



Georgia United Methodist Foundation, Inc.

Audited Financial Statements

December 31, 2021, 2020 and 2019



Georgia United Methodist Foundation, Inc.

FINANCIAL STATEMENTS

December 31, 2021, 2020 and 2019

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REPORT





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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Georgia United Methodist Foundation, Inc. (the Foundation) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Georgia United Methodist Foundation, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Georgia United Methodist Foundation, Inc. as of December 31, 2020 and 2019, and for the years then ended were audited by other auditors whose reports dated May 20, 2021 and May 20, 2020, respectively, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Atlanta, Georgia

May 26, 2022



FINANCIAL STATEMENTS



Georgia United Methodist Foundation, Inc.
Statements of Financial Position

<i>December 31,</i>	2021	2020	2019
Assets			
Cash and cash equivalents	\$ 4,599,218	\$ 10,069,874	\$ 9,652,143
Certificates of deposit	2,170,725	2,408,171	2,359,473
Interest receivable	42,434	51,019	42,847
Investments - Foundation	13,631,120	11,545,892	9,534,140
Investments - held for others	206,116,072	173,887,394	127,166,494
Loans receivable, net	31,672,848	31,050,815	27,319,207
Prepaid expenses and other assets	18,904	11,842	21,186
Cash surrender value of life insurance	185,874	174,801	163,775
Right-of-use asset	237,858	301,713	-
Property and equipment, net	22,108	59,530	33,293
Total assets	\$ 258,697,161	\$ 229,561,051	\$ 176,292,558
Liabilities and Net Assets			
Accounts payable and other liabilities	\$ 144,491	\$ 144,502	\$ 108,756
Managed assets held for others	177,275,860	147,170,147	104,801,521
Endowment funds held for others	26,959,658	24,803,594	20,336,163
Charitable remainder trust and gift annuity benefits payable	615,353	538,884	642,235
Charitable remainder trust and gift annuity deferred benefits payable	956,583	1,012,762	1,061,069
Lease liability	241,389	302,495	-
Unsecured promissory notes payable	40,152,330	43,977,106	39,777,480
Total liabilities	246,345,664	217,949,490	166,727,224
Net assets			
Without donor restrictions	8,914,186	8,598,698	7,068,120
With donor restrictions	3,437,311	3,012,863	2,497,214
Total net assets	12,351,497	11,611,561	9,565,334
Total liabilities and net assets	\$ 258,697,161	\$ 229,561,051	\$ 176,292,558

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

Georgia United Methodist Foundation, Inc.
Statements of Activities

<i>For the year ended December 31, 2021</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Contributions	\$ 31,729	\$ 580,505	\$ 612,234
Asset management fees	635,141	-	635,141
Interest income from loan program	1,470,186	-	1,470,186
Investment return	975,033	229,230	1,204,263
Other loss	(38,041)	-	(38,041)
Change in value of split interest agreements	-	(53,389)	(53,389)
Net assets released from restrictions	331,898	(331,898)	-
Total revenue and other support	3,405,946	424,448	3,830,394
Expenses			
<i>Program services</i>			
Loans and certificates	1,460,830	-	1,460,830
Investment management	988,765	-	988,765
Planned giving and training	430,947	-	430,947
Total program services	2,880,542	-	2,880,542
<i>Supporting services</i>			
General and administrative	209,916	-	209,916
Total expenses	3,090,458	-	3,090,458
Change in net assets	315,488	424,448	739,936
Net assets at beginning of year	8,598,698	3,012,863	11,611,561
Net assets at end of year	\$ 8,914,186	\$ 3,437,311	\$ 12,351,497

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

Georgia United Methodist Foundation, Inc.
Statements of Activities (Continued)

