

**GENERAL BOARD OF GLOBAL MINISTRIES
OF THE UNITED METHODIST CHURCH, INC.
AND AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS

*As of and for the Years Ended December 31, 2018
and 2017*

And Report of Independent Auditor

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
TABLE OF CONTENTS**

REPORT OF INDEPENDENT AUDITOR 1

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position2
Consolidated Statements of Activities.....3-6
Consolidated Statements of Functional Expenses7-8
Consolidated Statements of Cash Flows9
Notes to the Consolidated Financial Statements 10-31

Report of Independent Auditor

The Board of Directors and Audit Committee of the
General Board of Global Ministries of
The United Methodist Church and Subsidiaries

The Committee on Audit and Review of the
General Council on Finance and Administration of
The United Methodist Church

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of General Board of Global Ministries of The United Methodist Church, Inc. and affiliate (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of General Board of Global Ministries of The United Methodist Church, Inc. and affiliate as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Atlanta, Georgia
June 25, 2019

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 12,311,209	\$ 12,367,110
Accrued World Service Fund allocation	7,886,574	7,717,730
Due from General Council on Finance and Administration	14,984,745	16,215,235
Due from related entities	1,279,461	1,261,189
Accounts receivable	2,608,104	2,155,395
Prepaid expenses and other assets	320,742	405,982
Investments	171,383,754	189,344,441
Revolving loan fund held by United Methodist Development Fund	19,934,781	20,018,853
Buildings and equipment, net	20,576,556	18,402,687
Prepaid Collins Health Plan for Missionaries asset	15,339,639	13,974,750
Beneficial interest in Collins Forests and Collins Trust	29,664,000	27,690,000
Perpetual trusts held by others	26,311,382	28,635,055
Total Assets	\$ 322,600,947	\$ 338,188,427
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable, accrued expenses, and other liabilities	\$ 13,089,992	\$ 20,510,191
Grants and projects payable	2,256,923	2,215,479
Due to related entities	105,136	38,704
Annuities payable	281,348	298,669
Collins Pension Plan liability	57,846,155	63,745,524
Funds held for others	27,918,182	29,890,929
Total Liabilities	101,497,736	116,699,496
Net Assets:		
Without Donor Restrictions:		
Invested in buildings and equipment	20,576,556	18,402,687
Designated for programs	16,187,029	17,643,984
Designated for missionaries retirement including pension and health benefit costs	11,865,990	8,934,426
General operating fund	17,526,519	12,859,086
Total without Donor Restrictions	66,156,094	57,840,183
With Donor Restrictions:		
Subject to purpose restrictions	14,615,548	13,843,740
Endowments and other perpetual gifts	140,331,569	149,805,008
Total with Donor Restrictions	154,947,117	163,648,748
Total Net Assets	221,103,211	221,488,931
Total Liabilities and Net Assets	\$ 322,600,947	\$ 338,188,427

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

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues:			
Allocation from World Service Fund	\$ 25,575,565	\$ 1,874,001	\$ 27,449,566
Special Sunday Offerings	-	812,770	812,770
Advance Special Gifts:			
Support for persons in mission	-	3,849,338	3,849,338
Other	1,415,916	2,583,759	3,999,675
Shared cost reimbursements	7,524,373	-	7,524,373
Benefit Trust distribution	1,534,822	-	1,534,822
Bequests	792,090	1,831	793,921
Grants and other contributions	204,059	116,451	320,510
Interest income on cash equivalents, mortgage loans, and perpetual trusts	835,464	109,025	944,489
Collins Forests and Collins Trust income distribution	7,793,041	-	7,793,041
Missionary salary reimbursements	1,750,075	-	1,750,075
Other	1,043,758	-	1,043,758
Total	<u>48,469,163</u>	<u>9,347,175</u>	<u>57,816,338</u>
Net assets released from restrictions	<u>12,628,296</u>	<u>(12,628,296)</u>	<u>-</u>
Total Operating Revenues	<u>61,097,459</u>	<u>(3,281,121)</u>	<u>57,816,338</u>

