GEORGIA UNITED
METHODIST FOUNDATION, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2013, 2012 AND 2011

GEORGIA UNITED METHODIST FOUNDATION, INC.

TABLE OF CONTENTS

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.:

We have audited the accompanying financial statements of the Georgia United Methodist Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of December 31, 2013, 2012 and 2011, 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 the Georgia United Methodist Foundation, Inc., as of December 31, 2013, 2012 and 2011, 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 2, 2014

GEORGIA UNITED METHODIST FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013, 2012 AND 2011

	2013	2012	2011
Assets:			
Cash and cash equivalents	$ 5,252,563	$ 1,241,790	$ 4,481,930
Certificates of deposit	1,076,344	1,052,727	1,029,572
Account and interest receivables	40,534	45,134	45,443
Investments - Foundation	9,349,136	8,322,027	7,112,146
Investments - held for others	77,444,371	64,916,407	61,194,194
Less unsecured promissory notes payable issued by the Foundation included in investments	(6,342,477)	(4,930,900)	(6,671,234)
Loans, net	24,734,227	24,232,327	20,783,031
Prepaid expenses and other assets	10,079	9,590	11,028
Real estate held for others	80,000	-	-
Donated real estate	-	-	505,000
Donated real estate available for sale, net	-	-	205,000
Other real estate owned	-	364,264	364,264
Property and equipment, net	8,655	14,710	16,402
Total assets	$ 111,653,432	$ 95,268,076	$ 89,076,776

(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, 2013, 2012 AND 2011

	2013	2012	2011
Liabilities:			
Accounts payable - trade	$ 112,233	$ 6,138	$ 7,865
Accrued expenses and other liabilities	160,720	112,433	136,936
Managed assets held for others	59,968,794	48,485,206	44,167,245
Endowment funds held for others	15,054,074	13,654,580	12,804,551
Charitable remainder trust and gift annuity benefits payable	1,122,076	1,583,713	2,736,966
Charitable remainder trust and gift annuities deferred benefits payable	975,951	1,087,966	1,492,837
Unsecured promissory notes payable	31,434,800	27,394,250	26,888,195
Less unsecured promissory notes issued by the Foundation and included in investments	(6,342,477)	(4,930,900)	(6,671,234)
Total liabilities	102,486,171	87,393,386	81,563,361
Commitments and contingencies			
Net assets:			
Unrestricted	7,066,349	6,244,561	5,857,926
Temporarily restricted	1,967,749	1,496,966	1,522,326
Permanently restricted	133,163	133,163	133,163
Total net assets	9,167,261	7,874,690	7,513,415
Total liabilities and net assets	$ 111,653,432	$ 95,268,076	$ 89,076,776

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, 2013, 2012 AND 2011

	2013	2012	2011
Changes in unrestricted net assets:			
Revenues, gains and support:			
Contributions	$ 40,222	$ 31,841	$ 81,337
Asset management fees	328,319	304,103	288,110
Consulting fees	28,835	58,267	114,600
Interest income from loan program	1,185,217	1,184,884	1,128,360
Investment return	1,162,203	601,085	(14,683)
Lease revenue	-	27,280	27,280
Gain on sale of donated and other real estate	48,734	158,024	-
Other	11,964	5,273	3,221
Total unrestricted revenues and gains	2,805,494	2,370,757	1,628,225
Net assets released from restrictions	36,978	136,613	397,245
Total unrestricted revenues, gains and support	2,842,472	2,507,370	2,025,470
Expenses:			
Program services	1,724,666	1,830,121	1,960,215
General and administrative	296,018	290,614	269,562
Total expenses	2,020,684	2,120,735	2,229,777
Increase (decrease) in unrestricted net assets	821,788	386,635	(204,307)

(Continued on next page.)

GEORGIA UNITED METHODIST FOUNDATION, INC.
STATEMENTS OF ACTIVITIES – CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

	2013	2012	2011
Changes in temporarily restricted net assets:			
Contributions	139,830	79,938	89,135
Investment return	69,396	43,587	28,221
Change in value of split interest agreements	298,535	(12,272)	(12,806)
Net assets released from restrictions	(36,978)	(136,613)	(397,245)
Increase (decrease) in temporarily restricted net assets	470,783	(25,360)	(292,695)
Increase (decrease) in net assets	1,292,571	361,275	(497,002)
Net assets at beginning of year	7,874,690	7,513,415	8,010,417
Net assets at end of year	$ 9,167,261	$ 7,874,690	$ 7,513,415

