GEORGIA UNITED METHODIST FOUNDATION, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2014, 2013 AND 2012

GEORGIA UNITED METHODIST FOUNDATION, INC.

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BROOKS, MCGINNIS & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS
5871 GLENRIDGE DRIVE
SUITE 200
ATLANTA, GA 30328
(404) 531-4940
FAX: (404) 531-4950
MEMBER OF AICPA
DIVISION FOR CPA FIRMS

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. (the "Foundation"), which comprise the statements of financial position as of December 31, 2014, 2013 and 2012, and the related statements of activities, 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, 2014, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Brooks, McGinnis & Company, LLC

Atlanta, Georgia
May 11, 2015

GEORGIA UNITED METHODIST FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014, 2013 AND 2012

	2014	2013	2012
Assets:			
Cash and cash equivalents	$ 6,855,478	$ 5,252,563	$ 1,241,790
Certificates of deposit	4,124,731	1,076,344	1,052,727
Account and interest receivables	36,272	40,534	45,134
Investments - Foundation	9,122,627	9,349,136	8,322,027
Investments - held for others	82,582,854	77,444,371	64,916,407
Less unsecured promissory notes payable issued by the Foundation included in investments	(5,505,036)	(6,342,477)	(4,930,900)
Loans, net	25,772,381	24,734,227	24,232,327
Prepaid expenses and other assets	10,870	10,079	9,590
Cash surrender value of life insurance	154,798	-	-
Real estate held for others	-	80,000	-
Other real estate owned	-	-	364,264
Property and equipment, net	5,118	8,655	14,710
Total assets	$ 123,160,093	$ 111,653,432	$ 95,268,076

(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, 2014, 2013 AND 2012

	2014	2013	2012
Liabilities:			
Accounts payable - trade	$ 4,796	$ 112,233	$ 6,138
Accrued expenses and other liabilities	100,942	160,720	112,433
Managed assets held for others	64,734,071	59,968,794	48,485,206
Endowment funds held for others	15,532,332	15,054,074	13,654,580
Charitable remainder trust and gift annuity benefits payable	1,001,390	1,122,076	1,583,713
Charitable remainder trust and gift annuity deferred benefits payable	989,381	975,951	1,087,966
Unsecured promissory notes payable	37,067,055	31,434,800	27,394,250
Less unsecured promissory notes issued by the Foundation and included in investments	(5,505,036)	(6,342,477)	(4,930,900)
Total liabilities	113,924,931	102,486,171	87,393,386
Commitments and contingencies			
Net assets:			
Unrestricted	7,249,838	7,066,349	6,244,561
Temporarily restricted	1,852,161	1,967,749	1,496,966
Permanently restricted	133,163	133,163	133,163
Total net assets	9,235,162	9,167,261	7,874,690
Total liabilities and net assets	$ 123,160,093	$ 111,653,432	$ 95,268,076

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, 2014, 2013 AND 2012

	2014	2013	2012
Changes in unrestricted net assets:			
Revenues, gains and support:			
Contributions	$ 49,744	$ 40,222	$ 31,841
Asset management fees	368,806	328,319	304,103
Consulting fees	65,745	28,835	58,267
Interest income from loan program	1,295,501	1,185,217	1,184,884
Investment return	413,568	1,162,203	601,085
Lease revenue	-	-	27,280
Gain on sale of donated and other real estate	-	48,734	158,024
Other	1,923	11,964	5,273
Total unrestricted revenues and gains	2,195,287	2,805,494	2,370,757
Net assets released from restrictions	914,529	36,978	136,613
Total unrestricted revenues, gains and support	3,109,816	2,842,472	2,507,370
Expenses:			
Program services	2,602,710	1,724,666	1,830,121
General and administrative	323,617	296,018	290,614
Total expenses	2,926,327	2,020,684	2,120,735
Increase in unrestricted net assets	183,489	821,788	386,635

(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, 2014, 2013 AND 2012

	2014	2013	2012
Changes in temporarily restricted net assets:			
Contributions	802,088	139,831	79,938
Investment return	74,649	69,396	43,587
Change in value of split interest agreements	(77,796)	298,534	(12,272)
Net assets released from restrictions	(914,529)	(36,978)	(136,613)
Increase (decrease) in temporarily restricted net assets	(115,588)	470,783	(25,360)
Increase in net assets	67,901	1,292,571	361,275
Net assets at beginning of year	9,167,261	7,874,690	7,513,415
Net assets at end of year	$ 9,235,162	$ 9,167,261	$ 7,874,690

