest paid on development program certificates	$ 816,861	$ 786,569	$ 649,772

The accompanying notes are an integral part of these financial statements.

1. Nature of Organization and Significant Accounting Policies

Nature of Operations

The Georgia United Methodist Foundation, Inc. (the "Foundation") is a religious, not-for-profit corporation providing services to the North and South Georgia Annual Conferences of the United Methodist Church and other organizations or entities that share either current or historical common bonds and connections with the United Methodist Church or that are controlled by or are associated with the United Methodist Church, or affiliated with the general church, and from individual residents of the State of Georgia. The Foundation manages investment funds; accepts and manages gifts for planned giving, endowments, and account holders; and provides loans and stewardship services to the above referenced groups of United Methodist and related entities.

Basis of Accounting and Presentation

The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States ("GAAP"). This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

To recognize limitations and restrictions placed on the use of resources available to the Foundation, resources are classified for accounting and financial reporting purposes into two categories established according to their nature and purposes. The net assets of the Foundation are reported in two categories as follows:

- Net assets without donor restrictions are resources not subject to donor-imposed restrictions or law.
- Net assets with donor restrictions are resources whose use by the Foundation is limited by donor-imposed restrictions that either expire by the passage of time, can be fulfilled by actions of the Foundation, or require the corpus to be maintained in perpetuity.

Revenue Recognition

Contributions (including unconditional promises to give, i.e. pledges or private grants) are recognized as revenue in the year they are received or pledged, with allowances provided for pledges estimated to be uncollectible. Unconditional pledges or private grants that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges or private grants that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts (if any) is included in contributions in the accompanying statements of activities. Conditional pledges or private grants are not included as support until the conditions are substantially met.

1. Nature of Organization and Significant Accounting Policies – Continued

Revenue Recognition – Continued

The Foundation recognizes contributions as support with donor restrictions if they are received with donor imposed restrictions that limit the use of the donated assets. When a donor-imposed restriction is met or the passage of time expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and presented in the accompanying statements of activities as net assets released from restrictions.

Donated land, buildings, and equipment are recognized as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, as well as gifts of cash or other assets that must be used to acquire long-lived assets, are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed into service.

The Foundation has contracts with customers for investment management services in which it earns asset management fees. The Foundation recognizes asset management revenue over time as services are rendered. Revenue is based on a percentage of the market value of the assets under management. Fees are deducted from the customer's account one billing period in arrears based on the prior period's assets under management. The Foundation's contracts with customers do not contain terms that require significant judgement to determine the amount of revenue to recognize. At December 31, 2018, the Foundation does not have any material contract assets, liabilities, or other receivables recorded related to contracts from customers.

Donated Services

The Foundation records contributed services if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions for donated consulting services of $9,800 for the year ended December 31, 2018 are recorded in the statements of activities.

A number of unpaid volunteers, including those serving in the capacity of Board members, have made significant contributions of their time in the furtherance of the Foundation's programs. The value of this contributed time is not reflected in these financial statements since it does not meet the above recognition criteria.

Donated Assets

Donated real estate and marketable securities acquired by gift are recorded at fair market value on the date of the donation.

1. Nature of Organization and Significant Accounting Policies – Continued

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all cash investments and highly liquid investments to be cash equivalents except money market funds included in the investment portfolio, which are included in investments.

Liquidity Reserve

The Foundation maintains a Liquidity Reserve of liquid or near liquid assets to ensure that it can meet its obligations in relation to the Private Placement Deposit Certificates outstanding. The Foundation intends to maintain sufficient liquidity to meet normal interest payments as they accrue and to repay principal amounts on outstanding certificates as they are presently projected to mature. The reserve amount shall not be less than ten percent (10%) of the first $1,000,000 in certificates outstanding, and five percent (5%) of any certificate amounts outstanding in excess of $1,000,000. The reserve amount is calculated each month and the level of the reserve is adjusted the following month, as appropriate.

Investments

The Foundation records investments, including managed funds held for others, at fair value based on quoted market prices or other valuation methods. Gains or losses from investments are reflected in the statements of activities.

Loans and Interest Receivable

The Foundation extends loans to United Methodist churches in the North and South Georgia Annual Conferences and related entities. Term loans are for periods of five years to twenty years, with an interest rate reset every five years. Construction loans are generally for periods of up to one year, with fixed interest rates. The loans receivable are generally secured by property, plant, and equipment of the borrower and bear interest at various rates.

Loans are stated at the amount of unpaid principal less a valuation allowance for possible loan losses. Interest income on loans, except those classified as nonaccrual, is based upon the outstanding principal amounts using the effective yield method.

Nonaccrual Loans

The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. When interest accrual is discontinued, all unpaid interest is reversed against interest income. Interest income is subsequently recognized only to the extent cash payments are received.

1. Nature of Organization and Significant Accounting Policies – Continued

Nonaccrual Loans – Continued

A nonaccrual loan may be returned to an accruing status when (a) all delinquent interest and principal become current under the terms of the loan agreement or (b) the loan is both well-secured and in the process of collection and collectability is no longer doubtful.

