Georgia United Methodist Foundation, Inc.

Audited Financial Statements

December 31, 2020, 2019 and 2018

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, 2020, 2019 and 2018, 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, 2020, 2019 and 2018, 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.

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Correction of Error

As discussed in Note 1 to the financial statements, certain errors resulting in overstatements of investments - Foundation, net assets without donor restrictions, investment return and grants to beneficiaries, and understatements of investments - held for others and endowment funds held for others for the years ended December 31, 2019 and 2018 were discovered by management of the Foundation during the current year. Accordingly, investments - Foundation, net assets without donor restrictions, investment return, grants to beneficiaries, investments - held for others and endowment funds held for others have been restated in the December 31, 2019 and 2018 financial statements now presented. Our opinion is not modified with respect to this matter.

Brooks, McGinnis & Company, LLC

Atlanta, Georgia
May 20, 2021

GEORGIA UNITED METHODIST FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020, 2019 AND 2018

	2020	Restated 2019	Restated 2018
Assets:			
Cash and cash equivalents	$ 10,069,874	$ 9,652,143	$ 7,717,464
Certificates of deposit	2,408,171	2,359,473	2,814,153
Accounts and interest receivable	51,019	42,847	39,176
Investments - Foundation	11,545,892	9,534,140	8,168,130
Investments - held for others	180,828,108	133,648,116	106,852,802
Less unsecured promissory notes payable issued by the Foundation included in investments	(6,940,714)	(6,481,622)	(6,250,028)
Loans receivable, net	31,050,815	27,319,207	26,668,419
Prepaid expenses and other assets	11,842	21,186	18,256
Cash surrender value of life insurance	174,801	163,775	152,304
Right-of-use asset	301,713	-	-
Property and equipment, net	59,530	33,293	2,404
Total assets	$ 229,561,051	$ 176,292,558	$ 146,183,080

(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, 2020, 2019 AND 2018

	2020	Restated 2019	Restated 2018
Liabilities:			
Accounts payable and other liabilities	$ 144,502	$ 108,756	$ 104,866
Managed assets held for others	154,110,861	111,283,143	87,972,375
Endowment funds held for others	24,803,594	20,336,163	17,078,101
Charitable remainder trust and gift annuity benefits payable	538,884	642,235	664,727
Charitable remainder trust and gift annuity deferred benefits payable	1,012,762	1,061,069	931,823
Lease liability	302,495	-	-
Unsecured promissory notes payable	43,977,106	39,777,480	37,568,837
Less unsecured promissory notes issued by the Foundation and included in investments	(6,940,714)	(6,481,622)	(6,250,028)
Total liabilities	217,949,490	166,727,224	138,070,701
Net assets:			
Without donor restrictions	8,598,698	7,068,120	6,060,963
With donor restrictions	3,012,863	2,497,214	2,051,416
Total net assets	11,611,561	9,565,334	8,112,379
Total liabilities and net assets	$ 229,561,051	$ 176,292,558	$ 146,183,080

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, 2020, 2019 AND 2018

	2020	Restated 2019	Restated 2018
Changes in net assets without donor restrictions:			
Revenues, gains and support:			
Contributions	$ 466,554	$ 129,574	$ 36,122
Asset management fees	478,554	456,503	432,191
Interest income from loan program	1,498,073	1,393,916	1,280,693
Investment return (loss)	1,480,124	1,409,249	(300,196)
Government grant	163,300	-	-
Other	9,322	15,475	1,144
Total revenues and gains without donor restrictions	4,095,927	3,404,717	1,449,954
Net assets released from restrictions	201,754	276,594	259,244
Total revenues, gains and support without donor restrictions	4,297,681	3,681,311	1,709,198
Expenses:			
Loans and certificates	1,395,762	1,335,088	1,128,950
Investment management	648,523	679,790	666,337
Planned giving and training	512,290	498,587	507,502
Total program services	2,556,575	2,513,465	2,302,789
General and administrative	210,528	160,689	150,663
Total expenses	2,767,103	2,674,154	2,453,452
Increase (decrease) in net assets without donor restrictions	1,530,578	1,007,157	(744,254)