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

GEORGIA UNITED METHODIST FOUNDATION, INC.
STATEMENTS OF EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

	2014	2013	2012
Salaries and wages	$ 748,965	$ 776,394	$ 739,493
Payroll taxes and benefits	167,578	182,093	176,504
Total wages and benefits	916,543	958,487	915,997
Insurance	56,019	12,071	12,885
Interest expense	730,209	721,247	759,727
Office expenses	23,639	20,482	20,812
Rent	55,487	53,923	53,530
Repairs and maintenance	515	101	860
Professional fees	85,160	63,372	66,307
Costs associated with other real estate	-	2,307	16,293
Telephone	6,251	5,558	5,791
Computers and data processing	15,561	11,783	6,912
Depreciation	5,941	8,111	10,080
Dues and subscriptions	2,131	2,240	1,564
Fees	2,550	3,092	6,920
Travel and meetings	35,565	28,735	30,307
Grants to beneficiaries	932,819	55,993	153,283
Loan loss provision	28,000	27,000	34,000
Marketing and publicity	23,696	35,700	23,141
Other expenses	6,241	10,482	2,326
	$ 2,926,327	$ 2,020,684	$ 2,120,735

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, 2014, 2013 AND 2012

	2014	2013	2012
Cash flows from operating activities:			
Increase in net assets	$ 67,901	$ 1,292,571	$ 361,275
Adjustments to reconcile increase in net assets to net cash used in operating activities:			
Depreciation	5,941	8,111	10,080
Provision for loan losses	28,000	27,000	34,000
Gain on sale of donated and other real estate	-	(48,734)	(158,024)
Change in value of split interest agreements	77,796	(298,534)	12,272
Realized and unrealized (gain) loss on investments	(427,578)	(1,156,733)	(557,939)
Endowed funds appropriated for expenditure	570,302	308,921	265,348
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables	4,262	4,600	309
Prepaid expenses and other assets	(791)	(489)	1,438
Cash surrender value of life insurance	(154,798)	-	-
Increase (decrease) in:			
Accounts payable	(107,437)	106,095	(1,727)
Accrued expenses	(59,778)	48,287	(24,503)
Total adjustments	(64,081)	(1,001,476)	(418,746)
Net cash provided by (used in) operating activities	3,820	291,095	(57,471)

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

GEORGIA UNITED METHODIST FOUNDATION, INC.
STATEMENTS OF CASH FLOWS – CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

	2014	2013	2012
Cash flows from investing activities:			
Purchase of property and equipment	(2,404)	(2,056)	(8,388)
Purchase of investments	(1,027,183)	(597,548)	(1,561,486)
Proceeds from the sale of investments	1,681,270	727,172	784,925
Endowed funds appropriated for expenditure	(570,302)	(308,921)	(265,348)
Purchase of certificates of deposit	(3,048,387)	(23,617)	(23,155)
New mortgage loans made to churches	(3,979,591)	(2,111,992)	(6,280,527)
Repayments made on principal	2,460,902	2,011,933	3,156,390
Proceeds from the sale of donated real estate	-	-	868,024
Proceeds from the sale of other real estate owned	-	412,998	-
Net cash provided by (used in) investing activities	(4,485,695)	107,969	(3,329,565)
Cash flows from financing activities:			
Proceeds from unsecured promissory notes payable	9,449,513	6,677,029	3,515,699
Repayment of unsecured promissory notes payable	(3,817,258)	(2,636,479)	(3,009,644)
Loan participations, net	452,535	(428,841)	(359,159)
Net cash provided by financing activities	6,084,790	3,611,709	146,896
Net increase (decrease) in cash and cash equivalents	1,602,915	4,010,773	(3,240,140)
Cash and cash equivalents at beginning of year	5,252,563	1,241,790	4,481,930
Cash and cash equivalents at end of year	$ 6,855,478	$ 5,252,563	$ 1,241,790
Supplemental disclosure of cash flow information:			
Interest paid on development program certificates	$ 724,027	$ 719,698	$ 777,938

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 for affiliates of the United Methodist Church, including the Annual Conferences of the United Methodist Church (the Annual Conferences), and local churches, other institutions, agencies, boards and individuals associated with the Methodist Church. The Foundation assists churches in the establishment of planned-giving programs, accepts and administers funds as both donee and manager for gifts and endowments, and provides loans and stewardship services to local churches and other institutions. All of these services are interrelated and are provided using common resources. Therefore, these services are treated as a single program on the statements of activities.

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 three categories established according to their nature and purposes. The assets, liabilities and net assets of the Foundation are reported in three categories as follows:

- Unrestricted net assets are resources that are neither permanently nor temporarily restricted by donor-imposed stipulations.