Impaired Loans

Loans are considered to be impaired when, in management's judgment and based on current information, full collection of principal and interest becomes doubtful. A loan is also considered impaired if its terms are modified in a troubled debt restructuring. Impaired loans are placed in nonperforming status, and future payments are applied to principal until such time as collection of the obligation is no longer doubtful.

When the Foundation identifies a loan as impaired, the impairment is measured based on the present value of future cash flows, discounted at the loan's effective interest rate, except when the sole (remaining) source of repayment for the loan is the liquidation of collateral. In these cases, the current fair value of the collateral is used, less selling cost when foreclosure is probable.

In the event that the net realizable liquidation value of the collateral is less than the principal balance of the underlying mortgage loan, the anticipated deficiency balance is charged off.

To return to performing status, loans must be fully current, and continued timely payments must be a reasonable expectation. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Allowance for Loan Losses

The allowance for loan losses is based on management's ongoing evaluation of the loan portfolio and reflects an amount that, in management's opinion, is adequate to absorb probable incurred losses in the loan portfolio. In evaluating the portfolio, management takes into consideration numerous factors, including current economic conditions, prior loan loss experience, the composition of the loan portfolio, and management's estimate of credit losses.

Loans are charged against the allowance at such time they are determined to be losses. Subsequent recoveries are credited to the allowance.

1. Nature of Organization and Significant Accounting Policies – Continued

Allowance for Loan Losses – Continued

The allowance is composed of general allocations and specific allocations. General allocations are determined by applying loss percentages to the portfolio that are based on historical loss experience and management's evaluation of the risk of the Foundation's loan portfolio. Additionally, general economic trends are included in this evaluation. The need for specific allocations may be required when, based on management's evaluation, the Foundation's risk exposure has increased given the current payment status and value of the underlying collateral of a specific loan. Loans for which specific allocations are provided have been excluded from the calculation of the general allocations.

Management considers the year-end allowance appropriate and adequate to cover probable incurred losses in the loan portfolio: however, management's judgment is based on a number of assumptions about current events, which are believed to be reasonable, but which may or may not prove to be valid. Thus, there can be no assurance that loan losses in future periods will not exceed the allowance for loan losses or that additional increases in the allowance for loan losses will not be required.

Other Real Estate Owned

Other real estate includes real estate acquired through foreclosure. Other real estate is carried at the lower of its recorded amount at the date of foreclosure or estimated fair value less costs to sell based on independent appraisals. Any excess of the carrying value of the related loan over the fair value of the real estate at the date of foreclosure is charged against the allowance for loan losses. Fair value is principally based on independent appraisals performed by local credentialed appraisers. Any expense incurred in connection with holding such real estate or resulting from any write downs subsequent to foreclosure is included in expense. When the other real estate property is sold, a gain or loss is recognized on the sale for the difference between the sales proceeds and the carrying amount of the property.

Property and Equipment

The Foundation capitalizes expenditures for property and equipment in excess of $500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets. These lives are estimated at three to five years for computers, equipment and software, and five to seven years for furniture and fixtures. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss resulting from the disposition is reported in the statements of activities.

1. Nature of Organization and Significant Accounting Policies – Continued

Managed Assets Held for Others

The Foundation holds and manages investments, which belong to the Annual Conferences and United Methodist churches, institutions, and agencies. These investments have been reported as a liability for amounts held for others.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that reflect certain reported amounts and disclosures. Accordingl y, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the various programs and supporting services benefited. The financial statements also report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, some expenses require allocation on a reasonable basis that is consistently applied. Salaries and wages, payroll taxes and benefits, office expense, marketing and publicity, and dues and subscriptions are allocated on the basis of estimates of time and effort. Rent, insurance, depreciation, telephone, repairs and maintenance, and a portion of computer and data processing are allocated based on estimates of square foot usage.

Income Tax Status

The Foundation is a not-for-profit organization exempt from income taxes under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no provisions for federal and state income taxes have been recorded in the accompanying financial statements. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Endowment Funds Held for Others

The Foundation receives, manages and administers a collection of funds which belong to the Annual Conferences and United Methodist churches, institutions, agencies and individuals. These accounts have different restrictions based on the donors' intent when the funds were transferred to the Foundation. The requirements primarily center on annual and quarterly distrib utions to a charitable entity, such as a cemetery, church, scholarship fund, etc. The corresponding liability for these investments is reported as "Endowment Funds Held for Others" on the statements of financial position.

1. Nature of Organization and Significant Accounting Policies – Continued

Charitable Remainder Trust and Gift Annuity Benefits and Deferred Benefits Payable

The Foundation receives gift annuities for its benefit and for the benefit of third parties which stipulate that periodic payments be made from the gifts to designated parties for the lives of those parties. The Foundation uses the rates published by the American Council of Gift Annuities to compute and establish the periodic payments that will be paid over the life of the annuity and classifies this amount as annuities payable, which is included in the "Charitable Remainder Trust and Gift Annuities Payable" section of the statements of financial position. The Foundation uses the Social Security Administration's life-expectancy tables to compute the estimates of present value. The estimated remaining amount of the gift that will be paid to a third-party charity upon the death of the annuitant is included in "Charitable Remainder Trust and Gift Annuities Deferred Benefits Payable." If a portion of the gift annuity is to be left to the Foundation, the excess of the annuity gift over the present value of the estimated liability is recorded as a contribution. Any change in the present value of the annuity payable is charged or credited to income annually.