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

GEORGIA UNITED METHODIST FOUNDATION, INC.
STATEMENTS OF ACTIVITIES – CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	2020	Restated 2019	Restated 2018
Changes in net assets with donor restrictions:			
Contributions	282,021	249,812	286,976
Investment return (loss)	398,881	352,851	(72,476)
Change in value of split interest agreements	36,501	119,729	(107,903)
Net assets released from restrictions	(201,754)	(276,594)	(259,244)
Increase (decrease) in net assets with donor restrictions	515,649	445,798	(152,647)
Increase (decrease) in net assets	2,046,227	1,452,955	(896,901)
Net assets at beginning of year	9,565,334	8,112,379	9,009,280
Net assets at end of year	$ 11,611,561	$ 9,565,334	$ 8,112,379

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, 2020

	Loans and Certificates	Investment Management	Planned Giving and Training	Total Program	General and Admin	Total
Salaries and wages	$ 194,779	$ 272,722	$ 334,421	$ 801,922	$ 68,158	$ 870,080
Payroll taxes and benefits	40,568	53,645	110,703	204,916	12,200	217,116
Total payroll expense	235,347	326,367	445,124	1,006,838	80,358	1,087,196
Interest expense	1,073,588	-	-	1,073,588	107	1,073,695
Grants to beneficiaries	-	221,148	-	221,148	-	221,148
Professional fees	29,115	-	10,200	39,315	92,549	131,864
Rent	18,321	18,541	13,608	50,470	12,067	62,537
Marketing and publicity	5,151	6,869	9,168	21,188	1,716	22,904
Travel and meetings	921	739	2,999	4,659	3,061	7,720
Computer and data processing	11,933	48,958	7,662	68,553	6,412	74,965
Office expense	6,478	8,657	12,026	27,161	2,175	29,336
Insurance	7,933	7,934	5,289	21,156	5,289	26,445
Other expense	-	-	-	-	1,803	1,803
Depreciation	3,726	3,726	2,484	9,936	2,484	12,420
Telephone	1,195	1,255	1,667	4,117	757	4,874
Repairs and maintenance	1,430	1,429	953	3,812	953	4,765
Dues and subscriptions	624	833	1,110	2,567	208	2,775
Fees	-	2,067	-	2,067	589	2,656
Total expenses	$ 1,395,762	$ 648,523	$ 512,290	$ 2,556,575	$ 210,528	$ 2,767,103
Percentage of total expenses	50%	23%	19%	92%	8%	100%

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

GEORGIA UNITED METHODIST FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES - RESTATED
FOR THE YEAR ENDED DECEMBER 31, 2019

	Loans and Certificates	Investment Management	Planned Giving and Training	Total Program	General and Admin	Total
Salaries and wages	$ 187,306	$ 260,614	$ 324,047	$ 771,967	$ 65,178	$ 837,145
Payroll taxes and benefits	39,854	53,058	110,917	203,829	11,863	215,692
Total payroll expense	227,160	313,672	434,964	975,796	77,041	1,052,837
Interest expense	903,797	-	-	903,797	163	903,960
Grants to beneficiaries	-	265,184	-	265,184	-	265,184
Professional fees	29,416	-	5,000	34,416	33,206	67,622
Rent	17,780	18,019	13,373	49,172	11,693	60,865
Marketing and publicity	5,394	7,228	9,870	22,492	1,780	24,272
Travel and meetings	1,395	1,778	10,537	13,710	22,019	35,729
Computer and data processing	7,213	52,700	5,093	65,006	4,067	69,073
Office expense	5,219	6,850	8,936	21,005	1,850	22,855
Insurance	7,788	7,788	5,192	20,768	5,193	25,961
Loan loss provision	125,820	-	-	125,820	-	125,820
Other expense	130	260	910	1,300	1,258	2,558
Depreciation	483	484	322	1,289	322	1,611
Telephone	1,161	1,235	2,200	4,596	725	5,321
Repairs and maintenance	1,783	1,783	1,189	4,755	1,189	5,944
Dues and subscriptions	549	733	1,001	2,283	183	2,466
Fees	-	2,076	-	2,076	-	2,076
Total expenses	$ 1,335,088	$ 679,790	$ 498,587	$ 2,513,465	$ 160,689	$ 2,674,154
Percentage of total expenses	49%	26%	19%	94%	6%	100%