- Temporarily restricted net assets are resources whose use by the Foundation is limited by donor-imposed restrictions that either expire by the passage of time or can be fulfilled by actions of the Foundation.

- Permanently restricted net assets are those whose use by the Foundation is limited by donor-imposed stipulations requiring that the corpus be maintained in perpetuity.

1. Nature of Organization and Significant Accounting Policies – Continued

Revenue Recognition

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

The Foundation recognizes contributions as restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and presented in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

Donated land, buildings, and equipment are recognized as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, as well as gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed into service.

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.

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

Donated Assets

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

1. Nature of Organization and Significant Accounting Policies – Continued

Cash and Cash Equivalents

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

Liquidity Reserve

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

Investments

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

Loans and Interest Receivable

The Foundation extends loans to United Methodist Churches in the North and South Georgia Annual Conferences and related entities. Term loans are for periods of five years to twenty years, with an interest rate reset every five years. Construction loans are for periods of up to one year, with fixed interest rates. The loans receivable are generally secured by real estate, accounts, contract rights, equipment, general intangibles and all other personal property of the borrower and bear interest at various rates.

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

Nonaccrual Loans

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

1. Nature of Organization and Significant Accounting Policies – Continued

Nonaccrual Loans – Continued

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

Impaired Loans

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

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

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

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

Allowance for Loan Losses

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

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

1. Nature of Organization and Significant Accounting Policies – Continued

Allowance for Loan Losses – Continued

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

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

Other Real Estate Owned

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

Property and Equipment

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

1. Nature of Organization and Significant Accounting Policies – Continued

Managed Assets Held for Others

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

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.

Functional Allocation of Expenses

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

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 (based on a "more-likely-than-not" standard for substantiation) that are material to the financial statements.

Subsequent Events

Management has reviewed, through May 11, 2015 (the date which these financial statements were available to be issued), events occurring subsequent to December 31, 2014 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.

1. Nature of Organization and Significant Accounting Policies – Continued

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 around 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.

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 used 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 has variance power.

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.

1. Nature of Organization and Significant Accounting Policies – Continued

Fair Value Measurement – Continued

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.

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. Funds classified as Level 2 and 3 consist of investments in units of private funds to which proportionate net assets can be attributed. The Foundation maintains the ability to redeem these investments at the net asset value (NAV) reported by the investee managers and therefore uses these amounts to derive the reported investment values.

1. Nature of Organization and Significant Accounting Policies – Continued

Fair Value Measurement – Continued

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.

Fair Value

The table below presents the recorded amount of assets and liabilities measured at fair value on a recurring basis:

Investment securities	At December 31, 2014	2013	2012
Level 1	$ 3,316,082	$ 3,740,019	$ 4,420,315
Level 2	5,027,330	4,947,376	3,389,378
Level 3	779,215	661,741	512,334
Total	$ 9,122,627	$ 9,349,136	$ 8,322,027

Assets measured at fair value on a nonrecurring basis are included below:

Real estate	At December 31, 2014	2013	2012
Level 2	$ -	$ 80,000	$ 364,264
Total	$ -	$ 80,000	$ 364,264

Deposit Liabilities

For disclosure purposes, the fair value of fixed maturity private placement deposit certificates is estimated by discounting the future cash flows using the rates currently offered for certificates of deposit with similar remaining maturities. The fair value of the fixed maturity private placement deposit certificates was $37,067,055, $31,434,800 and $27,394,250 at December 31, 2014, 2013 and 2012, respectively.

1. Nature of Organization and Significant Accounting Policies – Continued

Endowment Funds

As described in Note 14, the purpose of the Foundation's Endowment Funds is to generate investment return that can be used to support the Foundation's operating activities. Accordingly, the Foundation liquidates for distribution a portion of the Endowment Funds based on the Foundation's spending policy. This appropriation to support operating activities is shown in the Statement of Cash Flows as a decrease in investing cash and an increase in operating cash.

2. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	2014	2013	2012
Unrestricted cash	$ 6,012,165	$ 4,850,977	$ 964,944
Board designated liquidity reserve	843,313	401,586	276,846
Total cash and equivalents	$ 6,855,478	$ 5,252,563	$ 1,241,790

The Board designated liquidity reserve also included Certificates of Deposit totaling $1,101,868, $1,076,344, and $1,052,727 at December 31, 2014, 2013 and 2012, respectively.