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)**

YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Expenses:			
Program Services:			
Global Mission Connections	\$ 8,110,883	\$ -	\$ 8,110,883
Missionary Services	23,083,971	-	23,083,971
Board-wide programs	4,261,305	-	4,261,305
Distribution of designated funds and gifts	6,016,465	-	6,016,465
Total Program Services	<u>41,472,624</u>	<u>-</u>	<u>41,472,624</u>
Supporting Services:			
Management and general	11,741,476		11,741,476
Fundraising	2,139,817		2,139,817
Total Supporting Services	<u>13,881,293</u>	<u>-</u>	<u>13,881,293</u>
Total Expenses	<u>55,353,917</u>	<u>-</u>	<u>55,353,917</u>
Change in net assets from operating activities	<u>5,743,542</u>	<u>(3,281,121)</u>	<u>2,462,421</u>
Nonoperating Activities:			
Investment return, net	(4,691,886)	(5,329,360)	(10,021,246)
Net depreciation in fair value of perpetual trusts	-	(2,323,673)	(2,323,673)
Net appreciation in beneficial interest in Collins Forests and Collins Trust	-	1,974,000	1,974,000
Net change in benefit obligations of the Collins Pension and Health Benefits Plans	7,264,255	-	7,264,255
Net depreciation in revolving loan fund held by United Methodist Development Fund	-	(84,072)	(84,072)
Endowment contributions	-	342,595	342,595
Change in net assets from nonoperating activities	<u>2,572,369</u>	<u>(5,420,510)</u>	<u>(2,848,141)</u>
Change in net assets	8,315,911	(8,701,631)	(385,720)
Net assets, beginning of year	<u>57,840,183</u>	<u>163,648,748</u>	<u>221,488,931</u>
Net assets, end of year	<u>\$ 66,156,094</u>	<u>\$ 154,947,117</u>	<u>\$ 221,103,211</u>

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenues:			
Allocation from World Service Fund	\$ 25,403,965	\$ 1,861,427	\$ 27,265,392
Special Sunday Offerings	-	875,407	875,407
Advance Special Gifts:			
Support for persons in mission	-	3,577,855	3,577,855
Other	1,014,913	2,767,327	3,782,240
Shared cost reimbursements	5,254,326	-	5,254,326
United Methodist Committee on			
Relief contribution	828,219	-	828,219
Benefit Trust distribution	1,545,078	-	1,545,078
Bequests	292,930	1,463	294,393
Grants and other contributions	291,287	301,334	592,621
Interest income on cash equivalents, mortgage loans, and perpetual trusts	556,091	245,528	801,619
Collins Forests and Collins Trust income distribution	5,617,080	-	5,617,080
Missionary salary reimbursements	1,671,850	-	1,671,850
Other	1,507,340	-	1,507,340
Total	<u>43,983,079</u>	<u>9,630,341</u>	<u>53,613,420</u>
Net assets released from restrictions	<u>11,659,871</u>	<u>(11,659,871)</u>	<u>-</u>
Total Operating Revenues	<u>55,642,950</u>	<u>(2,029,530)</u>	<u>53,613,420</u>

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)**

YEAR ENDED DECEMBER 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Expenses:			
Program Services:			
Global Mission Connections	\$ 7,800,165	\$ -	\$ 7,800,165
Missionary Services	23,847,143	-	23,847,143
Board-wide programs	4,033,030	-	4,033,030
Distribution of designated funds and gifts	6,611,890	-	6,611,890
Total Program Services	<u>42,292,228</u>	<u>-</u>	<u>42,292,228</u>
Supporting Services:			
Management and general	12,045,839	-	12,045,839
Fundraising	2,175,608	-	2,175,608
Total Supporting Services	<u>14,221,447</u>	<u>-</u>	<u>14,221,447</u>
Total Expenses	<u>56,513,675</u>	<u>-</u>	<u>56,513,675</u>
Change in net assets from operating activities	<u>(870,725)</u>	<u>(2,029,530)</u>	<u>(2,900,255)</u>
Nonoperating Activities:			
Investment return, net	13,460,489	12,733,124	26,193,613
Net appreciation in fair value of perpetual trusts	-	2,671,988	2,671,988
Net depreciation in beneficial interest in Collins Forests and Collins Trust	-	(1,524,000)	(1,524,000)
Net change in benefit obligations of the Collins Pension and Health Benefits Plans	10,237,944	-	10,237,944
Endowment contributions	-	13,033,239	13,033,239
Change in net assets from nonoperating activities	<u>23,698,433</u>	<u>26,914,351</u>	<u>50,612,784</u>
Change in net assets	22,827,708	24,884,821	47,712,529
Net assets, beginning of year	<u>35,012,475</u>	<u>138,763,927</u>	<u>173,776,402</u>
Net assets, end of year	<u>\$ 57,840,183</u>	<u>\$ 163,648,748</u>	<u>\$ 221,488,931</u>