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

GEORGIA UNITED METHODIST FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES - RESTATED
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	-	258,799	-	258,799	-	258,799
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	$ 666,337	$ 507,502	$ 2,302,789	$ 150,663	$ 2,453,452
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.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	2020	Restated 2019	Restated 2018
Cash flows from operating activities:			
Increase (decrease) in net assets	$ 2,046,227	$ 1,452,955	$ (896,901)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:			
Depreciation	12,420	1,611	4,507
Provision for loan losses	-	125,820	-
Lease expense	782	-	-
Change in value of split interest agreements	(36,501)	(119,730)	107,903
Realized and unrealized (gain) loss on investments	(1,871,989)	(1,754,308)	362,622
Investment funds appropriated for expenditure	369,084	453,171	572,690
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables	(8,172)	(3,671)	20,761
Prepaid expenses and other assets	9,344	(2,930)	(477)
Cash surrender value of life insurance	(11,026)	(11,471)	-
Increase in:			
Accounts payable and other liabilities	35,746	3,890	15,136
Total adjustments	(1,500,312)	(1,307,618)	1,083,142
Net cash provided by operating activities	545,915	145,337	186,241

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

GEORGIA UNITED METHODIST FOUNDATION, INC.
STATEMENT S OF CASH FLOWS – CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

		2020		Restated 2019		Restated 2018
Cash flows from investing activities:						
Purchase of property and equipment		(38,657)		(32,500)		-
Purchase of investments		(2,053,833)		(617,476)		(716,170)
Proceeds from the sale of investments		1,914,070		1,005,774		1,280,287
Investment funds appropriated for expenditure		(369,084)		(453,171)		(572,690)
Net sale (purchase) of certificates of deposit		(48,698)		454,680		2,180,971
New mortgage loans made to churches		(8,385,546)		(4,882,152)		(6,102,201)
Repayments made on principal		5,404,633		5,634,403		4,517,121
Net cash provided by (used in) investing activities		(3,577,115)		1,109,558		587,318
Cash flows from financing activities:						
Proceeds from unsecured promissory notes payable		8,786,329		7,087,497		4,390,781
Repayment of unsecured promissory notes payable		(4,586,703)		(4,878,854)		(4,334,096)
Loan participations, net		(750,695)		(1,528,859)		(391,607)
Net cash provided by (used in) financing activities		3,448,931		679,784		(334,922)
Net increase in cash and cash equivalents		417,731		1,934,679		438,637
Cash and cash equivalents at beginning of year		9,652,143		7,717,464		7,278,827
Cash and cash equivalents at end of year	$	10,069,874	$	9,652,143	$	7,717,464
Supplemental disclosure of cash flow information:						
Interest paid on development program certificates	$	1,081,983	$	908,907	$	816,861
Noncash investing and financing activities:						
Assets acquired through operating lease agreement	$	301,713	$	-	$	-

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. 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.

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, 2020, 2019 and 2018, the Foundation does not have any material contract assets, liabilities, or other receivables 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 statement 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.

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.

1. Nature of Organization and Significant Accounting Policies – Continued

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.

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.

1. Nature of Organization and Significant Accounting Policies – Continued

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.

During 2020, the Foundation implemented loan modification programs in response to the COVID-19 pandemic in order to provide borrowers flexibility with respect to repayment terms. Payment relief assistance included deferral of principal and/or interest payments. These modifications were not considered significant and therefore these loans were not classified as impaired.

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.

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.

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. Accordingly, actual results could differ from those estimates.

1. Nature of Organization and Significant Accounting Policies – Continued

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 distributions 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 $43,977,106 , $39,777,480 and $37,568,837 at December 31, 2020, 2019 and 2018, respectively.

Endowment Funds

As described in Note 13, 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.

Subsequent Events

Management has reviewed, through May 20, 2021 (the date which these financial statements were available to be issued), events occurring subsequent to December 31, 2020 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.

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 8, there were no subsequent events requiring recognition or disclosure in the financial statements.

1. Nature of Organization and Significant Accounting Policies – Continued

New Accounting Policy

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (*Topic 842*), which requires leases to be presented on the statement of financial position as liabilities with related assets. This guidance provides a new transition alternative in which an entity initially applies the new standard to all existing leases at the adoption date and recognizes a cumulative effect adjustment to the opening balance of net assets at that date. This accounting policy is effective for fiscal years beginning after December 15, 2019 and the Foundation adopted this policy as of January 1, 2020. This new accounting policy did not affect total net assets at January 1, 2020.