<i>For the year ended December 31, 2020</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions	\$ 466,554	\$ 282,021	\$ 748,575
Asset management fees	478,555	-	478,555
Interest income from loan program	1,498,072	-	1,498,072
Investment return	1,480,124	398,881	1,879,005
Government grant	163,300	-	163,300
Other income	9,322	-	9,322
Change in value of split interest agreements	-	36,501	36,501
Net assets released from restrictions	201,754	(201,754)	-
Total revenue and other support	4,297,681	515,649	4,813,330
Expenses			
<i>Program services</i>			
Loans and certificates	1,395,762	-	1,395,762
Investment management	648,523	-	648,523
Planned giving and training	512,290	-	512,290
Total program services	2,556,575	-	2,556,575
<i>Supporting services</i>			
General and administrative	210,528	-	210,528
Total expenses	2,767,103	-	2,767,103
Change in net assets	1,530,578	515,649	2,046,227
Net assets at beginning of year	7,068,120	2,497,214	9,565,334
Net assets at end of year	\$ 8,598,698	\$ 3,012,863	\$ 11,611,561

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

Georgia United Methodist Foundation, Inc.
Statements of Activities (Continued)

<i>For the year ended December 31, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions	\$ 129,574	\$ 249,812	\$ 379,386
Asset management fees	456,503	-	456,503
Interest income from loan program	1,393,916	-	1,393,916
Investment return	1,409,249	352,851	1,762,100
Other income	15,475	-	15,475
Change in value of split interest agreements	-	119,729	119,729
Net assets released from restrictions	276,594	(276,594)	-
Total revenue and other support	3,681,311	445,798	4,127,109
Expenses			
<i>Program services</i>			
Loans and certificates	1,335,088	-	1,335,088
Investment management	679,790	-	679,790
Planned giving and training	498,587	-	498,587
Total program services	2,513,465	-	2,513,465
General and administrative	160,689	-	160,689
Total expenses	2,674,154	-	2,674,154
Change in net assets	1,007,157	445,798	1,452,955
Net assets at beginning of year	6,060,963	2,051,416	8,112,379
Net assets at end of year	\$ 7,068,120	\$ 2,497,214	\$ 9,565,334

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

Georgia United Methodist Foundation, Inc.
Statements of Functional Expenses

For the year ended December 31, 2021

	Program Services			Supporting Services		Total
	Loans and Certificates	Investment Management	Planned Giving and Training	Programs Subtotal	General and Administrative	
Salaries and wages	\$ 235,566	\$ 318,770	\$ 278,371	\$ 832,707	\$ 83,471	\$ 916,178
Payroll taxes and benefits	50,127	75,782	90,072	215,981	15,701	231,682
Total payroll expense	285,693	394,552	368,443	1,048,688	99,172	1,147,860
Interest expense	930,963	-	-	930,963	-	930,963
Grants to beneficiaries	-	454,235	-	454,235	-	454,235
Professional fees	37,595	-	7,020	44,615	63,061	107,676
Rent	15,936	23,246	14,260	53,442	12,461	65,903
Marketing and publicity	10,354	14,032	12,263	36,649	3,665	40,314
Travel and meetings	1,791	2,616	3,462	7,869	9,370	17,239
Computer and data processing	7,097	68,168	4,753	80,018	4,753	84,771
Office expense	7,207	9,413	8,346	24,966	2,376	27,342
Insurance	6,838	9,573	5,470	21,881	5,470	27,351
Loan loss provision	150,000	-	-	150,000	-	150,000
Other expense	26	35	30	91	3,401	3,492
Depreciation	4,091	5,727	3,272	13,090	3,272	16,362
Telephone	946	1,574	1,439	3,959	680	4,639
Repair and maintenance	1,368	1,916	1,095	4,379	1,095	5,474
Dues and subscriptions	925	1,252	1,094	3,271	328	3,599
Fees	-	2,426	-	2,426	812	3,238
Total	\$ 1,460,830	\$ 988,765	\$ 430,947	\$ 2,880,542	\$ 209,916	\$ 3,090,458

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

Georgia United Methodist Foundation, Inc.
Statements of Functional Expenses (Continued)

For the year ended December 31, 2020

	Program Services			Supporting Services		
	Loans and Certificates	Investment Management	Planned Giving and Training	Programs Subtotal	General and Administrative	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
Repair 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	2,656.0
Total	\$1,395,762	\$ 648,523	\$ 512,290	\$ 2,556,575	\$ 210,528	\$ 2,767,103

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

Georgia United Methodist Foundation, Inc.
Statements of Functional Expenses (Continued)