The Foundation also receives contributions which are various types of split interest agreements. These accounts are treated in the same manner as the gift annuities except that the amount of the periodic payment to the beneficiary is recomputed annually. At the end of the trust term, or upon the death of the beneficiary, any remaining balance is paid to the designated charitable beneficiary or to the Foundation if the Foundation is the beneficiary.

Fair Value Measurement

The Foundation utilizes fair value measurement to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Investment securities are recorded at fair value on a recurring basis. From time to time, the Foundation may be required to record at fair value other assets on a non-recurring basis, such as loans and certain other assets. The nonrecurring fair value adjustment typically involves the application of write-downs of individual assets.

Fair Value Hierarchy

The Foundation groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of assumptions used to determine fair value. These levels are:

Level 1 – Inputs that utilize quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

1. Nature of Organization and Significant Accounting Policies – Continued

Fair Value Measurement – Continued

Fair Value Hierarchy – Continued

Level 2 – Inputs to the valuation methodology that are derived principally from or corroborated by observable market data:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the assets or liabilities;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs that are unobservable and significant to the overall fair value measurement.

The asset's 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 the observable inputs and minimize the use of unobservable inputs.

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value:

Cash and Cash Equivalents

Short term financial assets include cash, interest-bearing deposits, and cash equivalents. These assets are carried at historical cost. The carrying amount is a reasonable estimate of fair value because of the relatively short time between the origination and its expected realization.

Investments

Investment balances reported as Level 1 are derived from quoted market prices on public exchanges. The Foundation also holds certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient and have not been categorized in the fair value hierarchy.

Loans

The Foundation does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses is established. The fair value of impaired loans is estimated using one of several methods including collateral value and discounted cash flows. When the impaired loan is valued using the underlying collateral, the Foundation records the impaired loan as Level 2. When an appraised value is not available and other methods are used to determine the loan's fair value, the Foundation records the loan as Level 3.

1. Nature of Organization and Significant Accounting Policies – Continued

Fair Value Measurement – Continued

Fair Value

Assets and liabilities measured at fair value on a recurring basis include investments securities, the values of which are disclosed in Note 3.

Deposit Liabilities

For disclosure purposes, the fair value of fixed maturity private placement deposit certificates is estimated by discounting the future cash flows using the rates currently offered for certificates of deposit with similar remaining maturities. The fair value of the fixed maturity private placement deposit certificates was $37,568,837, $37,512,152 and $35,659,891 at December 31, 2018, 2017 and 2016, respectively.

Endowment Funds

As described in Note 11, the purpose of the Foundation's Endowment Funds is to generate investment return that can be used to support the Foundation's programs and operating activities. Accordingly, the Foundation liquidates for distribution a portion of the Endowment Funds based on the Foundation's spending policy. This appropriation is shown in the statements of cash flows as a decrease in investing cash and an increase in operating cash.

Reclassification

Amounts previously reported have been reclassified to conform to the current year financial statement presentation.

Subsequent Events

Management has reviewed, through June 20, 2019 (the date which these financial statements were available to be issued), events occurring subsequent to December 31, 2018 in order to evaluate their impact on these financial statements. In accordance with GAAP, there are two types of subsequent events:

Recognized subsequent events – These are events or transactions that provide evidence about conditions that existed at the date of the statements of financial position, including estimates inherent in the process of preparing financial statements. All such evidence known to management through the date that these financial statements were available to be issued has been factored into the preparation of these financial statements.

1. Nature of Organization and Significant Accounting Policies – Continued

Subsequent Events – Continued

Non-recognized subsequent events – These are events or transactions that did not exist at the date of the balance sheet but arose subsequent to that date, and thus are not recognized in the balance presented in these financial statements. These events may be disclosed, however, in order to inform the users of the financial statements.

Other than the subsequent event disclosed in Note 16, there were no subsequent events requiring recognition or disclosure in the financial statements.

New Accounting Policies

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-For-Profit Entities,* which improves the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The guidance allows retrospective application. The Foundation adopted this guidance for the year ended December 31, 2018. This new accounting policy did not affect total net assets.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers.* Subsequent to issuance of ASU 2014-09, FASB issued additional related ASU's to provide additional clarification of ASU 2014-09. ASU 2014-09 amends the FASB Codification (ASC) by creating Topic 606, *Revenue from Contracts with Customers,* and Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers.* The new revenue recognition standard eliminates the transaction- and industry-specific revenue recognition guidance under current GAAP and replaces it with a principle-based approach for determining revenue recognition. The core principle of Topic 606 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Foundation adopted this guidance for the year ended December 31, 2018. This new accounting policy did not affect total net assets.

2. Liquidity and Availability of Financial Assets

The Foundation's primary programs are loans and certificates; investment management; and planned giving and training.