Prior Period Adjustment

The accompanying prior year financial statements have been restated to correct errors resulting from the misclassification of a bequest as net assets without donor restriction. In the late 1990's, the South Georgia United Methodist Foundation, a predecessor to the Foundation, received distributions from an estate totaling $417,754 that were previously thought to be without donor restrictions. In 2021, management determined that the bequest should have been recorded as an endowment held for the South Georgia Conference of the United Methodist Church (SGCUMC). No distributions have been made to the SGCUMC. In accordance with the bequest, the Foundation made a monthly payment of $400 to a church which closed in 2021. The Foundation determined the value of the endowment at December 31, 2017 and subsequent years based on distributions from the estate, distributions to the church and annual investment return since the bequest was received.

Accordingly, amounts reported for investments - Foundation, investments - held for others, endowment funds held for others, net assets without donor restrictions, investment return, and grants to beneficiaries have been restated in the December 31, 2019 and 2018 financial statements now presented and an adjustment has been made to decrease net assets without donor restriction as of December 31, 2017 by $1,037,365.

1. Nature of Organization and Significant Accounting Policies – Continued

Prior Period Adjustment - Continued

These corrections resulted in the following restatements as of December 31:

	2019	2018
Investments - Foundation as previously reported	$ 10,731,562	$ 9,148,754
Adjustment:	(1,197,422)	(980,624)
Investments - Foundation restated	$ 9,534,140	$ 8,168,130
Investments - held for others as previously reported	$ 132,450,694	$ 105,872,178
Adjustment:	1,197,422	980,624
Investments - held for others restated	$ 133,648,116	$ 106,852,802
Endowment funds held for others as previously reported	$ 19,138,741	$ 16,097,477
Adjustment:	1,197,422	980,624
Endowment funds held for others restated	$ 20,336,163	$ 17,078,101
Net assets without donor restrictions as previously reported	$ 8,265,542	$ 7,041,587
Adjustment:	(1,197,422)	(980,624)
Net assets without donor restrictions restated	$ 7,068,120	$ 6,060,963
Investment return (loss) as previously reported	$ 1,630,847	$ (352,137)
Adjustment:	(221,598)	51,941
Investment return (loss) restated	$ 1,409,249	$ (300,196)
Investment management expense as previously reported	$ 684,590	$ 671,137
Adjustment:	(4,800)	(4,800)
Investment management expense restated	$ 679,790	$ 666,337

2. Liquidity and Availability of Financial Assets

The Foundation's primary programs are loans and certificates ("Loan Program"); investment management; and planned giving and training.

Loans and Certificates Program

The Foundation issues unsecured promissory notes payable in the form of Term Certificates ("Certificates") to fund its Loan 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.

	2020	Restated 2019	Restated 2018
Cash and cash equivalents	$ 10,069,874	$ 9,652,143	$ 7,717,464
Certificates of deposit	2,408,171	2,359,473	2,814,153
Accounts and interest receivable	51,019	42,847	39,176
Investments - Foundation	11,545,892	9,534,140	8,168,130
Loans receivable, net	31,050,815	27,319,207	26,668,419
Cash surrender value of life insurance	174,801	163,775	152,304
Total financial assets	55,300,572	49,071,585	45,559,646
Adjustments:			
Perpetual restriction on investments	(133,163)	(133,163)	(133,163)
Purpose restriction on investments	(70,646)	(19,703)	(18,595)
Donor advised funds in investments	(2,447,047)	(2,018,842)	(1,693,882)
Loans receivable due after one year	(26,212,767)	(23,371,141)	(24,320,517)
Liquidity reserve	(2,232,984)	(1,978,754)	(2,038,196)
Other board designated	(446,687)	(375,732)	(316,111)
	$ 23,757,278	$ 21,174,250	$ 17,039,182

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.

2. Liquidity and Availability of Financial Assets – Continued

During 2020, the global coronavirus pandemic threatened the U.S. and global economies. It is uncertain how this will impact financial markets and consumer confidence and how it may affect the operations, investments, funding and contribution income of the Foundation in the near future. While the Foundation believes it has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on many interdependent factors.

Continuation of current conditions could impair the ability of borrowers to repay outstanding loans and increase the Foundation's allowance for credit losses, impair the collateral values, or cause an outflow of deposits. The Foundation's ability to meet its obligations for certificates might be impaired. The decline in the U.S. and global stocks market could result in a decrease in asset management fees and investment income available for drawdown from the Foundation's endowment.