3. Investment Assets

The Foundation's Equity Fund is comprised of two private funds established by the General Board of Pension and Health Benefits of The United Methodist Church (the GBOP). All funds are managed through Wespath Investment Management which is the investment management division of the GBOP. The GBOP 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.

The GBOP Equity Funds are made up of a combination of exchange-traded companies (both foreign and domestic), real estate, and private equity limited partnerships and are described as private funds. According to the GBOP, the real estate and private equity partnerships are valued using the net asset value. As the Foundation's Equity Fund is made up of a combination of GBOP's Equity Funds which are not exchange-traded and include underlying assets valued using NAV, these investments are considered Level 2 and 3 investments. Amounts up to $1,000,000 in private funds held by the GBOP can be redeemed daily without a redemption notice period. Redemptions over $1,000,000 require a 15 day notice period.

3. Investment Assets – Continued

Unsecured Promissory Notes Payable issued by the Foundation are essentially deposit instruments carried at cost, which approximates fair value and are considered Level 1 investments. The Foundation held money market funds and cash comprising 5%, 5%, and 12% of total investment assets at December 31, 2014, 2013 and 2012, respectively. Money market funds are carried at their cost value, which approximates fair value and are Level 1 investments.

The Fixed Income Fund is comprised of a selection of exchange-traded fixed income funds and therefore is considered a Level 1 investment.

Description	12/31/2014	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 433,682	$ 433,682	$ -	$ -
Exchange traded fixed income mutual funds:				
High yield bond	296,886	296,886	-	-
Nontraditional bond	289,645	289,645	-	-
Government securities	1,490,175	1,490,175	-	-
Common stocks:				
Financial	413,367	413,367	-	-
Technology	107,778	107,778	-	-
Healthcare	61,501	61,501	-	-
Services	94,107	94,107	-	-
Basic materials	98,333	98,333	-	-
Consumer goods	30,608	30,608	-	-
Other private equity funds:				
Large cap U.S. equity	2,814,061	-	2,814,061	-
Mid cap U.S. equity	572,433	-	572,433	-
Small cap U/S. equity	918,779	-	918,779	-
International equity	722,057	-	722,057	-
Domestic REITs	182,794	-	-	182,794
Domestic alternative	303,053	-	-	303,053
Emerging markets	198,333	-	-	198,333
International REITs	59,913	-	-	59,913
International alternative	35,122	-	-	35,122
	$ 9,122,627	$ 3,316,082	$ 5,027,330	$ 779,215

3. Investment Assets – Continued

Description	12/31/2013	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 487,889	$ 487,889	$ -	$ -
Exchange traded fixed income mutual funds:				
Intermediate	2,167,516	2,167,516	-	-
Short term bank loan	384,614	384,614	-	-
Unsecured promissory notes issued by the Foundation	700,000	700,000	-	-
Other private equity funds:				
Large cap U.S. equity	2,756,616	-	2,756,616	-
Mid cap U.S. equity	526,630	-	526,630	-
Small cap U/S. equity	865,505	-	865,505	-
International equity	798,625	-	798,625	-
Domestic REITs	132,802	-	-	132,802
Domestic alternative	270,184	-	-	270,184
Emerging markets	190,605	-	-	190,605
International REITs	53,242	-	-	53,242
International alternative	14,908	-	-	14,908
	$ 9,349,136	$ 3,740,019	$ 4,947,376	$ 661,741

3. Investment Assets – Continued

Description	12/31/2012	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 970,995	$ 970,995	$ -	$ -
Exchange traded fixed income mutual funds:				
Intermediate	2,284,855	2,284,855	-	-
Short term	254,465	254,465	-	-
Unsecured promissory notes issued by the Foundation	910,000	910,000	-	-
Other private equity funds:				
Large cap U.S. equity	1,914,123	-	1,914,123	-
Mid cap U.S. equity.	339,603	-	339,603	-
Small cap U.S. equity	524,841	-	524,841	-
International equity	610,811	-	610,811	-
Domestic REITs	61,746	-	-	61,746
Domestic alternative	246,984	-	-	246,984
Emerging markets	146,595	-	-	146,595
International REITs	48,865	-	-	48,865
International alternative	8,144	-	-	8,144
	$ 8,322,027	$ 4,420,315	$ 3,389,378	$ 512,334

The following schedule summarizes the investment loss or return on the Foundation's investments in the statements of activities at December 31:

	2014	2013	2012
Dividend and interest income	$ 60,639	$ 74,866	$ 86,733
Realized & unrealized gain (loss) on investments	427,578	1,156,733	557,939
Total investment return-Foundation	$ 488,217	$ 1,231,599	$ 644,672

Expenses related to investment revenues, including custodial fees and investment advisory fees, amounted to $48,951, $50,949 and $39,876 in 2014, 2013 and 2012, respectively, and have been netted against investment revenues in both the above schedule and in the accompanying statements of activities.