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services				Total
	Global Mission Connections	Missionary Services	Board-Wide Programs	Distribution of Designated Funds and Gifts	Total Program Services	Management and General	Fundraising	Total Supporting	
Direct support to persons in mission	\$ -	\$ 20,829,635	\$ -	\$ 16,744	\$ 20,846,379	\$ -	\$ -	\$ -	\$ 20,846,379
Salaries and benefits	2,973,838	1,610,190	2,865,852	32,808	7,482,688	5,496,402	965,125	6,461,527	13,944,215
Contributions and grants to others	2,968,898	100,000	-	3,034,509	6,103,407	-	-	-	6,103,407
Program development support	1,289,051	275,465	414,045	2,716,056	4,694,617	378,387	17,827	396,214	5,090,831
Professional fees	129,868	110,653	382,677	22,706	645,904	2,027,689	275,792	2,303,481	2,949,385
Travel and meetings	470,607	101,106	200,078	-	771,791	438,714	96,399	535,113	1,306,904
Depreciation and amortization	-	-	-	-	-	916,565	-	916,565	916,565
Promotional and information material	10,407	4,264	242,385	4,339	261,395	22,526	614,370	636,896	898,291
Insurance and taxes	-	-	-	30,939	30,939	765,850	-	765,850	796,789
Rent and building repairs	32,618	-	-	-	32,618	710,933	-	710,933	743,551
IT and infrastructure	1,579	1,872	6,276	88,134	97,861	536,526	143,682	680,208	778,069
Printing and office	25,607	6,341	41,528	-	73,476	69,038	9,151	78,189	151,665
Equipment leasing, repairs, and maintenance	17,489	20,468	26,913	-	64,870	82,162	-	82,162	147,032
Telephone and web service	11,625	3,288	7,936	-	22,849	13,420	8,315	21,735	44,584
Postage, shipping, and freight	18,084	15,155	48,019	-	81,258	46,488	6,671	53,159	134,417
Miscellaneous	161,212	5,534	25,596	70,230	262,572	236,776	2,485	239,261	501,833
Total Expenses	\$ 8,110,883	\$ 23,083,971	\$ 4,261,305	\$ 6,016,465	\$ 41,472,624	\$ 11,741,476	\$ 2,139,817	\$ 13,881,293	\$ 55,353,917

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

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2017

	Program Services				Supporting Services				Total
	Global Mission Connections	Missionary Services	Board-Wide Programs	Distribution of Designated Funds and Gifts	Total Program Services	Management and General	Fundraising	Total Supporting	
Direct support to persons in mission	\$ -	\$ 21,603,149	\$ -	\$ 4,196	\$ 21,607,345	\$ -	\$ -	\$ -	\$ 21,607,345
Salaries and benefits	2,598,866	1,661,835	2,492,684	1,085,832	7,839,217	6,506,403	790,193	7,296,596	15,135,813
Contributions and grants to others	3,388,508	100,000	36,000	3,402,265	6,926,773	-	-	-	6,926,773
Program development support	1,003,703	187,804	616,652	1,950,810	3,758,969	436,723	250,000	686,723	4,445,692
Professional fees	86,508	149,471	284,637	-	520,616	1,439,035	275,415	1,714,450	2,235,066
Travel and meetings	430,085	81,731	199,960	6,224	718,000	382,258	26,350	408,608	1,126,608
Depreciation and amortization	-	-	-	-	-	980,173	31,061	1,011,234	1,011,234
Promotional and information material	10,469	14,926	119,104	2,630	147,129	1,287	611,301	612,588	759,717
Insurance and taxes	-	-	1,524	20,968	22,492	638,130	66,170	704,300	726,792
Rent and building repairs	39,261	-	95,488	-	134,749	588,968	-	588,968	723,717
IT and infrastructure	-	-	6,080	-	6,080	615,453	27,430	642,883	648,963
Printing and office	27,889	7,310	27,804	100,933	163,936	106,239	26,109	132,348	296,284
Equipment leasing, repairs, and maintenance	14,401	12,668	29,874	-	56,943	95,149	38,734	133,883	190,826
Telephone and web service	17,500	3,733	16,596	38,032	75,861	38,026	10,949	48,975	124,836
Postage, shipping, and freight	17,250	12,747	41,907	-	71,904	26,288	16,201	42,489	114,393
Miscellaneous	165,725	11,769	64,720	-	242,214	191,707	5,695	197,402	439,616
Total Expenses	\$ 7,800,165	\$ 23,847,143	\$ 4,033,030	\$ 6,611,890	\$ 42,292,228	\$ 12,045,839	\$ 2,175,608	\$ 14,221,447	\$ 56,513,675