For the year ended December 31, 2019

	Program Services			Supporting Services		
	Loans and Certificates	Investment Management	Planned Giving and Training	Programs Subtotal	General and Administrative	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
Repair 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	\$ 1,335,088	\$ 679,790	\$ 498,587	\$ 2,513,465	\$ 160,689	\$ 2,674,154

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

Georgia United Methodist Foundation, Inc.
Statements of Cash Flows

<i>For the years ended December 31,</i>	2021	2020	2019
Operating Activities			
Change in net assets	\$ 739,936	\$ 2,046,227	\$ 1,452,955
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities			
Depreciation	16,362	12,420	1,611
Provision for loan losses	150,000	-	125,820
Loss on disposal of assets	43,402	-	-
Lease expense	2,749	782	-
Change in value of split interest agreements	53,389	(36,501)	(119,730)
Unrealized and realized loss (gain) on investments	(1,187,864)	(1,871,989)	(1,754,308)
Investment funds appropriated for expenditure	377,543	369,084	453,171
Changes in operating assets and liabilities			
Interest receivable	8,585	(8,172)	(3,671)
Prepaid expenses and other assets	(7,062)	9,344	(2,930)
Cash surrender value of life insurance	(11,073)	(11,026)	(11,471)
Accounts payable and other liabilities	(11)	35,746	3,890
Net cash provided by (used in) operating activities	185,956	545,915	145,337
Investing Activities			
Purchase of property and equipment	(22,342)	(38,657)	(32,500)
Purchase of investments	(2,636,811)	(2,053,833)	(617,476)
Proceeds from sale of investments	1,739,447	1,914,070	1,005,774
Investment funds appropriated for expenditure	(377,543)	(369,084)	(453,171)
Net sale (purchase) of certificates of deposit	237,446	(48,698)	454,680
New mortgage loans made to churches	(4,340,299)	(8,385,546)	(4,882,152)
Repayments made on principal	3,834,221	5,404,633	5,634,403
Net cash provided by (used in) investing activities	(1,565,881)	(3,577,115)	1,109,558

(Continued)

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

Georgia United Methodist Foundation, Inc.
Statements of Cash Flows (Continued)

<i>For the years ended December 31,</i>	2021	2020	2019
Financing Activities			
Proceeds from unsecured promissory notes payable	3,284,870	8,786,329	7,087,497
Repayment of unsecured promissory notes payable	(7,109,646)	(4,586,703)	(4,878,854)
Loan participations, net	(265,955)	(750,695)	(1,528,859)
Net cash provided by (used in) financing activities	(4,090,731)	3,448,931	679,784
Net change in cash, cash equivalents and restricted cash	(5,470,656)	417,731	1,934,679
Cash, cash equivalents and restricted cash at beginning of year	10,069,874	9,652,143	7,717,464
Cash, cash equivalents and restricted cash at end of year	\$ 4,599,218	\$ 10,069,874	\$ 9,652,143
Schedule of Certain Cash Flow Information			
Interest paid on unsecured promissory notes payable	\$ 944,871	\$ 1,081,983	\$ 908,907
Assets acquired through operating lease agreement	\$ -	\$ 301,713	\$ -

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

Georgia United Methodist Foundation, Inc. Notes to Financial Statements

Note 1: DESCRIPTION OF THE ORGANIZATION

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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to allowance for loan losses, charitable remainder trusts and gift annuities, and allocations used in the Statement of Functional Expenses.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Investments: Foundation

The Foundation reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Georgia United Methodist Foundation, Inc. Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: 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 on the Statements of Financial Position.

The Foundation receives, manages and administers endowment funds, which belong to the Annual Conferences and United Methodist churches, institutions, agencies and individuals. These accounts have different restrictions based on the original donors' intent. 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.

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.

Loans

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 that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of an allowance for loan losses. Interest income is accrued on the unpaid principal balance.

Interest income on term and constructions loans is discontinued and placed on non-accrual status when, in management's opinion, collection of principal or interest is considered doubtful.

All interest accrued but not received for loans placed on non-accrual is reversed against interest income.

Georgia United Methodist Foundation, Inc. Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans (continued)

Interest received on such loans is accounted for on the cash-basis method, until qualifying for return to accrual. Under the cash-basis method, interest income is recorded when the payment is received. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance upon receipt. Management estimates the allowance balance required using loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off.