3. Investment Assets – Continued

Activity for the Foundation's alternative funds which are measured at fair value on a recurring basis using unobservable inputs are summarized below for the years ending December 31:

	2014	2013	2012
Beginning balance	$ 661,741	$ 512,334	$ 454,088
Purchases	77,468	7,201	36,192
Sales	(12,080)	(13,656)	(17,438)
Net appreciation (depreciation)	52,086	155,862	39,492
Ending balance	$ 779,215	$ 661,741	$ 512,334

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

	2014	2013	2012
Managed funds held for others	$ 64,734,071	$ 59,888,794	$ 48,485,206
Endowment funds held for others	15,532,332	15,054,074	13,654,580
Gift annuities and charitable remainder trusts	2,316,451	2,501,503	2,776,621
Total investments held for others	$ 82,582,854	$ 77,444,371	$ 64,916,407

3. Investment Assets – Continued

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

Description	12/31/2014	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 6,631,458	$ 6,631,458	$ -	$ -
Certificates of deposit	750,000	750,000	-	-
Exchange traded mutual funds:				
Large cap U.S. equity	247,404	247,404	-	-
Mid cap U.S. equity	59,934	59,934	-	-
Small cap U.S. equity	15,763	15,763	-	-
International equity	31,030	31,030	-	-
Intermediate fixed income	348,131	348,131	-	-
Short term fixed income	1,023,936	1,023,936	-	-
High yield bond	2,115,146	2,115,146	-	-
Nontraditional bond	2,109,059	2,109,059	-	-
Unsecured promissory notes issued by the Foundation	5,505,036	5,505,036	-	-
Government securities	10,616,665	10,616,665	-	-
Common stocks:				
Utilities	4,911	4,911	-	-
Financial	2,945,010	2,945,010	-	-
Technology	772,712	772,712	-	-
Healthcare	438,164	438,164	-	-
Services	670,460	670,460	-	-
Basic materials	700,568	700,568	-	-
Consumer goods	218,065	218,065	-	-

3. Investment Assets – Continued

Description	12/31/2014	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other private equity funds:				
U.S. equity fund	368,091	-	368,091	-
Large cap U.S. equity	22,536,276	-	22,536,276	-
Mid cap U.S. equity	4,584,302	-	4,584,302	-
Small cap U/S. equity	7,357,998	-	7,357,998	-
International equity	5,988,624	-	5,988,624	-
Fixed income	218,389	-	218,389	-
Inflation protection fund	85,418	-	85,418	-
Domestic REITs	1,463,895	-	-	1,463,895
Domestic alternative	2,426,984	-	-	2,426,984
Emerging markets	1,588,344	-	-	1,588,344
International REITs	479,812	-	-	479,812
International alternative	281,269	-	-	281,269
	$ 82,582,854	$ 35,203,452	$ 41,139,098	$ 6,240,304

3. Investment Assets – Continued

Description	12/31/2013	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 5,960,373	$ 5,960,373	$ -	$ -
Exchange traded equity mutual funds:				
Large cap U.S. equity	268,405	268,405	-	-
Mid cap U.S. equity	70,153	70,153	-	-
Small cap U.S. equity	26,830	26,830	-	-
International equity	44,662	44,662	-	-
Exchange traded fixed income mutual funds:				
Intermediate	17,458,556	17,458,556	-	-
Short term	3,967,310	3,967,310	-	-
Nontraditional	58,087	58,087	-	-
Unsecured promissory notes issued by the Foundation	5,642,477	5,642,477	-	-
Corporate bonds	12,255	12,255	-	-
Common stocks:				
Utilities	4,111	4,111	-	-
Financial	5,681	5,681	-	-
Technology	4,981	4,981	-	-
Other commingled equity funds:				
Large cap U.S. equity	21,609,199	-	21,609,199	-
Mid cap U.S. equity	4,119,119	-	4,119,119	-
Small cap U.S. equity	6,769,683	-	6,769,683	-
Domestic REITs	1,038,735	-	-	1,038,735
Domestic alternative	2,113,287	-	-	2,113,287
International equity	6,246,576	-	6,246,576	-
Emerging markets	1,490,850	-	-	1,490,850
International REITs	416,438	-	-	416,438
International alternative	116,603	-	-	116,603
	$ 77,444,371	$ 33,523,881	$ 38,744,577	$ 5,175,913