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

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (385,720)	\$ 47,712,529
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	916,565	1,011,234
Loss on disposal on property and equipment	21,308	-
(Increase) decrease in fair value of beneficial interest in Collins Forests and Collins Trust	(1,974,000)	1,524,000
Net depreciation (appreciation) in fair value of investments	10,021,246	(26,193,613)
Net depreciation in revolving loan fund	84,072	-
Net depreciation (appreciation) in fair value of perpetual trusts	2,291,529	(2,639,846)
Decrease (increase) in perpetual trusts held by others	32,144	(32,142)
Contributions and investment return restricted for long-term investment	(342,595)	(13,033,239)
Actuarial loss on annuity obligations	43,621	75,783
Changes in operating assets and liabilities:		
Due from related entities	(18,272)	(603,638)
Receivables	608,937	(8,912,918)
Prepaid expenses and other assets	85,240	62,299
Prepaid Collins Health Plan for Missionaries pension asset	(1,364,889)	(6,948,044)
Accounts payable, accrued expenses, and other liabilities	(7,420,199)	8,161,667
Grants and projects payable	41,444	(382,206)
Due to related entities	66,432	(404,304)
Collins Pension Plan liability	(5,899,369)	(3,289,900)
Funds held for others	(210,557)	(356,825)
Net cash flows from operating activities	<u>(3,403,063)</u>	<u>(4,249,163)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	22,898,169	25,669,270
Purchases of investments	(16,720,918)	(30,860,238)
Purchases of buildings and equipment	(3,111,742)	(4,779,063)
Net cash flows from investing activities	<u>3,065,509</u>	<u>(9,970,031)</u>
Cash flows from financing activities:		
Payment of annuity obligations	(60,942)	(67,400)
Contributions and investment return restricted for long-term investment	342,595	13,033,239
Net cash flows from financing activities	<u>281,653</u>	<u>12,965,839</u>
Net change in cash and cash equivalents	(55,901)	(1,253,355)
Cash and cash equivalents, beginning of year	12,367,110	13,620,465
Cash and cash equivalents, end of year	<u>\$ 12,311,209</u>	<u>\$ 12,367,110</u>

GENERAL BOARD OF GLOBAL MINISTRIES OF THE UNITED METHODIST CHURCH, INC. AND AFFILIATE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 1—Nature of organization

During the year ended December 31, 2018, the General Board of Global Ministries of The United Methodist Church, a New York Not-For-Profit Corporation merged with Global Ministries Inc., a Georgia Nonprofit Corporation and changed its name to General Board of Global Ministries of The United Methodist Church, Inc., a Domestic Nonprofit Corporation in the State of Georgia. General Board of Global Ministries of The United Methodist Church, Inc. (“Global Ministries”) functions through its program units described as follows:

Global Mission Connections – The new Global Mission Connections Unit is responsible for the new regional offices, which includes work in the United States. They represent a vibrant new means for strengthening Global Ministries’ relevance to the church by providing new avenues for dialogue between Global Ministries and its partners around the world. The office in Buenos Aires, Argentina was established in summer 2016 and the Seoul Korea office was opened in 2017. Both are in partnership with the Upper Room of Discipleship Ministries.

The Global Mission Connections Unit is responsible for the supervision and relationships with the General Conference mandated plans assigned to Global Ministries: the National Plan for Hispanic/Latino Ministry (NPHLM), the Korean Ministry Plan (KMP), the Asian American Language Ministry (AALM), and the Plan for Pacific Islander Ministry (PPIM).

Missionary Services – The program develops mission programming around the following areas: mission volunteer opportunities for short-term assignments, including promoting and interpreting the need for volunteers with a variety of skills and abilities; and promoting opportunities for mission service related to Global Ministries throughout the constituencies of the Church, through the recruitment, selection, preparation, commissioning, and assignment of all categories of mission personnel, with necessary supervision and support of those persons in assignments in the widest variety of church and ecumenical partners in the United States and around the globe.