The allowance consists of specific and general components.

Specific Component

The specific component relates to loans that are individually classified as impaired when, based on current information and events, it is probable that the Foundation will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings (TDRs) and classified as impaired.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. 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 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.

TDRs are individually evaluated for impairment and included in the separately identified impairment disclosures. TDRs are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a TDR is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For TDRs that subsequently default, the Foundation determines the amount of the allowance on that loan in accordance with the accounting policy for the allowance for loan losses on loans individually identified as impaired. The Foundation incorporates recent experience related to TDRs including, the performance of TDRs that subsequently default, into the calculation of the allowance by loan portfolio segment.

Georgia United Methodist Foundation, Inc. Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses (continued)

General Component

The general component covers loans that are collectively evaluated for impairment. The general allowance component includes loans that are individually evaluated but are not considered impaired. The general component is based on loss experience adjusted for current factors. The loss experience is determined by portfolio segment and is based on the actual losses experienced by the Foundation over the most recent years. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment, including national and local economic trends and conditions and industry conditions.

Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Net Assets

The Foundation reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has designated, from net assets without donor restrictions, net assets for various purposes.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

The Board has designated 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.

Georgia United Methodist Foundation, Inc. Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Foundation has contracts with customers for investment management services in which it earns asset management fees. Asset management fees are accounted for under ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied. 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, 2021, 2020 and 2019, the Foundation does not have any material contract assets, liabilities, or other receivables related to contracts from customers.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Volunteers made significant contributions of their time in the furtherance of the Foundation's programs that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to salaries and wages, payroll taxes and benefits, office expense, marketing and publicity, and dues and subscriptions are allocated based on actual percentages of time spent in each functional area. 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 Taxes

Under section 501(c)(3) of the Internal Revenue Code, the Foundation is exempt from taxes on income other than unrelated business income. There was no unrelated business income for the years ended December 31, 2021, 2020 and 2019.

Georgia United Methodist Foundation, Inc. Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (continued)

The Foundation utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2021, 2020 and 2019, the Foundation has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements.

Reclassifications

Certain reclassifications were made to prior year balances to conform with the current year presentation.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 26, 2022. See Note 18 for relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Accounting Guidance Not Yet Adopted

In September 2020, the FASB issued ASU 202-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU specifies requirements for the recognition and initial measurement of contributions and disclosure requirements for contributed services. The ASU is effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. The Foundation is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which is essentially the final rule on use of the so-called CECL model, or current expected credit losses. Among other things, the amendments in this ASU require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. For not-for-profit entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2022. The Foundation is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

Georgia United Methodist Foundation, Inc.
Notes to Financial Statements

Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

The Foundation maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as the Foundation's expenditures come due. The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

<i>December 31,</i>	2021	2020	2019
Total assets at year end	\$ 258,697,161	\$ 229,561,051	\$ 176,292,558
Less non-financial assets			
Prepaid expenses and other assets	(18,904)	(11,842)	(21,186)
Right of use asset	(237,858)	(301,713)	-
Property and equipment, net	(22,108)	(59,530)	(33,293)
Financial assets at year-end	258,418,291	229,187,966	176,238,079
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions			
Investments held for others	(206,116,072)	(173,887,394)	(127,166,494)
Loan receivable due after one year	(28,616,907)	(26,212,767)	(23,371,141)
Restricted by donor with time or purpose restriction	(3,437,311)	(3,012,863)	(2,497,214)
Board designations	(2,738,533)	(2,679,671)	(2,354,486)
Financial assets available to meet cash needs for general expenditures within one year	\$ 17,509,468	\$ 23,395,271	\$ 20,848,744

The Foundation is principally supported by contributions, asset management fees, interest income and investment return. The Foundation operates with a balanced budget and anticipates having sufficient resources to cover general expenditures. 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.

Georgia United Methodist Foundation, Inc.
Notes to Financial Statements

Note 4: INVESTMENT ASSETS

Investments - Foundation at market value at December 31, 2021, 2020 and 2019, are as follows.