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, 2013, 2012 AND 2011

	2013	2012	2011
Salaries and wages	$ 776,394	$ 739,493	$ 691,719
Payroll taxes and benefits	182,093	176,504	178,191
Total wages and benefits	958,487	915,997	869,910
Insurance	12,071	12,885	13,041
Interest expense	721,247	759,727	787,575
Office expenses	20,482	20,812	21,829
Rent	53,923	53,530	56,595
Repairs and maintenance	101	860	3,045
Professional fees	63,372	66,307	65,726
Costs associated with other real estate	2,307	16,293	15,304
Telephone	5,558	5,791	9,528
Computers and data processing	11,783	6,912	10,752
Depreciation	8,111	10,080	11,205
Dues and subscriptions	2,240	1,564	2,786
Fees	3,092	6,920	10,613
Travel and meetings	28,735	30,307	32,441
Grants to beneficiaries	55,993	153,283	177,692
Provision for impairment of donated real estate available for sale	-	-	20,000
Bad debt - direct write off	-	-	25,028
Loan loss provision	27,000	34,000	53,000
Marketing and publicity	35,700	23,141	20,284
Other expenses	10,482	2,326	23,423
	$ 2,020,684	$ 2,120,735	$ 2,229,777

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, 2013, 2012 AND 2011

	2013	2012	2011
Cash flows from operating activities:			
Increase (decrease) in net assets	$ 1,292,571	$ 361,275	$ (497,002)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:			
Depreciation	8,111	10,080	11,205
Provision for loan losses	27,000	34,000	53,000
Provision for impairment of donated real estate	-	-	20,000
Gain on sale of donated real estate	-	(158,024)	-
Gain on sale of other real estate owned	(48,734)	-	-
Change in value of split interest agreements	(298,535)	12,272	12,806
Bad debt - direct write off	-	-	25,028
Realized and unrealized (gain) loss on investments	(1,156,733)	(557,939)	74,240
Endowed Funds appropriated for expenditure	308,921	265,348	348,115
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables	4,600	309	(17,169)
Prepaid expenses and other assets	(489)	1,438	(1,611)
Increase (decrease) in:			
Accounts payable	106,095	(1,727)	(19,049)
Accrued expenses	48,287	(24,503)	164,888
Total adjustments	(1,001,477)	(418,746)	671,453
Net cash provided by (used in) operating activities	291,094	(57,471)	174,451

(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, 2013, 2012 AND 2011

	2013	2012	2011
Cash flows from investing activities:			
Purchase of property and equipment	(2,054)	(8,388)	(12,865)
Purchase of investments	(597,548)	(1,561,486)	(251,548)
Proceeds from the sale of investments	727,171	784,925	604,719
Endowed funds appropriated for expenditure	(308,921)	(265,348)	(348,115)
Purchase of certificates of deposit	(23,617)	(23,155)	(904,572)
New mortgage loans made to churches	(2,111,992)	(6,280,527)	(11,709,395)
Repayments made on principal	2,011,933	3,156,390	2,008,615
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	107,970	(3,329,565)	(10,613,161)
Cash flows from financing activities:			
Proceeds from unsecured promissory notes payable	6,677,029	3,515,699	6,559,470
Repayment of unsecured promissory notes payable	(2,636,479)	(3,009,644)	(605,820)
Loan participations, net	(428,841)	(359,159)	4,429,654
Net cash provided by financing activities	3,611,709	146,896	10,383,304
Net increase (decrease) in cash and cash equivalents	4,010,773	(3,240,140)	(55,406)
Cash and cash equivalents at beginning of year	1,241,790	4,481,930	4,537,336
Cash and cash equivalents at end of year	$ 5,252,563	$ 1,241,790	$ 4,481,930

(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, 2013, 2012 AND 2011

	2013	2012	2011
Supplemental disclosure of cash flow information:			
Interest paid on development program certificates	$ 719,698	$ 777,938	$ 740,927

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") was formed on January 1, 2010, through the merging of the North Georgia United Methodist Foundation, Inc. and the South 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.

1. Nature of Organization and Significant Accounting Policies – Continued

Donated Assets

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

Cash and Cash Equivalents

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

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. Investments in marketable securities or equity mutual funds with readily determinable fair values and all investments in debt securities or fixed income funds are valued in the statement of financial position at their fair value. Fair value is determined by reference to exchange or dealer-quoted market prices. 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.

1. Nature of Organization and Significant Accounting Policies – Continued

Loans and Interest Receivable – Continued

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

Nonaccrual Loans

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

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

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.

1. Nature of Organization and Significant Accounting Policies – Continued

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.

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.