To assist with operational cash flow during the pandemic, the Foundation received a forgivable loan totaling $163,300 from the United States Small Business Administration's (SBA) Paycheck Protection Program (PPP), as further described in Note 8.

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. Redemptions over $2,000,000 may require a 15 day notice period.

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% of total investment assets at December 31, 2020, 2019 and 2018. Money market funds are carried at their cost value, which approximates fair value and are Level 1 investments.

3. Investment Assets – Continued

- The Wespath U.S. Equity Fund is comprised of a broadly diversified portfolio of primarily U.S. stocks, publicly traded U.S. based real estate investment trusts, limited partnership interests 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.
- The Wespath Inflation Protection Fund is comprised of a combination of U.S. and non-U.S. domiciled fixed income securities, commodity future contracts and senior secured loans. The fund is valued using the underlying net asset value.

Description	12/31/2020	Level 1	Net Asset Value (a)
Money market funds	$ 453,561	$ 453,561	$ -
Non-publicly traded funds			
U.S. equity	5,665,932	-	5,665,932
International equity	1,666,833	-	1,666,833
Fixed income	3,759,566	-	3,759,566
	$ 11,545,892	$ 453,561	$ 11,092,331

(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		Restated 12/31/2019		Level 1		Net Asset Value (a)
Money market funds	$	347,870	$	347,870	$	-
Non-publicly traded funds						
U.S. equity		4,678,369		-		4,678,369
International equity		1,367,793		-		1,367,793
Fixed income		3,140,108		-		3,140,108
	$	9,534,140	$	347,870	$	9,186,270

(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.

Description		Restated 12/31/2018		Level 1		Net Asset Value (a)
Money market funds	$	303,881	$	303,881	$	-
Non-publicly traded funds						
U.S. equity		3,980,878		-		3,980,878
International equity		1,160,140		-		1,160,140
Fixed income		2,723,231		-		2,723,231
	$	8,168,130	$	303,881	$	7,864,249

(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

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:

	2020	Restated 2019	Restated 2018
Managed funds held for others	$ 154,110,861	$ 111,283,143	$ 87,972,375
Endowment funds held for others	24,803,594	20,336,163	17,078,101
Gift annuities and charitable remainder trusts	1,913,653	2,028,810	1,802,326
Total investments held for others	$ 180,828,108	$ 133,648,116	$ 106,852,802

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

Description	12/31/2020	Level 1	Net Asset Value (a)
Money market funds	$ 2,788,351	$ 2,788,351	$ -
Certificates of deposit	750,000	750,000	-
Exchange traded equity mutual funds:			
Large cap U.S. equity	424,705	424,705	-
Mid cap U.S. equity	50,591	50,591	-
Unsecured promissory notes issued by the Foundation	6,940,714	6,940,714	-
Common stocks	21,620	21,620	-
Non-publicly traded funds:			
U.S. equity	77,663,277	-	77,663,277
International equity	27,508,657	-	27,508,657
Multiple asset	13,296,475	-	13,296,475
Fixed income	49,133,718	-	49,133,718
Inflation protection	2,250,000	-	2,250,000
	$ 180,828,108	$ 10,975,981	$ 169,852,127

(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	Restated 12/31/2019	Level 1	Net Asset Value (a)
Money market funds	$ 1,260,898	$ 1,260,898	$ -
Certificates of deposit	2,000,000	2,000,000	-
Exchange traded equity mutual funds:			
Large cap U.S. equity	378,188	378,188	-
Mid cap U.S. equity	55,577	55,577	-
Unsecured promissory notes issued by the Foundation	6,481,622	6,481,622	-
Common stocks	15,240	15,240	-
Non-publicly traded funds:			
U.S. equity	58,119,305	-	58,119,305
International equity	16,961,381	-	16,961,381
Multiple asset	10,990,213	-	10,990,213
Fixed income	37,385,692	-	37,385,692
	$ 133,648,116	$ 10,191,525	$ 123,456,591

(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	Restated 12/31/2018	Level 1	Net Asset Value (a)
Money market funds	$ 1,494,440	$ 1,494,440	$ -
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	46,357,337	-	46,357,337
International equity	13,651,572	-	13,651,572
Multiple asset	6,116,556	-	6,116,556
Fixed income	30,643,645	-	30,643,645
	$ 106,852,802	$ 10,083,692	$ 96,769,110

(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 $6,940,714, $6,481,622, and $6,250,028 at December 31, 2020, 2019 and 2018, 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 Loan 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.