	Market Value		
<i>December 31,</i>	2021	2020	2019
Money market	\$ 714,343	\$ 453,561	\$ 347,870
Non-publicly traded funds:			
U.S. equity	6,230,516	5,665,932	4,678,369
International equity	2,165,695	1,666,833	1,367,793
Fixed income	3,421,465	3,759,566	3,140,108
U.S. Treasury inflation protection	1,099,101	-	-
Total investments - Foundation	\$ 13,631,120	\$ 11,545,892	\$ 9,534,140

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:

<i>December 31,</i>	2021	2020	2019
Managed funds held for others	\$ 177,275,860	\$ 147,170,147	\$ 104,801,521
Endowment funds held for others	26,959,658	24,803,594	20,336,163
Gift annuities and charitable remainder trusts	1,880,554	1,913,653	2,028,810
Total investments held for others	\$ 206,116,072	\$ 173,887,394	\$ 127,166,494

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

	Market Value		
<i>December 31,</i>	2021	2020	2019
Money market	\$ 2,195,733	\$ 2,788,351	\$ 1,260,898
Certificates of deposit	750,000	750,000	2,000,000
Mutual funds	182,060	475,296	433,765
Common stocks	44,765	21,620	15,240
Non-publicly traded funds:			
U.S. equity	59,122,409	77,663,277	58,119,305
International equity	22,771,011	27,508,657	16,961,381
Multiple asset	81,604,676	13,296,475	10,990,213
Fixed income	34,663,739	49,133,718	37,385,692
Inflation protection	4,781,679	2,250,000	-
Total investments held for others	\$ 206,116,072	\$ 173,887,394	\$ 127,166,494

Georgia United Methodist Foundation, Inc.
Notes to Financial Statements

Note 5: 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.

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, 2021, the Foundation's portion of the loan portfolio had interest rates ranged from 4.00% to 4.90% depending on the loan.

Major classifications of loans are as follows.

<i>December 31,</i>	2021	2020	2019
Term loans	\$ 31,809,050	\$ 28,696,688	\$ 25,511,392
Construction period loans	513,798	2,854,127	2,307,815
Total loans	32,322,848	31,550,815	27,819,207
Less: allowance for loan losses	(650,000)	(500,000)	(500,000)
Loans receivable, net	\$ 31,672,848	\$ 31,050,815	\$ 27,319,207

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, 2021, 2020 and 2019, the Foundation has no loans it considered impaired.

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

<i>December 31,</i>	2021	2020	2019
Beginning balance	\$ 500,000	\$ 500,000	\$ 374,180
Additional provision	150,000	-	125,820
Ending balance	\$ 650,000	\$ 500,000	\$ 500,000

Georgia United Methodist Foundation, Inc. Notes to Financial Statements

Note 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 Offering Memorandums. Under the terms of these Offering Memorandums, the funds are not revolving. Interest is paid quarterly or reinvested as principal, depending on the payment terms selected by the investor. Upon maturity, the investor may elect to redeem or renew the certificate. Renewals are reissued under the Offering Memorandum in effect at that time.

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. On August 16, 2021, the Foundation filed an Offering to issue up to \$30 million unregistered, unsecured promissory notes through August 15, 2022.

Scheduled maturities of time deposits for the next five years were as follows:

For the years ending December 31,

2022	\$ 12,835,198
2023	4,734,293
2024	2,417,300
2025	20,165,539
<hr/>	
Total	\$ 40,152,330

Term notes have maturity dates ranging from one year to four years and paid interest in the range of 0.90% to 3.20% during 2021 depending upon the term of the certificate and the amount deposited.

Included in the unsecured promissory notes payable are notes payable of \$6,630,315, \$6,940,714, and \$6,481,622 as of December 31, 2021, 2020 and 2019, respectively, issued to entities that maintain managed funds at the Foundation.

Note 7: LINE OF CREDIT

The Foundation maintains a line of credit agreement with a financial institution. Available borrowings related to the agreement are \$750,000, with an interest rate of 5.00%, secured with the Foundation's bank accounts and certificates of deposit at the financial institution. No balance was outstanding at December 31, 2021, 2020 and 2019.

Note 8: LEASES

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, and \$58,465, for the years ended December 31, 2020 and 2019, respectively. The Foundation recognized the lease liability of \$44,666 and the right-of-use asset of \$44,666 at January 1, 2020.