Board-Wide Programs – Board-wide programs offer each section of Global Ministries unique opportunities to provide global program support and resourcing in media production, financial development in support of missions, grants to emerging mission initiatives, releases to General Conference designated programs, and the monitoring and evaluation of our global program and mission initiatives.

Distribution of Designated Funds and Gifts – These are expenses associated with numerous projects funded through the Advance for Christ and His Church, as well as designated and temporarily restricted fund balance expenditures.

During the year ended December 31, 2014, Global Ministries formed GBGM Forests, LLC, with Global Ministries as the sole member. GBGM Forests, LLC was created for the sole purpose to take title to certain California real estate solely for the benefit of and to advance the exempt charitable and religious purposes of Global Ministries.

Consolidated Financial Statements – The consolidated financial statements include the accounts of Global Ministries and GBGM Forests, LLC (collectively referred to as, “Global Ministries”). All of the financial activities and balances of these organizations are included in the consolidated financial statements. All significant intercompany accounts and transactions are eliminated in consolidation.

Basis of Presentation – The consolidated financial statements of Global Ministries have been prepared on the accrual basis of accounting and are presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 2—Summary of significant accounting policies

Global Ministries considers the net change in fair value of financial instruments, fair value adjustments of certain alternative investment holdings, endowment contributions, perpetual trust contributions, change in fair value of investments, change in pension obligations, and gains or losses on sales of buildings and equipment to be nonoperating activities.

For reporting purposes, Global Ministries' consolidated financial statements have been prepared to focus on the organization as a whole. Resources are classified into two net asset categories based on the existence of absence of donor-imposed restrictions. Accordingly, the net assets of Global Ministries and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Global Ministries. These net assets may be used at the discretion of Global Ministries' management and the board of directors. Global Ministries has chosen to provide further classification information about net assets without donor restrictions on the consolidated statements of financial position. The sub-classifications are as follows:

Invested in Buildings and Equipment – Represents net assets invested in buildings and equipment, net of accumulated depreciation.

Board-Designated – Represents resources set aside by the board of directors to be used for specific activities within guidelines established by the board of directors.

General Operating Fund – Represents the cumulative net assets without donor restrictions excluding those net assets invested in buildings and equipment and designated for specific activities by the board of directors.

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Global Ministries or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by donors or State law.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, interest-bearing time deposits, demand deposits, and short-term investments with original maturities of three months or less that are readily convertible to known amounts of cash, except for short-term investments held by Global Ministries' investment managers as part of a long-term strategy. Global Ministries places its cash and cash equivalents with high credit quality financial institutions whose credit ratings are monitored by management to minimize credit risk. At times, Global Ministries may have cash and cash equivalents at financial institutions in excess of federally insured limits.

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 2—Summary of significant accounting policies (continued)

Investments – Investments are carried at fair value as follows:

Investments Valued at Quoted Market Prices – Investments in debt and equity securities with a readily determinable market value are reported at fair value with gains and losses included in the consolidated statements of activities based on quotations obtained from national securities exchanges.

Investments Valued at Net Asset Value per Share – Global Ministries has placed funds for investment with Wespath Benefits and Investments (“Wespath”) and The United Methodist Church Foundation (the “UMC Foundation”). Both Wespath and the UMC Foundation have established, for accounting purposes, an initial unit value for an accounting unit of the participants’ accounts based on the participants’ net assets divided by the unit value. At all times, the total value of the participants’ net assets, divided by the total of all participants’ units, will equal the unit value. The unit value of the net assets will be determined on each valuation date. On each business day, Wespath and the UMC Foundation calculate unit values.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated in the values of investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in Global Ministries’ consolidated financial statements.

Buildings and Equipment – Buildings and equipment are recorded at the cost of acquisition, if purchased, or at fair value at the date of gift. Buildings and building improvements are depreciated on a straight-line basis over their estimated useful lives ranging from 20 to 50 years. Equipment and furniture is depreciated on a straight-line basis over their estimated useful lives ranging from 5 to 10 years. Internally-developed software is amortized over 5 years.

Functional Expenses – The costs of providing programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among program services and supporting services. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort

Bequests and Other Contributions – Contributions, which include unconditional promises to give, are recognized as revenue when received. Bequest income is recorded when the will is declared valid. Contributions received on behalf of a specified unaffiliated beneficiary are recorded as a liability to the specified beneficiary concurrent with recognition of the assets received from the donor.