Loans and Certificates Program

The Foundation issues unsecured promissory notes payable in the form of Term Certificates to fund its loans program. The Foundation's principal sources of cash for repayment of the Certificates' principal and interest are loan payments, interest earned on those loans, unrestricted income from other investments, proceeds from the sale of new Certificates, reinvestment or rollover of maturing Certificates, and other unrestricted assets and funds of the Foundation. The Foundation has structured the Loan Program such that the interest payment obligations on outstanding Certificates and direct administrative cost of the Loan Program will be fully funded from interest payments received on loans made through the Loan Program.

The Foundation has a policy of maintaining reasonable reserves in relation to its obligations under the Certificates. In accordance with this policy, the Foundation maintains a portion of its unrestricted assets in investments which are liquid or easily liquidated. The Foundation intends to maintain such investments in an amount deemed sufficient to meet normal interest payments as they accrue and to repay principal amounts on outstanding certificate obligations as they are presently projected to mature. To this end, the Foundation maintains a liquidity reserve.

Loans are funded through proceeds of certificate sales, regular loan payments and earnings from existing mortgage loans. In addition, the Foundation has, from time to time, sold participation rights in certain of its loans to third party financial institutions or to other nonprofit foundations.

Other Programs and Administrative Functions

Contributions, asset management fees, and unrestricted fund appropriations fund the remaining programs and general and administrative costs of the Foundation. The Foundation maintains unrestricted investments, which may be used to fund general expenditures of the Foundation. The Foundation receives contributions with and without donor restrictions. Because donor restrictions require funds to be used in a particular manner or in a future period, the Foundation maintains these restricted funds so that they are available to meet those responsibilities as they are required to be met. Accordingly, these financial assets are not available to the Foundation for its general expenditures. General expenditures may be incurred for program or general and administrative purposes.

2. Liquidity and Availability of Financial Assets – Continued

Funds Available for General Expenditures

The Foundation's financial assets at December 31 (reduced by amounts that are not available for general use because of contractual, donor-imposed, or internal restrictions) available within one year after this date to satisfy liabilities at this date and for future general expenditure are in the following table. The Foundation manages investments for United Methodist and other affiliated organizations. These investments are not included in financial assets available since they are managed on behalf of these other entities and are not available to the Foundation.

	2018	2017	2016
Cash and cash equivalents	$ 7,717,464	$ 7,278,826	$ 2,637,791
Certificates of deposit	2,814,153	4,995,124	4,164,963
Account and interest receivable	39,176	59,937	46,676
Investments - Foundation	9,148,754	10,132,234	9,197,322
Loans receivable, net	26,668,419	24,691,732	28,363,142
Cash surrender value of life insurance	152,304	152,304	145,901
Total financial assets	46,540,270	47,310,158	44,555,795
Adjustments:			
Perpetual restriction on investments	(133,163)	(133,163)	(133,163)
Purpose restriction on investments	(18,595)	(21,159)	(12,675)
Donor advised funds in investments	(1,693,882)	(1,736,062)	(1,555,889)
Loans receivable due after one year	(24,320,517)	(21,585,805)	(26,727,242)
Liquidity reserve	(2,038,196)	(1,917,618)	(1,772,463)
Other board designated	(316,111)	(341,312)	(305,764)
	$ 18,019,807	$ 21,575,039	$ 14,048,599

The Foundation structures its financial assets to be available as its general expenditure, liabilities, and other obligations come due. In addition to financial assets available to meet general expenditures over the next twelve months, the Foundation operates with a balanced budget and anticipates having sufficient resources to cover general expenditures. Amounts not available include internally designated amounts that could be made available if necessary. As described in Note 7, The Foundation also maintains a line of credit in the amount of $750,000, which it could draw upon in the event of an unanticipated liquidity event.

3. Investment Assets

The Foundation's U.S. Equity Fund, International Equity Fund, Fixed Income Fund and Multiple Asset Fund are each comprised of one private fund established by Wespath Benefits and Investments of The United Methodist Church (Wespath). All funds are managed through Wespath Investment Management, which is the investment management division of Wespath. Wespath follows a policy of socially responsible investing. This policy is mandated by the United Methodist Church for all United Methodist entities including the Foundation. The Foundation's choice of using these funds is to ensure that the Foundation's investments comply with the investment policy set forth in The Book of Discipline of the United Methodist Church. Amounts up to $2,000,000 in private funds held by Wespath can be redeemed daily without a redemption notice period. Redemption s over $2,000,000 may require a 15 day notice period.

- The Wespath U.S. Equity Fund is comprised of a broadly diversified portfolio of primarily U.S. stocks, publically traded U.S. based real estate investment trusts, limited partnership interest in private U.S. real estate and other private investments of U.S companies, and equity index futures of U.S. stock indexes. The fund is valued using the underlying net asset value.

- The Wespath International Equity Fund is comprised of non-U.S. domiciled, publicly owned equities, and to a lesser extent, international privately-owned companies, private real estate and equity index futures. The fund is valued using the underlying net asset value.

- The Wespath Fixed Income Fund is comprised of primarily U.S. traded fixed income securities, fixed income securities denominated in currencies other than the U.S. dollar, and privately placed loans originated by the Positive Social Purpose Lending Program. The fund is valued using the underlying net asset value.