Georgia United Methodist Foundation, Inc.
Notes to Financial Statements

Note 8: LEASES (Continued)

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 \$62,961 and \$15,261 for the years ended December 31, 2021 and 2020, respectively. The lease liability was \$241,389 and \$302,495 and the right-of-use asset was \$237,108 and \$301,713 at December 31, 2021 and 2020, respectively.

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

For the years ending December 31,

2022	\$	62,961
2023		64,535
2024		66,148
2025		50,535
Total lease payments		244,179
Present value discount at rate of 0.26%		(2,790)
Total future minimum lease payments		\$ 241,389

Note 9: NET ASSETS

A summary of net assets without donor restrictions follows:

<i>December 31,</i>	2021	2020	2019
Undesignated	\$ 6,175,653	\$ 5,919,027	\$ 4,713,634
Board designated			
Program restriction	304,863	286,855	243,148
General operations	174,709	159,832	132,584
Liquidity reserve	2,258,961	2,232,984	1,978,754
Total net assets without donor restrictions	\$ 8,914,186	\$ 8,598,698	\$ 7,068,120

Georgia United Methodist Foundation, Inc.
Notes to Financial Statements

Note 9: NET ASSETS (Continued)

A summary of net assets with donor restrictions follows.

<i>December 31,</i>	2021	2020	2019
Purpose restricted			
Donor advised funds	\$ 2,696,891	\$ 2,447,047	\$ 2,018,842
Split interest agreements	308,618	362,007	\$ 325,506
Grant fund	295,900	68,614	12,520
Clergy financial leadership academy	1,357	650	5,801
Missions	1,382	1,382	1,382
Perpetually restricted net assets, earnings restricted for general operations	133,163	133,163	133,163
Total net assets with donor restrictions	\$ 3,437,311	\$ 3,012,863	\$ 2,497,214

A summary of the release of donor restrictions follows.

<i>For the years ended December 31,</i>	2021	2020	2019
Donor advised funds	\$ 284,089	\$ 113,176	\$ 141,071
Grant fund	47,809	62,500	103,000
Clergy financial leadership fund	-	26,078	32,523
Total net assets with donor restrictions	\$ 331,898	\$ 201,754	\$ 276,594

Note 10: REVENUE

The Foundation has contracts with customers for investment management services in which it earns asset management fees. The Foundation recognizes asset management fees revenue over time as services are rendered. Revenue is based on a percentage of the market value of assets under management. The Foundation's customers are individuals that reside in or entities that are located in the state of Georgia. As of December 31, 2021, 2020 and 2019, the Foundation does not have any material contract assets or contract liabilities related to contracts with customers.

Georgia United Methodist Foundation, Inc.
Notes to Financial Statements

Note 10: REVENUE (Continued)

Disaggregated Revenue

A summary of disaggregated revenue information follows.

<i>For the years ended December 31,</i>	2021	2020	2019
Contracts with customers			
Recognized over time	\$ 635,141	\$ 478,555	\$ 456,503
Contributions	612,234	748,575	379,386
Interest income from loan program	1,470,186	1,498,072	1,393,916
Investment return	1,204,263	1,879,005	1,762,100
Government grant	-	163,300	-
Other revenue (loss)	(91,430)	45,823	135,204
Total revenue	\$ 3,830,394	\$ 4,813,330	\$ 4,127,109

Note 11: ENDOWMENTS

The Foundation's endowment consists of four individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Foundation has interpreted the State of Georgia's Uniform Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Foundation retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Act. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Georgia United Methodist Foundation, Inc.
Notes to Financial Statements

Note 11: ENDOWMENTS (Continued)

Investment Return Objectives, Risk Parameters and Strategies. The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term.

Accordingly, 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.

Spending Policy. 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.

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no such deficiencies as of December 31, 2021, 2020, or 2019.

Endowment net asset composition by type of fund follows.

<i>December 31,</i>	2021	2020	2019
Endowment funds with donor restrictions	\$ 133,163	\$ 133,163	\$ 133,163
Board-designated endowment funds without donor restrictions	479,572	446,687	375,732
Total endowment funds	\$ 612,735	\$ 579,850	\$ 508,895

Changes in endowment net assets at December 31, 2021, follows.