1. Nature of Organization and Significant Accounting Policies – Continued

Property and Equipment

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

Managed Assets Held for Others

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

1. Nature of Organization and Significant Accounting Policies – Continued

Subsequent Events

Management has reviewed, through May 2, 2014 (the date which these financial statements were available to be issued), events occurring subsequent to December 31, 2013 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.

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 Annuities 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.

1. Nature of Organization and Significant Accounting Policies – Continued

Charitable Remainder Trust and Gift Annuities and Deferred Benefits Payable – Continued

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. In addition, the Foundation is required to disclose, but not record, the fair value of other financial instruments.

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.

1. Nature of Organization and Significant Accounting Policies – Continued

Fair Value Measurement – Continued

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.

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.

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 $31,434,800, $27,394,250 and $26,888,195 at December 31, 2013, 2012 and 2011, respectively.

1. Nature of Organization and Significant Accounting Policies – Continued

Fair Value Measurement – Continued

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

Investment securities	At December 31, 2013	2012	2011
Level 1	$ 3,740,019	$ 4,420,315	$ 3,787,316
Level 2	4,947,376	3,389,378	2,870,742
Level 3	661,741	512,334	454,088
Total	$ 9,349,136	$ 8,322,027	$ 7,112,146

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

Real estate	At December 31, 2013	2012	2011
Level 2	$ 80,000	$ 364,264	$ 1,074,264
Total	$ 80,000	$ 364,264	$ 1,074,264

New Accounting Pronouncement

In May 2011, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2011-04, "Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRS." These amendments were effective for the fiscal year ending December 31, 2012. ASU No. 2011-04 clarifies or changes certain fair value measurement principles and enhances the disclosure requirements, particularly for Level 3 fair value measurements. The adoption of ASU No. 2011-04 did not have a material impact on the Foundation's financial position or results of operation.

Endowment Funds

As described in Note 13, the purpose of the Foundation's Endowment Funds is to generate investment return that can be used to support the Foundation's 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.

1. Nature of Organization and Significant Accounting Policies – Continued

Reclassification of Amounts

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

2. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	2013	2012	2011
Unrestricted cash	$ 4,850,977	$ 964,944	$ 4,227,662
Board designated liquidity reserve	401,586	276,846	254,268
Total cash and equivalents	$ 5,252,563	$ 1,241,790	$ 4,481,930

The Board designated liquidity reserve also included Certificates of Deposit totaling $1,076,344, $1,052,727, and $1,029,572 at December 31, 2013, 2012, and 2011, 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%, 7%, and 8% of total investment assets at December 31, 2013, 2012, and 2011, 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.

Investments of the Foundation are stated at fair value and are summarized as follows:

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	-
Domestic REITs	132,802	-	-	132,802
Domestic alternative	270,184	-	-	270,184
International equity	798,625		798,625	
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	-
Domestic REITs	61,746	-	-	61,746
Domestic alternative	246,984	-	-	246,984
International equity	610,811		610,811	
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

3. Investment Assets – Continued

Description	12/31/2011	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	$ 547,599	$ 547,599	$ -	$ -
Exchange traded fixed income mutual funds:				
Intermediate	1,911,786	1,911,786	-	-
High yield	207,931	207,931	-	-
Unsecured promissory notes issued by the Foundation	1,120,000	1,120,000	-	-
Other private equity funds:				
Large cap U.S. equity	1,618,129	-	1,618,129	-
Mid cap U.S. equity	260,988	-	260,988	-
Small cap U.S. equity	391,482	-	391,482	-
Domestic REITs	130,494	-	-	130,494
Domestic alternative	208,790	-	-	208,790
International equity	600,143		600,143	
Emerging markets	114,804	-	-	114,804
	$ 7,112,146	$ 3,787,316	$ 2,870,742	$ 454,088

3. Investment Assets – Continued

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

	2013	2012	2011
Dividend and interest income	$ 74,866	$ 86,733	$ 87,778
Realized & unrealized gain (loss) on investments	1,156,733	557,939	(74,240)
Total investment return-Foundation	$ 1,231,599	$ 644,672	$ 13,538

Expenses related to investment revenues, including custodial fees and investment advisory fees, amounted to $50,949, $39,876 and $31,276 in 2013, 2012 and 2011, respectively, and have been netted against investment revenues in both the above schedule and in the accompanying statements of activities.