4. Loans Receivable, Net – Continued

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, 2020, the Foundation's portion of the loan portfolio had interest rates ranged from 4.00% to 5.15% depending on the loan.

Major classifications of loans are as follows at December 31:

	2020	2019	2018
Term loans	$ 28,696,688	$ 25,511,391	$ 24,626,083
Construction period loans	2,854,127	2,307,816	2,416,516
	31,550,815	27,819,207	27,042,599
Less: Allowance for loan losses	(500,000)	(500,000)	(374,180)
Loans, net	$ 31,050,815	$ 27,319,207	$ 26,668,419

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, 2020, 2019 and 2018, 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:

	2020	2019	2018
Beginning balance	$ 500,000	$ 374,180	$ 374,180
Additional provision	-	125,820	-
Ending balance	$ 500,000	$ 500,000	$ 374,180

6. Unsecured Promissory Notes Payable

The Foundation issues unsecured promissory notes payable in the form of Term Certificates to fund its Loan 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 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. On August 16, 2019, the Foundation filed an Offering to issue up to $25 million unregistered, unsecured promissory notes through August 15, 2020. On August 16, 2020, the Foundation filed an Offering to issue up to $25 million unregistered, unsecured promissory notes through August 15, 2021.

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

	2020	2019	2018
One year term certificates	$ 11,001,176	$ 7,459,400	$ 6,316,781
Two year term certificates	4,532,756	2,434,439	1,634,184
Three year term certificates	3,129,384	3,982,961	4,979,937
Four year term certificates	25,313,790	25,900,680	24,637,935
	$ 43,977,106	$ 39,777,480	$ 37,568,837

Term notes have maturity dates ranging from one year to four years and paid interest in the range of .90% to 3.20% during 2020 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, 2021. 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, 2020, 2019 and 2018.

8. Paycheck Protection Program Loan

During April 2020, the Foundation received a $163,300 loan under the United States Small Business Administration's (SBA) Paycheck Protection Program (PPP), which was established to assist with operating cash flow during the global coronavirus pandemic.

This unsecured loan bears interest at 1% and may be forgiven by the SBA, as long as the Foundation uses the loan proceeds for eligible purposes over a defined period of time. Eligible purposes include payroll, related benefits, rent, and utilities. The amount of loan forgiveness may be reduced if the Foundation terminates employees or reduces salaries during the defined period. The unforgiven portion of the loan is payable over two years with a deferral of payments to either the date the SBA remits the borrower's loan forgiveness amount to the lender, or if the borrower does not apply for loan forgiveness, ten months after the end of the borrower's loan forgiveness covered period. The loan may be prepaid at any time without penalty.

As of December 31, 2020, the Foundation had met the conditions for full forgiveness. Therefore, the proceeds of the loan are recorded as a governmental grant in the accompanying financial statements. In March 2021, the SBA approved forgiveness for the full amount of the loan.

9. Lease Liability

The Foundation leases its office space under an operating lease with an escalating lease payments provision. The original lease agreement has been extended and new terms agreed to per four amendments. The lease expired September 30, 2020 under the third amendment. Rent expense is paid on a monthly basis and under the third amendment totaled $44,666, $58,465, and $57,039 for the years ended December 31, 2020, 2019, and 2018, respectively. The Foundation recognized the lease liability of $44,666 and the right-of-use asset of $44,666 at January 1, 2020.

The fourth amendment extended the lease term to September 30, 2025 and included an escalating monthly rent payment schedule. The present value of the lease payments and right-of-use asset are amortized on a straight line basis over the lease term. The Foundation recognized the lease liability of $317,717 and the right-of-use asset of $317,717 at October 1, 2020, which is the day the lease term commenced. Rent expense totaled $15,261 for the year ended December 31, 2020. The lease liability was $302,495 and the right-of-use asset were $301,713 at December 31, 2020.