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 2—Summary of significant accounting policies (continued)

Perpetual Trusts Held by Others – Global Ministries is the beneficiary of perpetual irrevocable trusts held and administered by independent trustees. Under the terms of the trusts, Global Ministries has the irrevocable right to receive the income earned on the trust assets in perpetuity. The fair value of the beneficial interest in these trusts is recognized as an asset and as a contribution with donor restrictions at the date the trust is established. Global Ministries' estimate of fair value is based on fair value information received from the trustees. The trust assets consist of, but are not limited to, cash and cash equivalents, corporate and government bonds, mutual funds, and equity securities. These assets are not subject to the control or direction of Global Ministries. Net appreciation or depreciation in the fair value of these assets, which are not distributed by the trusts, are recorded in net assets with donor restrictions in the consolidated statements of activities.

Revenue Recognition – Revenue from exchange transactions, investment activities, and other non-contribution related revenue are recognized as earned. Contributions are recognized as revenue when received and are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Income Taxes – Global Ministries is covered under The General Council on Finance and Administration of The United Methodist Church (“GCFA”) group determination letter from the Internal Revenue Service indicating that it is a nonprofit corporation and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Global Ministries had no unrelated business income during the years ended December 31, 2018 and 2017.

Global Ministries accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for Global Ministries include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, Global Ministries has determined that such tax positions do not result in an uncertainty requiring recognition.

Financial Instruments – Assets recorded at fair value in the consolidated statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures*, are as follows:

Level 1 – Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect Global Ministries' best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 2—Summary of significant accounting policies (continued)

Use of Estimates – The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts that are reported in the consolidated financial statements and accompanying disclosures. The more significant areas include valuation of financial instruments, actuarial computations regarding various benefit obligations, and the valuation of the Collins Forests and Collins Trust. Actual results could differ from those estimates.

New Accounting Pronouncement – In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 will eliminate transaction and industry-specific revenue recognition guidance under current GAAP and replace it with a principle-based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. The ASU also will require additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for the year ending December 31, 2019. Early application is not permitted. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. Management is currently evaluating the impact of this standard on Global Ministries’ consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in ASU 2018-08 provide guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction, determining whether a contribution is conditional, and modifies the simultaneous release option currently in GAAP, which allows a not-for-profit organization to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. This election may now be made for all restricted contributions that were initially classified as conditional without having to elect it for all other restricted contributions and investment returns. ASU 2018-08 is effective for the year ending December 31, 2019. Management is currently evaluating the impact of this standard on Global Ministries’ consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classifications affecting the pattern of expense recognition in the consolidated statements of activities. ASU 2016-02 is effective for the year ending December 31, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. Management is currently evaluating the impact of this standard on Global Ministries’ consolidated financial statements.

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 3—Liquidity and availability of resources

The table below represents financial assets available for general expenditures within one year at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 12,311,209	\$ 12,367,110
Accrued World Service Fund allocation	7,886,574	7,717,730
Due from General Council on Finance and Administration	14,984,745	16,215,235
Due from related entities	1,279,461	1,261,189
Accounts receivable	2,608,104	2,155,395
Investments	<u>171,383,754</u>	<u>189,344,441</u>
Total financial assets	<u>210,453,847</u>	<u>229,061,100</u>
Less amounts not available to be used for general expenditures within one year:		
Funds held for others	27,918,182	29,890,929
Subject to donor purpose restrictions	14,615,548	13,843,740
Board-designated funds	28,053,019	26,578,410
Endowments	<u>64,421,406</u>	<u>73,461,100</u>
Financial assets not available to be used within one year	<u>135,008,155</u>	<u>143,774,179</u>
Financial assets available to meet general expenditures within one year	<u>\$ 75,445,692</u>	<u>\$ 85,286,921</u>

Global Ministries is substantially supported by restricted and unrestricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, Global Ministries must maintain sufficient resources to meet those responsibilities to its donors. All endowments are donor-restricted endowments. Income from donor-restricted endowments that is restricted for specific purposes or for time is not available for general expenditure. Global Ministries also has net assets that are designated for program services, and missionaries' retirement pension and benefit plan costs. In addition, at December 31, 2018 and 2017, Global Ministries had a net actuarially determined liability of \$42,506,519 and \$49,770,774, respectively, representing its obligation to provide pension and postretirement benefits to missionaries under the Collins Pension Plan and Collins Health Plans for Missionaries. As part of Global Ministries' liquidity management plan, it structures its financial assets to be available as its obligations come due.