<i>December 31, 2021</i>	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets - January 1	\$ 446,687	\$ 133,163	\$ 579,850
Investment income	24	-	24
Net appreciation	44,629	-	44,629
Amounts appropriated for expenditure	(11,768)	-	(11,768)
Endowment net assets - December 31	\$ 479,572	\$ 133,163	\$ 612,735

Georgia United Methodist Foundation, Inc.
Notes to Financial Statements

Note 11: ENDOWMENTS (Continued)

Changes in endowment net assets at December 31, 2020, follows.

<i>December 31, 2020</i>	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets - January 1	\$ 375,732	\$ 133,163	\$ 508,895
Investment income	38	-	38
Net appreciation	81,763	-	81,763
Amounts appropriated for expenditure	(10,846)	-	(10,846)
Endowment net assets - December 31	\$ 446,687	\$ 133,163	\$ 579,850

Changes in endowment net assets at December 31, 2019, follows.

<i>December 31, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets - January 1	\$ 316,111	\$ 133,163	\$ 449,274
Investment income	32	-	32
Net appreciation	69,951	-	69,951
Amounts appropriated for expenditure	(10,362)	-	(10,362)
Endowment net assets - December 31	\$ 375,732	\$ 133,163	\$ 508,895

Note 12: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Georgia United Methodist Foundation, Inc. Notes to Financial Statements

Note 12: FAIR VALUE MEASUREMENTS (Continued)

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- 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; or
 - can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021, 2020 and 2019.

Money market: Cash held at financial institutions based on fair market value.

Certificates of deposit: Valued at fair value as interest rates approximate market terms and are measured on a recurring basis.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

Investments: The Foundation 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. There were no impaired loans at December 31, 2021, 2020, and 2019.

Unsecured Promissory Notes Payable: Deposit instruments issued by the Foundation carried at cost. 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. These are considered Level 2 investments.

Georgia United Methodist Foundation, Inc.
Notes to Financial Statements

Note 12: FAIR VALUE MEASUREMENTS (Continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Assets and liabilities measured at fair value on a recurring basis, are summarized below for the year ended December 31, 2021.

December 31, 2021	Net Asset Value	Level 1	Level 2	Level 3	Total
Certificates of deposits	\$ -	\$ -	\$ 2,170,725	\$ -	\$ 2,170,725
Total certificates of deposits	\$ -	\$ -	\$ 2,170,725	\$ -	\$ 2,170,725
Money market funds	\$ -	\$ 714,343	\$ -	\$ -	\$ 714,343
Non-publicly traded funds:					
U.S. equity	6,230,516	-	-	-	6,230,516
International equity	2,165,695	-	-	-	2,165,695
Fixed income	3,421,465	-	-	-	3,421,465
U.S. Treasury inflation protection	1,099,101	-	-	-	1,099,101
Total investments - Foundation	\$ 12,916,777	\$ 714,343	\$ -	\$ -	\$ 13,631,120
Money market	\$ -	\$ 2,195,733	\$ -	\$ -	\$ 2,195,733
Certificates of deposit	-	-	750,000	-	750,000
Mutual funds	-	182,060	-	-	182,060
Common stocks	-	44,765	-	-	44,765
Non-publicly traded funds:					
U.S. equity	59,122,409	-	-	-	59,122,409
International equity	22,771,011	-	-	-	22,771,011
Multiple asset	81,604,676	-	-	-	81,604,676
Fixed income	34,663,739	-	-	-	34,663,739
Inflation protection	4,781,679	-	-	-	4,781,679
Total investments - held for others	\$ 202,943,514	\$ 2,422,558	\$ 750,000	\$ -	\$ 206,116,072
Unsecured promissory notes issued by the Foundation	\$ -	\$ -	\$ 40,152,330	\$ -	\$ 40,152,330
Total unsecured promissory notes	\$ -	\$ -	\$ -	\$ -	\$ 40,152,330

Georgia United Methodist Foundation, Inc.
Notes to Financial Statements

Note 12: FAIR VALUE MEASUREMENTS (Continued)

Assets and liabilities measured at fair value on a recurring basis, are summarized below for the year ended December 31, 2020.