- The Wespath Multiple Asset Fund is a combination of several other Wespath Funds managed by over fifty investment managers. These managers provide the fund with broad diversification of holdings in a variety of U.S. and non-U.S. securities. These include stocks, traditional bonds, inflation-linked bonds, real estate investment trusts, securities, commodities, interest in private equity and private real estate partnerships, and participation interests in loans. The fund is valued using the underlying net asset value.

Prior to November 2017, the Foundation had a Fixed Income Fund that was comprised of a selection of corporate bonds, government and agency bonds, and exchange traded fixed income funds and, therefore, its holdings are considered Level 1 investments. The Fixed Income Fund was managed through Merrill Lynch and Black Rock Private Investors. The Fixed Income Fund was discontinued in November 2017 and replaced with the Wespath Fixed Income Fund.

3. Investment Assets – Continued

Unsecured Promissory Notes Payable issued by the Foundation essentially are deposit instruments carried at cost, which approximates fair value and are considered Level 1 investments. The Foundation held money market funds and cash comprising 3%, 3%, and 5% of total investment assets at December 31, 2018, 2017 and 2016, respectively. Money market funds are carried at their cost value, which approximates fair value and are Level 1 investments.

Description	12/31/2018	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Net Asset Value (a)
Money market funds	$ 313,688	$ 313,688	$ -
Non-publicly traded funds			
U.S. equity	4,618,283	-	4,618,283
International equity	1,160,140	-	1,160,140
Fixed income	3,056,643	-	3,056,643
	$ 9,148,754	$ 313,688	$ 8,835,066

Description	12/31/2017	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Net Asset Value (a)
Money market funds	$ 268,198	$ 268,198	$ -
Non-publicly traded funds			
U.S. equity	5,160,141	-	5,160,141
International equity	1,314,064	-	1,314,064
Fixed income	3,389,831	-	3,389,831
	$ 10,132,234	$ 268,198	$ 9,864,036

(a) Certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

3. Investment Assets – Continued

Description	12/31/2016	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Net Asset Value (a)
Money market funds	$ 328,428	$ 328,428	$ -
Exchange traded fixed income mutual funds:			
International bond	21,845	21,845	-
High yield bond	149,069	149,069	-
Nontraditional bond	301,199	301,199	-
Government securities	1,195,141	1,195,141	-
Corporate bonds	1,388,610	1,388,610	-
Non-publicly traded funds			
U.S. equity	4,682,088	-	4,682,088
International equity	1,130,942	-	1,130,942
	$ 9,197,322	$ 3,384,292	$ 5,813,030

(a) Certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

With regard to the investments that the Foundation manages and holds for the United Methodist churches, affiliated institutions, other agencies and for the benefit of church members, these investments are broken down into the following investment management categories:

	2018	2017	2016
Managed funds held for others	$ 88,926,730	$ 86,842,108	$ 75,813,679
Endowment funds held for others	15,143,122	16,281,828	15,393,299
Gift annuities and charitable remainder trusts	1,802,326	2,234,673	2,157,621
Total investments held for others	$ 105,872,178	$ 105,358,609	$ 93,364,599

3. Investment Assets – Continued

These investments held for others are stated at fair value and are summarized as follows by category of type of investment:

Description	12/31/2018	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Net Asset Value (a)
Money market funds	$ 1,484,633	$ 1,484,633	$ -
Certificates of deposit	2,000,000	2,000,000	-
Exchange traded equity mutual funds:			
Large cap U.S. equity	267,213	267,213	-
Mid cap U.S. equity	46,977	46,977	-
Unsecured promissory notes issued by the Foundation	6,250,028	6,250,028	-
Common stocks	25,034	25,034	
Non-publicly traded funds:			
U.S. equity	45,719,932	-	45,719,932
International equity	13,651,572	-	13,651,572
Multiple asset	6,116,556	-	6,116,556
Fixed income	30,310,233	-	30,310,233
	$ 105,872,178	$ 10,073,885	$ 95,798,293

(a) Certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

3. Investment Assets – Continued

Description		12/31/2017		Quoted Market Prices in Active Markets for Identical Assets (Level 1)		Net Asset Value (a)
Money market funds	$	1,132,214	$	1,132,214	$	-
Certificates of deposit		2,000,000		2,000,000		-
Exchange traded equity mutual funds:						
Large cap U.S. equity		264,180		264,180		-
Mid cap U.S. equity		68,167		68,167		-
Small cap U.S. equity		15,537		15,537		-
International equity		38,896		38,896		-
Exchange traded fixed income mutual funds:						
Intermediate		410,758		410,758		-
Short term		33,409		33,409		-
Unsecured promissory notes issued by the Foundation		5,920,100		5,920,100		-
Common stocks		12,240		12,240		
Non-publicly traded funds:						
U.S. equity		52,221,814		-		52,221,814
International equity		13,294,972		-		13,294,972
Multiple asset		1,447,837		-		1,447,837
Fixed income		28,498,485		-		28,498,485
	$	105,358,609	$	9,895,501	$	95,463,108