9. Lease Liability – Continued

The future lease payments under this lease agreement are as follows:

Year ended December 31,		
2021	$	61,425
2022		62,960
2023		64,535
2024		66,148
2025		50,535
Total lease payments		305,603
Present value discount at rate of 0.26%		(3,108)
Lease liability	$	302,495

10. Designated Net Assets

Designated net assets are funds that have been designated by the Foundation's governing body for specific purposes. Designated net assets are included in net assets without donor restrictions in the statements of financial position. Designated net assets consist of the following at December 31:

	2020	2019	2018
Program restriction	$ 286,855	$ 243,148	$ 207,286
General operations	159,832	132,584	108,825
Liquidity reserve	2,232,984	1,978,754	2,038,196
Total designated net assets	$ 2,679,671	$ 2,354,486	$ 2,354,307

11. Net Assets With Donor Restrictions

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

	2020	2019	2018
Net assets with purpose restrictions:			
Donor advised funds	$ 2,447,047	$ 2,018,842	$ 1,693,882
Split interest agreements	362,007	325,506	205,776
Grant fund	68,614	12,520	4,060
Clergy financial leadership academy	650	5,801	13,153
Missions	1,382	1,382	1,382
Total net assets with purpose restrictions	2,879,700	2,364,051	1,918,253
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	$ 3,012,863	$ 2,497,214	$ 2,051,416

12. 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:

	2020	2019	2018
Other restrictions:			
Donor advised funds	$ 113,176	$ 141,071	$ 109,654
Grant fund	62,500	103,000	107,750
Scholarship fund	-	-	17,462
Clergy financial leadership fund	26,078	32,523	24,378
Total net assets released from restriction	$ 201,754	$ 276,594	$ 259,244

13. Endowed Net Assets

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

The Endowment Fund has 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, 2020, 2019 and 2018.

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.

13. Endowed Net Assets – Continued

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

2020		Board-designated Endowment (Net Assets Without Donor Restrictions)		Donor-restricted Endowment (Net Assets Perpetual In Nature)		Total
Endowment net assets, beginning of year	$	375,732	$	133,163	$	508,895
Investment return:						
Investment income		38		-		38
Net appreciation (realized and unrealized)		81,763		-		81,763
		81,801		-		81,801
Assets appropriated for expenditure		(10,846)		-		(10,846)
Endowment net assets, end of year	$	446,687	$	133,163	$	579,850

2019		Board-designated Endowment (Net Assets Without Donor Restrictions)		Donor-restricted Endowment (Net Assets Perpetual In Nature)		Total
Endowment net assets, beginning of year	$	316,111	$	133,163	$	449,274
Investment return:						
Investment income		32		-		32
Net appreciation (realized and unrealized)		69,951		-		69,951
		69,983		-		69,983
Assets appropriated for expenditure		(10,362)		-		(10,362)
Endowment net assets, end of year	$	375,732	$	133,163	$	508,895

13. Endowed Net Assets – Continued

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

14. 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 of the participants' salary. This percentage ranged between twelve (12%) and thirteen (13%). Pension expense for all employees totaled $63,385, $60,786, and $57,217, for the years ending December 31, 2020, 2019 and 2018, respectively.

15. 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 559 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, 2020, 2019 and 2018, the market value of all of these accounts totaled $180,828,108, $133,648,116 and $106,852,802, respectively.

16. 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 Loan Program is made up of Annual Conferences, UMC churches, related foundations, and related individuals.
- 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 $42,529, $31,293 and $36,501 at December 31, 2020, 2019 and 2018, respectively.
- Several members of the Board of Trustees have established endowments managed by the Foundation with a total market value of $46,987, $35,194 and $44,917 at December 31, 2020, 2019 and 2018, respectively.

17. 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 four 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 $15,793,666, $14,865,588 and $13,529,000 at December 31, 2020, 2019 and 2018.

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.

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.

Regular attendance at most mainline religious denominations and many individual congregations has declined since the 1970's. Also, some denominations including the United Methodist Church are considering legislation which might alter church policy regarding same sex marriage and ordination of LGBTQ individuals. Specifically, the General Conference of the United Methodist Church is considering a plan which, if approved, would likely result in two or more Methodist denominations. The Foundation anticipates providing services to churches in each of these denominations. Individual congregations within these denominations may face financial hardships to include difficulty meeting all obligations on a timely basis. The Foundation believes that the risk of such events materially impacting the quality of the Foundation's loan portfolio is mediated by prudent underwriting practices, adequate collateral margins, close monitoring, and strong reserves.