<i>December 31, 2020</i>	Net Asset Value	Level 1	Level 2	Level 3	Total
Certificates of deposits	\$ -	\$ -	\$ 2,408,171	\$ -	\$ 2,408,171
Total certificates of deposits	\$ -	\$ -	\$ 2,408,171	\$ -	\$ 2,408,171
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
Total investments - Foundation	\$ 11,092,331	\$ 453,561	\$ -	\$ -	\$ 11,545,892
Money market	\$ -	\$ 2,788,351	\$ -	\$ -	\$ 2,788,351
Certificates of deposit	-	-	750,000	-	750,000
Mutual funds	-	475,296	-	-	475,296
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
Total investments - held for others	\$ 169,852,127	\$ 3,285,267	\$ 750,000	\$ -	\$ 173,887,394
Unsecured promissory notes issued by the Foundation	\$ -	\$ -	\$ 43,977,106	\$ -	\$ 43,977,106
Total unsecured promissory notes	\$ -	\$ -	\$ -	\$ -	\$ 43,977,106

Georgia United Methodist Foundation, Inc.
Notes to Financial Statements

Note 12: FAIR VALUE MEASUREMENTS (Continued)

Assets and liabilities measured at fair value on a recurring basis, are summarized below for the year ended December 31, 2019.

<i>December 31, 2019</i>	Net Asset Value	Level 1	Level 2	Level 3	Total
Certificates of deposits	\$ -	\$ -	\$ 2,359,473	\$ -	\$ 2,359,473
Total certificates of deposits	\$ -	\$ -	\$ 2,359,473	\$ -	\$ 2,359,473
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
Total investments - Foundation	\$ 9,186,270	\$ 347,870	\$ -	\$ -	\$ 9,534,140
Money market	\$ -	\$ 1,260,898	\$ -	\$ -	\$ 1,260,898
Certificates of deposit	-	-	2,000,000	-	2,000,000
Mutual funds	-	433,765	-	-	433,765
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
Total investments - held for others	\$ 123,456,591	\$ 1,709,903	\$ 2,000,000	\$ -	\$ 127,166,494
Unsecured promissory notes issued by the Foundation	\$ -	\$ -	\$ 39,777,480	\$ -	\$ 39,777,480
Total unsecured promissory notes	\$ -	\$ -	\$ -	\$ -	\$ 39,777,480

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended December 31, 2021, 2020 and 2019, there were no significant transfers in or out of Levels 1, 2 or 3.

Georgia United Methodist Foundation, Inc. Notes to Financial Statements

Note 13: CONCENTRATIONS OF CREDIT RISK

The Foundation maintains cash deposits with financial institutions at December 31, 2021, 2020 and 2019 in excess of federally insured limits of \$8,125,745, \$15,793,666 and \$14,865,588, respectively.

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.

Note 14: RETIREMENT PLANS

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 \$58,221, \$63,385, and \$60,786, for the years ending December 31, 2021, 2020 and 2019, respectively.

Note 15: RELATED PARTIES

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.

Georgia United Methodist Foundation, Inc. Notes to Financial Statements

Note 15: RELATED PARTIES (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 \$43,549, \$42,529, and \$31,293 at December 31, 2021, 2020 and 2019, respectively.
- Several members of the Board of Trustees have established endowments managed by the Foundation with a total market value of \$60,503, \$46,987, and \$35,194 at December 31, 2021, 2020 and 2019, respectively.

Note 16: PAYCHECK PROTECTION PROGRAM

In April 2020, in response to the global pandemic, the Foundation applied for and received a \$163,300 loan through the Paycheck Protection Program under the CARES Act. The loan was forgiven in full in March 2021. As of December 31, 2020, the Foundation had met the conditions for full forgiveness. Therefore, the proceeds of the loan are recorded as revenue in the accompanying financial statements for the year ended December 31, 2020.

Note 17: UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Foundation. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

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. A 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.

Note 18: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after December 31, 2021 through May 26, 2022, the date the Foundation's financial statements were available to be issued. The following occurred:

The \$750,000 line of credit was renewed in March 2022 with the maturity extended to June 2023 at an interest rate of 2.25%.