(a) Certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

3. Investment Assets – Continued

Description	12/31/2016	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Net Asset Value (a)
Money market funds	$ 4,475,058	$ 4,475,058	$ -
Certificates of deposit	2,000,000	2,000,000	-
Exchange traded equity mutual funds:			
Large cap U.S. equity	220,677	220,677	-
Mid cap U.S. equity	62,369	62,369	-
Small cap U.S. equity	17,126	17,126	-
International equity	28,421	28,421	-
Exchange traded fixed income mutual funds:			
Intermediate	400,019	400,019	-
Short term	409,088	409,088	-
High yield bond	1,218,421	1,218,421	-
Nontraditional bond	2,461,860	2,461,860	-
Unsecured promissory notes issued by the Foundation	5,602,813	5,602,813	-
Government securities	9,768,530	9,768,530	-
Corporate bonds	11,528,411	11,528,411	-
Common stocks	115,114	115,114	
Non-publicly traded funds:			
U.S. equity	43,204,726	-	43,204,726
International equity	10,435,957	-	10,435,957
Multiple asset	1,234,695	-	1,234,695
Fixed income	181,314	-	181,314
	$ 93,364,599	$ 38,307,907	$ 55,056,692

(a) Certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The total amount of unsecured promissory notes payable issued by the Foundation and included in the above investment categories was $6,250,028, $5,920,100, and $5,602,813 at December 31, 2018, 2017 and 2016, respectively. Accordingly, these amounts have been reflected as reductions in the Statements of Financial Position.

4. Loans Receivable, Net

The Foundation's loan portfolio consists of loans to churches and entities associated with the Annual Conferences, and these loans were made out of a pool of funds invested with the Foundation through the Loans and Certificates Program. The Foundation approves these loans based upon specific Board approved criteria, and most loans are secured by the individual entity's land, buildings, and equipment. In order to reduce its risk and to diversify the portfolio, the Foundation, under terms and limits established by the Board of Trustees, may sell portions of larger loans to other entities in the form of participations.

The purpose of the Foundation's loan program is to make first-lien mortgage loans to church congregations, districts, mission institutions, and extension agencies within the Annual Conferences for the purchase, construction, expansion, or major improvements of churches, parsonages, or mission buildings or the refinancing of loans made for those purposes. Construction period loans are interest-only until the construction period is complete and the construction loan is closed into a permanent loan. Terms of the non-construction loans range from five to twenty years. Loans with terms longer than five years generally have an interest rate reset provision where the interest rate paid during the loan is reset every five years to the market rate at that time. At December 31, 2018, the Foundation's portion of the loan portfolio had interest rates ranged from 4.25% to 4.50% depending on the loan.

Major classifications of loans are as follows at December 31:

	2018	2017	2016
Term loans	$ 24,626,083	$ 22,884,396	$ 24,457,132
Construction period loans	2,416,516	2,181,516	4,262,190
	27,042,599	25,065,912	28,719,322
Less: Allowance for loan losses	(374,180)	(374,180)	(356,180)
Loans, net	$ 26,668,419	$ 24,691,732	$ 28,363,142

The Foundation considers a loan to be impaired when it is probable that it will be unable to collect all amounts due according to the original terms of the loan agreement. Impaired loans may include loans which are not accruing. Nonaccrual loans are those in which the collection of interest is not probable and all cash flows are recorded as reductions in principal. Amounts of impaired loans that are not probable of collection are charged off immediately. At December 31, 2018, 2017 and 2016, the Foundation has no loans it considered impaired.

5. Allowance for Loan Losses

A summary of changes in the allowance for loan losses is as follows:

	2018	2017	2016
Beginning balance	$ 374,180	$ 356,180	$ 338,180
Additional provision	-	18,000	18,000
Ending balance	$ 374,180	$ 374,180	$ 356,180

6. Unsecured Promissory Notes Payable

The Foundation issues unsecured promissory notes payable in the form of Term Certificates to fund its lending program. These notes payable are issued in accordance with Georgia Securities Code Section 10-5-10(7), Exemptions From Registrations. The terms and conditions of these certificates are set forth in the Offering Memorandums. Under the terms of these Offering Memorandums, the funds are not revolving. When a certificate matures and is renewed, the certificate is reissued under the Offering Memorandum in effect at that time.

On September 4, 2015, the Foundation filed an Offering to issue up to $25 million unregistered, unsecured promissory notes through August 29, 2016. On August 29, 2016, the Foundation filed an Offering to issue up to $25 million unregistered, unsecured promissory notes through August 28, 2017. On August 10, 2017, the Foundation filed an Offering to issue up to $25 million unregistered, unsecured promissory notes through August 15, 2018. On August 16, 2018, the Foundation filed an Offering to issue up to $25 million unregistered, unsecured promissory notes through August 15, 2019.

Promissory notes payable (certificates) consist of the following at December 31:

	2018	2017	2016
One year term certificates	$ 6,316,781	$ 5,096,855	$ 7,470,304
Two year term certificates	1,634,184	2,628,133	2,938,068
Three year term certificates	4,979,937	4,743,670	4,906,802
Four year term certificates	24,637,935	25,043,494	20,344,717
	$ 37,568,837	$ 37,512,152	$ 35,659,891

Term notes have maturity dates ranging from one year to four years and paid interest in the range of 1.30% to 2.85% during 2018 depending upon the term of the certificate and the amount deposited.