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:

	2013	2012	2011
Beginning balance	$ 512,334	$ 454,088	$ 379,155
Purchases	7,201	36,192	151,270
Sales	(13,656)	(17,438)	(55,170)
Net appreciation (depreciation)	155,862	39,492	(21,167)
Ending balance	$ 661,741	$ 512,334	$ 454,088

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:

	2013	2012	2011
Managed funds held for others	$ 59,888,794	$ 48,485,206	$ 44,191,491
Endowment funds held for others	15,054,074	13,654,580	12,804,551
Gift annuities and charitable remainder trusts	2,501,503	2,776,621	4,198,152
Total investments held for others	$ 77,444,371	$ 64,916,407	$ 61,194,194

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	12/31/2013	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

Description	12/31/2011	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	$ 3,614,067	$ 3,614,067	$ -	$ -
Exchange traded US equity mutual funds:				
Large cap U.S. equity	500,771	500,771	-	-
Mid cap U.S. equity	91,138	91,138	-	-
Small cap U.S. equity	27,977	27,977	-	-
Other U.S. equity	26,282	26,282	-	-
International equity	137,767	137,767		
Emerging markets	42,178	42,178	-	-
Exchange traded fixed income mutual funds:				
Intermediate	15,217,005	15,217,005	-	-
Short term	3,556,912	3,556,912	-	-
High yield	1,540,173	1,540,173	-	-
Unsecured promissory notes issued by the Foundation	5,551,234	5,551,234	-	-
Corporate bonds	34,237	34,237	-	-
Municipal bond	5,000	5,000	-	-
Common stocks:				
Consumer goods	15,002	15,002	-	-
Utilities	4,650	4,650	-	-
Technology	28,283	28,283	-	-
Other commingled funds:				
Large cap U.S. equity	15,346,579		15,346,579	
Mid cap U.S. equity	2,475,253		2,475,253	
Small cap U.S. equity	3,712,882		3,712,882	
Domestic REITs	1,237,627			1,237,627
Domestic alternative	1,980,204			1,980,204
International equity	4,597,220		4,597,220	
Emerging markets	1,088,815			1,088,815
International REITs	362,938			362,938
	$ 61,194,194	$ 30,392,676	$ 26,131,934	$ 4,669,584

3. Investment Assets – Continued

The total amount of unsecured promissory notes payable issued by the Foundation and included in the above investment categories was $6,342,477, $4,930,900 and $6,671,234 at December 31, 2013, 2012 and 2011, 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, 2013, interest rates ranged from 4.10% to 5.95% depending on the loan.

Major classifications of loans are as follows at December 31:

	2013	2012	2011
Term loans	$ 24,688,507	$ 23,260,770	$ 20,330,596
Construction period loans	281,720	1,180,557	627,435
	24,970,227	24,441,327	20,958,031
Less: Allowance for loan losses	(236,000)	(209,000)	(175,000)
Loans, net	$ 24,734,227	$ 24,232,327	$ 20,783,031

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, 2013, 2012 and 2011, 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:

	2013	2012	2011
Beginning balance	$ 209,000	$ 175,000	$ 122,000
Additional provision	27,000	34,000	53,000
Ending balance	$ 236,000	$ 209,000	$ 175,000

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:

	2013	2012	2011
Computers and equipment	$ 36,457	$ 36,987	$ 36,190
Software	9,419	9,419	9,419
Furniture and fixtures	34,460	34,460	34,460
	80,336	80,866	80,069
Less: accumulated depreciation	(71,681)	(66,156)	(63,667)
Property and equipment, net	$ 8,655	$ 14,710	$ 16,402

Depreciation expense for the years ended December 31, 2013, 2012, and 2011 was $8,111, $10,080, and $11,205, respectively.

9. Unsecured Promissory Notes Payable

The Foundation issues unsecured promissory notes payable in the form of Term Certificates to fund its lending program. Previously, these certificates were registered with the Securities Commissioner of the State of Georgia pursuant to Section 10-5-22 of the Georgia Securities Act of 2008, as amended. 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.

On July 1, 2009, Georgia Securities Code Section 10-5-10(7), Exemptions From Registrations, became effective. 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. In February 2014, the Offering was amended to add an additional $10 million unregistered, unsecured promissory notes through August 1, 2014.

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

	2013	2012	2011
One year term certificates	$ 2,694,150	$ 6,028,560	$ 2,071,317
Two year term certificates	3,308,848	1,561,323	2,336,686
Three year term certificates	7,490,780	7,048,598	11,260,557
Four year term certificates	17,941,022	12,755,769	11,219,635
	$ 31,434,800	$ 27,394,250	$ 26,888,195

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 1.2% to 3.75% during 2013 depending upon the term of the certificate and the amount deposited.