3. Investment Assets – Continued

Description	12/31/2012	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 4,303,523	$ 4,303,523	$ -	$ -
Exchange traded equity mutual funds:				
Large cap U.S. equity	396,796	396,796	-	-
Mid cap U.S. equity	82,808	82,808	-	-
Small cap U.S. equity	26,031	26,031	-	-
Other U.S. equity	101,306	101,306	-	-
International equity	122,304	122,304	-	-
Emerging markets	40,166	40,166		
Exchange traded fixed income mutual funds:				
Intermediate	17,708,102	17,708,102	-	-
Short term	2,947,886	2,947,886	-	-
Unsecured promissory notes issued by the Foundation	4,020,900	4,020,900	-	-
Corporate bonds	12,682	12,682	-	-
Common stocks:				
Utilities	4,281	4,281	-	-
Medical supplies	4,102	4,102	-	-
Information technology	30,108	30,108	-	-
Other commingled funds:				
Large cap U.S. equity	17,227,118	-	17,227,118	-
Mid cap U.S. equity	3,056,424	-	3,056,424	-
Small cap U.S. equity	4,723,565	-	4,723,565	-
Domestic REITs	555,714	-	-	555,714
Domestic alternative	2,222,854	-	-	2,222,854
International equity	5,497,303	-	5,497,303	
Emerging markets	1,319,353	-	-	1,319,353
International REITs	439,784	-	-	439,784
International alternative	73,297	-	-	73,297
	$ 64,916,407	$ 29,800,995	$ 30,504,410	$ 4,611,002

3. Investment Assets – Continued

The total amount of unsecured promissory notes payable issued by the Foundation and included in the above investment categories was $5,505,036, $6,342,477 and $4,930,900 at December 31, 2014, 2013 and 2012, respectively. Accordingly, these amounts have been reflected as reductions in Statements of Financial Position.

4. Loans Receivable

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 Development Fund Program. The Foundation approves these loans based upon specific Board approved criteria, and all 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 typically have an interest rate reset provision where the interest rate paid during the loan is renegotiated every five years to the market rate at that time. At December 31, 2014, interest rates ranged from 4.10% to 5.95% depending on the loan.

Major classifications of loans are as follows at December 31:

	2014	2013	2012
Term loans	$ 26,033,106	$ 24,688,507	$ 23,260,770
Construction period loans	3,275	281,720	1,180,557
	26,036,381	24,970,227	24,441,327
Less: Allowance for loan losses	(264,000)	(236,000)	(209,000)
Loans, net	$ 25,772,381	$ 24,734,227	$ 24,232,327

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, 2014, 2013 and 2012, 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:

		2014		2013		2012
Beginning balance	$	236,000	$	209,000	$	175,000
Additional provision		28,000		27,000		34,000
Ending balance	$	264,000	$	236,000	$	209,000

6. Other Real Estate Owned

In February 2013, the Foundation's other real estate of one special use property with a church building was sold for $412,998, net of closing costs, resulting in a gain from other real estate owned of $48,734.

7. Donated Real Estate

An individual (donor) deeded a house to the Foundation. The donor was to remain in the home and was responsible for the utilities, cleaning and landscape maintenance until the donor expired or permanently moved out of the home. The Foundation was responsible for the insurance, taxes and major repairs as long as the donor remained in the house. Upon the donor's death or permanent move from the home, the house was to be sold and the proceeds from the sale would become unrestricted. At December 31, 2011 the value of the house was estimated to be $205,000. In 2011 the donor moved out of the home and allowed the Foundation to list the home for sale. In April 2012, this home was sold for $204,024, net of closing costs, resulting in a loss from sale of donated real estate of $976.

In 2002, South Georgia United Methodist Foundation, Inc. received 681.9 acres of land located in Evans County, Georgia. The Foundation received an annual lease payment of $27,280 for the use of the land. The lessee had been granted an option to purchase the land in 2014 for a price of $1,000 per square acre, for a total of $682,000. As the lessee had made no indication that they would exercise this option, the land was recorded at the value assessed by the county for property tax which was $505,000. During 2012, the lessee negotiated an early purchase of the land for $664,000 resulting in a gain on sale from donated real estate of $159,000.

8. Property and Equipment

Property and equipment consist of the following at December 31:

	2014	2013	2012
Computers and equipment	$ 38,699	$ 36,457	$ 36,987
Software	9,419	9,419	9,419
Furniture and fixtures	34,460	34,460	34,460
	82,578	80,336	80,866
Less: accumulated depreciation	(77,460)	(71,681)	(66,156)
Property and equipment, net	$ 5,118	$ 8,655	$ 14,710

Depreciation expense for the years ended December 31, 2014, 2013 and 2012 was $5,941, $8,111, and $10,080, respectively.