7. Line of Credit

The Foundation has a $750,000 unsecured line of credit with a bank at a fixed interest rate of 5.0% and with a maturity date of December 15, 2020. The line of credit is secured with the Foundation's bank accounts and certificates of deposit at the financial institution. No balance was outstanding at December 31, 2018, 2017 and 2016.

8. Designated Net Assets

Designated net assets are funds that have been designated by the Foundation's governing body for specific purposes. Designated net assets consist of the following at December 31:

	2018	2017	2016
Program restriction	$ 207,286	$ 226,625	$ 205,645
General operations	108,825	114,687	100,119
Liquidity reserve	2,038,196	1,917,618	1,772,463
Total designated net assets	$ 2,354,307	$ 2,258,930	$ 2,078,227

9. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at December 31:

	2018	2017	2016
Net assets with purpose restrictions:			
Donor advised funds	$ 1,693,882	$ 1,736,062	$ 1,555,889
Split interest agreements	205,776	313,679	322,367
Grant fund	4,060	2,315	1,440
Scholarship fund	-	17,462	9,853
Clergy financial leadership academy	13,153	-	-
Missions	1,382	1,382	1,382
Total net assets with purpose restrictions	1,918,253	2,070,900	1,890,931
Net assets perpetual in nature			
General operations	133,163	133,163	133,163
Total net assets perpetual in nature	133,163	133,163	133,163
Total net assets with donor restrictions	$ 2,051,416	$ 2,204,063	$ 2,024,094

10. Net Assets Released from Restrictions

The following net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes or by occurrence of other events specified by the donor for the years ending December 31:

	2018	2017	2016
Other restrictions:			
Donor advised funds	$ 109,654	$ 86,709	$ 52,887
Grant fund	107,750	69,100	82,849
Scholarship fund	17,462	-	-
Clergy financial leadership fund	24,378	-	-
Total net assets released from restriction	$ 259,244	$ 155,809	$ 135,736

11. Endowed Net Assets

The purpose of the Foundation's Endowment Funds is to generate investment return that can be used to support the Foundation's operating activities.

Certain Endowment Funds have donor restrictions that the original gift must be retained in perpetuity and only income may be spent. During the ensuing years, contributions without donor restrictions received by the Foundation were transferred into the Endowment Fund and designated by the Board of Trustees to function as an Endowment Fund.

Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation follows the requirements of Georgia's Uniform Prudent Management of Institutional Funds Act (the "Act"). Upon receipt of gifts and bequests, the Foundation evaluates the gift instrument and related information to determine the directions and intentions of the donor. Under the Act, all earnings for funds perpetual in nature are considered net assets with donor restrictions until appropriated for expenditure.

From time to time, the fair value of invested assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2018, 2017 and 2016.

11. Endowed Net Assets – Continued

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the operations supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce an annual return in excess of the CPI plus 3% while maintaining prudent risk limits. Actual returns in any given year may vary from the objective.

In the absence of donor restrictions related to appropriations from the endowment, the Foundation has a policy of appropriating for distribution each year 4.5% of a 12-quarter moving average of the Endowment Fund portfolio value, ending on the last trading day in September. The amount calculated is budgeted for spending during the following year.

Endowment net assets by type of fund and related changes consisted of the following as of December 31, 2018:

	Board-designated Endowment (Net Assets Without Donor Restrictions)	Donor-restricted Endowment (Net Assets Perpetual In Nature)	Total
Endowment net assets, beginning of year	$ 341,312	$ 133,163	$ 474,475
Investment return:			
Investment income	24	-	24
Net depreciation (realized and unrealized)	(15,184)	-	(15,184)
	(15,160)	-	(15,160)
Assets appropriated for expenditure	(10,041)	-	(10,041)
Endowment net assets, end of year	$ 316,111	$ 133,163	$ 449,274

11. Endowed Net Assets – Continued

Endowment net assets by type of fund and related changes consisted of the following as of December 31, 2017:

	Board-designated Endowment (Net Assets Without Donor Restrictions)	Donor-restricted Endowment (Net Assets Perpetual In Nature)	Total
Endowment net assets, beginning of year	$ 305,764	$ 133,163	$ 438,927
Investment return:			
Investment income	2,781	-	2,781
Net appreciation (realized and unrealized)	42,565	-	42,565
	45,346	-	45,346
Assets appropriated for expenditure	(9,798)	-	(9,798)
Endowment net assets, end of year	$ 341,312	$ 133,163	$ 474,475

11. Endowed Net Assets – Continued

Endowment net assets by type of fund and related changes consisted of the following as of December 31, 2016:

	Board-designated Endowment (Net Assets Without Donor Restrictions)	Donor-restricted Endowment (Net Assets Perpetual In Nature)	Total
Endowment net assets, beginning of year	$ 293,586	$ 133,163	$ 426,749
Investment return:			
Investment income	3,034	-	3,034
Net appreciation (realized and unrealized)	18,769	-	18,769
	21,803	-	21,803
Assets appropriated for expenditure	(9,625)	-	(9,625)
Endowment net assets, end of year	$ 305,764	$ 133,163	$ 438,927

12. Pension Plan

Foundation employees participate in two separate pension plans sponsored by Wespath. For participants in the Defined Contribution plan, the Foundation contributes six percent (6%) of the employee's salary. Each conference-appointed clergy can participate in one of several plans. Clergy participate in a Defined Contribution Plan and/or a Defined Benefit Plan where the Foundation contributes a percentage. This percentage ranged between twelve (12%) and thirteen (13%) of the participants' salary. Pension expense for all employees totaled $57,217, $62,452, and $66,330 for the years ending December 31, 2018, 2017 and 2016, respectively.