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 4—Investments

At December 31, 2018 and 2017, the cost and fair value of investments, including investments held for others, are as follows:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Multiple Asset Fund - Wespath	\$ 155,459,292	\$ 119,488,006	\$ 171,944,448	\$ 120,788,731
UMC Foundation	2,640,167	2,695,717	2,650,209	2,644,526
Texas Methodist Foundation	12,642,984	12,500,000	14,046,194	12,500,000
Short-term securities	264,946	264,927	273,414	273,414
U.S. government securities	70,705	71,680	71,607	73,258
Bond mutual funds	283,942	283,942	335,659	335,659
Equities	21,718	34,386	22,910	34,385
Total	<u>\$ 171,383,754</u>	<u>\$ 135,338,658</u>	<u>\$ 189,344,441</u>	<u>\$ 136,649,973</u>

Investment return for the years ended December 31, 2018 and 2017, excluding investment returns on investments held for others, consisted of the following:

	2018	2017
Interest and dividends	\$ 79,177	\$ 48,170
Realized gains on investments, net	4,859,511	4,631,253
Unrealized gains on investments, net	(14,896,056)	21,579,277
Subtotal	(9,957,368)	26,258,700
Less investment management expenses	(63,878)	(65,087)
Investment return, net	<u>\$ (10,021,246)</u>	<u>\$ 26,193,613</u>

Note 5—Investments in Texas Methodist Foundation

During 2016, the board of directors of The United Methodist Development Fund (“UMDF”), Global Ministries, and the Texas Methodist Foundation (“TMF”) unanimously agreed to enter into an agreement providing for the transfer of operations and governance of UMDF from Global Ministries to TMF. Following a due diligence and transition period from approximately April 1, 2016 through December 31, 2016 (known as “Period 1”), Global Ministries and UMDF appointed TMF to be its sole and exclusive agent to manage and administer all operations of UMDF. TMF began this role effective January 1, 2017 (known as “Period 2”). The agreement further stipulated that Period 2 would end no later than July 1, 2020 when TMF will assume the governance of UMDF and determine its corporate structure (known as “Period 3”).

At the commencement of Period 2, all parties also simultaneously entered into the GBGM permanent endowment agreement in which UMDF established an endowment fund for the benefit of Global Ministries and appointed TMF as the fiduciary of the endowment fund. Upon execution of the agreement, UMDF transferred \$12,500,000 to TMF. The endowment agreement also stipulated that on or before Period 3, as a condition of TMF’s assumption of the governance of UMDF, that UMDF would transfer an additional \$12,500,000 to TMF for the above-mentioned endowment to benefit Global Ministries.

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 5—Investments in Texas Methodist Foundation (continued)

The stream of income provided to Global Ministries by the new endowment is in lieu of the annual distributions previously received by Global Ministries from UMDF. The past distributions were calculated based on the change in UMDF's net assets.

On November 19, 2017, the board of directors of UMDF, on the recommendation of the Global Ministries cabinet, advanced the end of the Period 2 date from July 1, 2020 to January 1, 2019. For Period 3 to be made effective, the board of directors of Global Ministries will be required to approve revised Bylaws of UMDF. Upon such approval, the additional \$12,500,000 funding will be transferred to TMF for the above-mentioned endowment to benefit Global Ministries. The transfer of the additional \$12,500,000 occurred on January 2, 2019.

Note 6—Buildings and equipment

Buildings and equipment consist of the following at December 31:

	2018	2017
Buildings, building improvements, and land	19,169,750	\$ 16,412,267
Equipment	2,063,797	1,884,278
Internally-developed software	2,468,395	2,357,578
	<u>23,701,942</u>	<u>20,654,123</u>
Less accumulated depreciation and amortization	<u>(3,125,386)</u>	<u>(2,251,436)</u>
Buildings and equipment, net	<u>\$ 20,576,556</u>	<u>\$ 18,402,687</u>

Depreciation and amortization expense totaled \$916,565 and \$1,011,234 for the years ended December 31, 2018 and 2017, respectively.