9. Unsecured Promissory Notes Payable

The Foundation issues unsecured promissory notes payable in the form of Term Certificates to fund its lending program. On July 1, 2009, Georgia Securities Code Section 10-5-10(7), Exemptions From Registrations, became effective. 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 2013, the Foundation filed an Offering to issue up to $8 million unregistered, unsecured promissory notes through August 1, 2014. At December 31, 2013, approximately $7.9 million had been issued against this $8 million. On February 6, 2014, the Offering was amended to add an additional $10 million unregistered, unsecured promissory notes through August 1, 2014. On August 1, 2014, the Foundation filed an Offering to issue up to $25 million unregistered, unsecured promissory notes through July 31, 2015.

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

	2014	2013	2012
One year term certificates	$ 10,567,244	$ 2,694,150	$ 6,028,560
Two year term certificates	5,055,598	3,308,848	1,561,323
Three year term certificates	6,300,615	7,490,780	7,048,598
Four year term certificates	15,143,598	17,941,022	12,755,769
	$ 37,067,055	$ 31,434,800	$ 27,394,250

9. Unsecured Promissory Notes Payable – Continued

Term notes have maturity dates ranging from one year to four years and paid interest in the range of 1.30% to 3.75% during 2014 depending upon the term of the certificate and the amount deposited.

The scheduled maturities for demand and time deposits are as follows:

2015	$ 16,219,004
2016	9,111,988
2017	6,847,715
2018	4,888,348
	$ 37,067,055

10. Line of Credit

The Foundation had a $750,000 unsecured line of credit with a bank that matured on December 4, 2014. The Foundation established a new $750,000 unsecured line of credit with another bank at an interest rate of 3.29% and with a maturity date of December 4, 2016. No balance was outstanding at December 31, 2014, 2013 and 2012.

11. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31:

	2014	2013	2012
Donor advised funds	$ 1,525,109	$ 1,562,901	$ 1,390,650
Split interest agreements	325,680	403,476	104,942
Program restriction-missions	1,372	1,372	1,374
Total temporarily restricted net assets	$ 1,852,161	$ 1,967,749	$ 1,496,966

12. Permanently Restricted Net Assets

When the Foundation’s Endowment Funds were established in 1989 the initial contributions totaling $133,163 included donor restrictions related to spending only income on operations.

13. 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:

	2014	2013	2012
Program restrictions:			
Program restriction-missions	$ -	$ -	$ 3,500
Other restrictions:			
Donor advised funds	914,529	36,978	133,113
Total net assets released from restriction	$ 914,529	$ 36,978	$ 136,613

14. Endowed Net Assets

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

When the Endowment Funds were established, the initial contributions included donor restrictions related to spending only income. During the ensuing years, undesignated contributions 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 permanently restricted funds are considered temporarily restricted until appropriated for expenditure. As of December 31, 2014, 2013 and 2012, the accumulated earnings for the board designated endowment funds were classified as unrestricted net assets.

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, 2014, 2013 and 2012.

14. Endowed Net Assets – Continued

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

The Foundation has a policy of appropriating for distribution each year 4.5% of a 12 quarter moving average of the Endowment Fund portfolio value, ending on the last trading day in September. The amount calculated is budgeted for spending during the following year.

Endowment net assets by type of fund and related changes consisted of the following as of December 31, 2014:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 7,584,892	$ 133,163	$ 7,718,055
Investment return:			
Investment income	45,807	-	45,807
Net appreciation (realized and unrealized)	365,804	-	365,804
	411,611	-	411,611
Assets appropriated for expenditure	(570,302)	-	(570,302)
Endowment net assets, end of year	$ 7,426,201	$ 133,163	$ 7,559,364

14. Endowed Net Assets – Continued

Endowment net assets by type of fund and related changes consisted of the following as of December 31, 2013:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 6,734,548	$ 133,163	$ 6,867,711
Investment return:			
Investment income	42,966	-	42,966
Net appreciation (realized and unrealized)	1,116,299	-	1,116,299
	1,159,265	-	1,159,265
Assets appropriated for expenditure	(308,921)	-	(308,921)
Endowment net assets, end of year	$ 7,584,892	$ 133,163	$ 7,718,055