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

2014	$ 13,104,308
2015	5,634,528
2016	6,756,503
2017	5,939,461
	$ 31,434,800

10. Line of Credit

The Foundation has a $750,000 unsecured line of credit with SunTrust Bank, to be drawn upon as needed. The interest rate on advances is Libor plus 2.50%. No balance was outstanding at December 31, 2013, 2012 and 2011. The line of credit matured on January 19, 2014, but was renewed and the maturity date was extended to September 5, 2014.

11. Temporarily Restricted Net Assets

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

	2013	2012	2011
Donor advised funds	$ 1,562,901	$ 1,390,650	$ 1,403,744
Split interest agreements	403,476	104,944	117,214
Program restriction-missions	1,372	1,372	1,368
Total temporarily restricted net assets	$ 1,967,749	$ 1,496,966	$ 1,522,326

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:

	2013	2012	2011
Program restrictions:			
Program restriction-missions	$ -	$ 3,500	$ 1,898
Other restrictions:			
Donor advised funds	36,978	133,113	170,347
Real estate	-	-	225,000
Total net assets released from restriction	$ 36,978	$ 136,613	$ 397,245

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, 2013, 2012 and 2011, the accumulated earnings for the board designated endowment funds were classified as unrestricted net assets.

14. Endowed Net Assets – Continued

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, 2013, 2012 and 2011.

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, 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

14. Endowed Net Assets – Continued

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

14. Endowed Net Assets – Continued

Endowment net assets by type of fund and related changes consisted of the following as of December 31, 2011:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 5,839,206	$ 133,163	$ 5,972,369
Investment return:			
Investment income	57,909	-	57,909
Net depreciation (realized and unrealized)	(73,448)	-	(73,448)
	(15,539)	-	(15,539)
Contributions	51,782	-	51,782
Assets appropriated for expenditure	(348,115)	-	(348,115)
Endowment net assets, end of year	$ 5,527,334	$ 133,163	$ 5,660,497

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 $63,321, $61,750 and $56,983 for the years ending December 31, 2013, 2012 and 2011, 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 $53,923, $53,530 and $56,595 for the years ended December 31, 2013, 2012 and 2011, respectively.

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

2014	$	55,487
2015		42,514
	$	98,001

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 $77,444,371, $64,916,407 and $61,194,194 at December 31, 2013, 2012 and 2011, respectively. The Foundation's entire mortgage loan program ($24,734,227, $24,232,327 and $20,783,031 receivable at December 31, 2013, 2012 and 2011, respectively) and the development fund certificate program ($31,434,800, $27,394,250 and $26,888,195 liability at December 31, 2013, 2012 and 2011, respectively) are made up of related churches, Conference-related Foundations, and individuals.

17. Related Party Transactions – Continued

- Several members of the Board of Trustees belong to Churches and Conference-related entities that have loans with the Foundation.

- Several members of the Board of Trustees have invested personally in the private placement certificates of deposit totaling $546,011, $561,231 and $506,397 at December 31, 2013, 2012, and 2011, respectively.

- Several members of the Board of Trustees have contributed to donor advised funds with a market value of $1,252,690, $1,201,577 and $1,217,457 at December 31, 2013, 2012 and 2011, respectively.

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

- A member of the Board of Trustees has established an endowment managed by the Foundation with a total market value of $172,242, $144,493 and $129,699 at December 31, 2013, 2012 and 2011, respectively.

- Several Board Members have gift annuities managed by the Foundation with a total discounted annuity payable of $72,684, $76,156 and $88,107 at December 31, 2013, 2012 and 2011, respectively.

- Several Board Members have unitrusts managed by the Foundation with a total market value of $229,698, $208,628 and $203,324 at December 31, 2013, 2012 and 2011, respectively.

- Several employees have invested personally in the private placement certificates of deposit totaling $41,177, $35,045 and $39,269 at December 31, 2013, 2012 and 2011, respectively.

- Several employees have contributed to donor advised funds with a market value of $14,004, $13,182 and $13,101 at December 31, 2013, 2012 and 2011, respectively.

- As reflected in Note 3, investments include unsecured promissory notes payable issued by the Foundation in the total amount of $6,342,477, $4,930,900 and $6,671,234 at December 31, 2013, 2012 and 2011. 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 that was paid $996,273 to reinsure the gift annuities at December 31, 2012.

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

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, 2013, 20112 and 2011, the market value of all of these accounts totaled $77,444,371, $64,916,407 and $61,194,194, 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 $11,529,651, $6,443,161 and $4,594,828 at December 31, 2013, 2012 and 2011.

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.

20. Subsequent Event

In February 2014, the $8 million Offering Memorandum was amended to add an additional $10 million unregistered, unsecured promissory notes through August 1, 2014.