13. Operating Lease Commitment

The Foundation leases its office space under a five-year operating lease with an escalating lease payments provision. Rent expense was $57,039 for the year ended December 31, 2018 and $56,685 for each of the years ended December 31, 2017 and 2016, respectively.

The future minimum annual rental commitment due under this lease agreement is as follows:

For the year ending December 31,		
2019	$	58,465
2020		44,666
Total minimum lease payments	$	103,131

14. Funds Held as Agent

The Foundation enters into designated fund agreements with various entities for the purpose of establishing funds in the Foundation's trustee investment account. These 530 accounts are primarily invested in Wespath funds.

The Foundation charges a fee to administer the funds for each entity. This fee is received on a monthly basis and it is based upon the market value of the account at month-end. The various entities can withdraw their funds at any time with the appropriate notice. At December 31, 2018, 2017 and 2016, the market value of all of these accounts totaled $105,872,178, $105,358,609 and $93,377,307, respectively.

15. Related Party Transactions

While the Foundation is an autonomous legal entity, its purpose has always been to support the functions of the Annual Conferences, its churches, members, and affiliates. Therefore, the great majority of its activities are with parties related to the Church, Annual Conferences and their connectional units, local church congregations, etc. Accordingly, related party transactions include the following:

- The entire balance of investments held for others consists of funds from the Annual Conferences, UMC churches, organizations and institutions, and related foundations and related individuals. The Foundation's entire loans and certificates program are made up of Annual Conferences, UMC churches, related foundations, and related individuals.

15. Related Party Transactions – Continued

- Several members of the Board of Trustees belong to Churches and Conference-related entities that have loans with the Foundation.
- Several members of the Board of Trustees have invested personally in the private placement certificates of deposit totaling $36,501, $694,691 and $781,267 at December 31, 2018, 2017 and 2016, respectively.
- Several members of the Board of Trustees have contributed to donor advised funds with a market value of $1,548,260 and $1,374,839 at December 31, 2017 and 2016, respectively.
- Several members of the Board of Trustees have established endowments managed by the Foundation with a total market value of $44,917, $520,597 and $406,692 at December 31, 2018, 2017 and 2016, respectively.
- Several Board Members have gift annuities managed by the Foundation with a total discounted annuity payable of $45,004 and $45,272 at December 31, 2017 and 2016, respectively.
- Several Board Members have unitrusts managed by the Foundation with a total market value of $91,871 and $80,354 at December 31, 2017 and 2016, respectively.

16. Concentration of Credit Risk and Other Concentrations

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and investments. The Foundation has a significant concentration of cash deposited in six financial institutions, and the account balances exceed federal insurance limits. The Foundation's bank account balances, as reflected in the bank records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per financial institution. The Foundation also has cash deposits at institutions not covered by the FDIC. The Foundation's uninsured cash balances and certificates of deposit in excess of FDIC limits were approximately $13,259,000, $14,234,000 and $12,752,000 at December 31, 2018, 2017 and 2016.

The Foundation's investments, other than loans, do not represent a significant concentration of credit risk due to the diversification of the Foundation's portfolio among instruments and issues. However, investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that market changes in the near-term could materially affect the amounts reported on the statements of financial position.

16. Concentration of Credit Risk and Other Concentrations – Continued

The Foundation receives deposits related to its certificate program from either individuals that reside in or entities that are located in the State of Georgia. The Foundation also makes loans to churches and other borrowers throughout the state of Georgia. Limiting the geographic area in which the Foundation operates may increase the Foundation's exposure to certain business concentrations.

In recent years several mainline Protestant denominations have struggled with the issue of same sex marriage. Changes in related policies have resulted in some churches and individual members leaving these denomination s. In addition, there is a secular trend of overall declines in membership and attendance in mainline Protestant churches. In February 2019, Delegates to a Special Session of the General Conference of the United Methodist Church (UMC) adopted a plan known as "The Traditional Plan." This plan confirmed the United Methodist Church's polity with regard to ordination of homosexual pastors and same sex marriages. In addition, the Special Session adopted guidelines for UMC Churches wishing to dis-affiliate with the UMC known as "the exit plan." These actions were later ratified by the Judicial Council of the UMC. The Foundation has adopted changes to its By-Laws and Articles of Incorporation which would allow most entities who dis-affiliate with the UMC to continue as clients of the Foundation. Should sufficient borrowers elect to dis-affiliate and should their dis-affiliation impair their ability to make timely payments on their loans, the Foundation's ability to meet its obligations under the certificate program might also be impaired. At this time the Foundation believes its adherence to sound underwriting standards including collateral margins and reserves is sufficient to mediate this risk.