Endowment net assets by type of fund and related changes consisted of the following as of December 31, 2012:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 5,527,334	$ 133,163	$ 5,660,497
Investment return:			
Investment income	50,486	-	50,486
Transfers in	873,026	-	873,026
Net appreciation (realized and unrealized)	549,050	-	549,050
	1,472,562	-	1,472,562
Assets appropriated for expenditure	(265,348)	-	(265,348)
Endowment net assets, end of year	$ 6,734,548	$ 133,163	$ 6,867,711

15. Pension Plan

Foundation employees participate in two separate pension plans sponsored by the GBOP. 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. Presently, the clergy employees participate in either or both a Defined Contribution Plan and/or a Defined Benefit Plan where the Foundation contributes a percentage. This percentage ranged between twelve (12%) and thirteen (13%) of the participants' salary. Pension expense for all employees totaled $57,956, $63,321 and $61,750 for the years ending December 31, 2014, 2013 and 2012, respectively.

16. Operating Lease Commitment

The Foundation leases its office space under a five-year noncancelable operating lease with an escalating lease payments provision. Rent expense was $55,487, $53,923 and $53,530 for the years ended December 31, 2014, 2013 and 2012, respectively. The future minimum annual rental commitment due under this lease agreement is $42,514 in 2015.

17. 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 its connectional units, local church congregations, etc. Accordingly, related party transactions include the following:

- The Foundation has invested funds from the Annual Conferences, UMC churches, and related individuals that had a fair value of $82,582,854, $77,444,371 and $64,916,407 at December 31, 2014, 2013 and 2012, respectively. The Foundation's entire mortgage loan program ($25,772,381, $24,734,227 and $24,232,327 receivable at December 31, 2014, 2013 and 2012, respectively) and the development fund certificate program ($37,067,055, $31,434,800 and $27,394,250 liability at December 31, 2014, 2013 and 2012, respectively) are made up of related churches, Conference-related Foundations, and 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 $659,322, $546,011 and $561,231 at December 31, 2014, 2013 and 2012, respectively

17. Related Party Transactions – Continued

- Several members of the Board of Trustees have contributed to donor advised funds with a market value of $1,298,234, $1,252,690 and $1,201,577 at December 31, 2014, 2013 and 2012, respectively.

- A member of the Board of Trustees has an active guarantee on a church loan with an outstanding balance of $205,469, $217,295, and $228,567 at December 31, 2015, 2013 and 2012, respectively.

- Several members of the Board of Trustees have established endowments managed by the Foundation with a total market value of $576,759, $172,242 and $144,493 at December 31, 2014, 2013 and 2012, respectively.

- Several Board Members have gift annuities managed by the Foundation with a total discounted annuity payable of $69,142, $72,684 and $76,156 at December 31, 2014, 2013 and 2012, respectively.

- Several Board Members have unitrusts managed by the Foundation with a total market value of $228,719, $229,698 and $208,628 at December 31, 2014, 2013 and 2012, respectively.

- As reflected in Note 3, investments include unsecured promissory notes payable issued by the Foundation in the total amount of $5,505,036, $6,342,477 and $4,930,900 at December 31, 2014, 2013 and 2012. Accordingly this amount has been eliminated in the Statement of Financial Position.

- A member of the Board of Trustees is an employee of the insurance company from which the Foundation has purchased an insurance policy and annuities. In 2014, the Foundation purchased a $500,000 key man whole life insurance policy. This policy has annual premiums of $59,270 for five years. The Foundation paid premiums of $56,770 and $2,500 in 2014 and 2013, respectively. The Foundation also purchased additional paid-up insurance of $300,000 for premiums of $140,730. This policy had a cash surrender value of $154,798 at December 31, 2014. In 2012, the Foundation purchased annuities in the amount of $996,273 in order to reinsure a portion of its gift annuities.

18. 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 458 accounts are primarily invested in funds established by the Georgia United Methodist Foundation, Inc.

18. Funds Held as Agent – Continued

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, 2014, 2013 and 2012, the market value of all of these accounts totaled $82,582,854, $77,444,371 and $64,916,407, respectively.

19. 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. The Foundation also has cash deposits at institutions not covered by the FDIC. The Foundation's uninsured cash balances were approximately $17,093,376, $11,529,651 and $6,443,161 at December 31, 2014, 2013 and 2012.

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 changes in the near-term could materially affect the amounts reported on the statement of financial position.

The Foundation receives deposits related to its certificate program from various entities who all reside in the State of Georgia. The Foundation also makes loans to churches throughout the state of Georgia. Changes in economic conditions in these areas could affect the Foundation's ability to receive mortgage payments from churches and pay their obligations under the certificate program. The limited geographic area in which the Foundation operates increases the Foundation's exposure to certain business concentrations.