Note 7—Beneficial interest in Collins Forests and Collins Trust

Global Ministries owns a beneficial interest in two timberlands in the Collins Forests, which are working forests of old growth timber in California ("Collins Forests"). Global Ministries also owns a beneficial interest in a Collins Trust, which owns a timberland in Pennsylvania (the "Pennsylvania Forest"). Global Ministries receives annual income from its interest in the Collins Forests into perpetuity and has an irrevocable right to a percentage of the annual income from the trust, which holds the Pennsylvania Forest. Global Ministries reports both its beneficial interest in the Collins Forests and the Pennsylvania Forest as net assets with donor restrictions due to their perpetual nature.

Distributions from the Collins Forests and the Pennsylvania Forest are free of purpose or time restrictions and are reported as net assets without donor restrictions. The Board of Directors of Global Ministries have designated that distributions from the Collins Forests and the Pennsylvania Forest will be used to satisfy the actuarially determined funding requirements for the Collins Pension Plan, to fund contributions to the defined contribution plan for active missionaries and to fund contributions to the Collins Health Benefits Plan for postretirement benefits.

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 7—Beneficial interest in Collins Forests and Collins Trust (continued)

The total recorded value of the Collins Forests and the Pennsylvania Forest was \$29,664,000 and \$27,690,000 as of December 31, 2018 and 2017, respectively, which represents the discounted present value of the estimated future cash flows (over 30 years) from the Collins Forests and the Pennsylvania Forest as computed by management of these forests. A discount rate of 9.5% and 8.5% for 2018 and 2017, respectively, which represents the 30-year Treasury yield curve rate on the valuation date, adjusted for credit risk of 6.48% and 5.76% in 2018 and 2017, respectively, and an inflation rate of 2.44% and 2.13% in 2018 and 2017, respectively, was used in determining the present value.

In 2014, Global Ministries formed GBGM Forests and transferred its beneficial interest and related assets in the Collins Forests to GBGM Forests on May 31, 2015.

During the years ended December 31, 2018 and 2017, there was net appreciation and depreciation in the fair value of the beneficial interest in the Collins Forests and Pennsylvania Forest of \$1,974,000 and \$1,524,000, respectively.

Note 8—Related parties

Funding for Global Ministries' operations is principally received from other units of The United Methodist Church (the "Church"). Amounts received from the General Funds of the Church are allocated to Global Ministries based on a four-year budget developed from projections of expected program costs. The main allocation received by Global Ministries is through the World Service Fund. The World Service Fund provides the basic financial resources for the Church. The amount of the annual World Service budget, the method by which it shall be apportioned to the annual conferences, and the plan of distribution of World Service receipts among the World Service agencies are approved at each quadrennial session of the General Conference. The Advance for Christ and His Church is an official program of the Church through which support may be designated for projects approved by the Advance Committee of Global Ministries ("Advance Committee"). An Advance Special Gift is a contribution made by an individual, local church, organization, district, or conference to a project authorized by the Advance Committee. Advance Special Gifts and World Service Offerings are passed to Global Ministries through GCFA from the General Funds of the Church.

Global Ministries receives reimbursement of shared costs from United Methodist Women ("UMW"), United Methodist Committee on Relief ("UMCOR"), and UMDF, for support of certain programs and administrative and management services. During the years ended December 31, 2018 and 2017, Global Ministries received reimbursements of \$0 and \$13,750, respectively, from UMW. During the years ended December 31, 2018 and 2017, Global Ministries received \$7,524,373 and \$5,137,438 in reimbursements, respectively, from UMCOR. During the years ended December 31, 2018 and 2017, Global Ministries received reimbursements of \$-0- and \$103,138, respectively, from UMDF. During 2018 and 2017, UMCOR contributed \$351,389 and \$828,219, respectively, to Global Ministries towards the construction and rehabilitation costs of its headquarters in Atlanta, Georgia. The amounts above are included in shared cost reimbursements on the consolidated statements of activities.

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 8—Related parties (continued)

During 2018 and 2017, Global Ministries managed assets of \$1,511,228 and \$1,722,159, respectively, relating to UMCOR's endowment funds. The related balances are included in investments and funds held for others on the consolidated statements of financial position.

During 2012, Global Ministries transferred \$17,150,000 of its loan funds, which were restricted by donors to be held into perpetuity, to UMDF for the purpose of making missional loans. As of December 31, 2018, UMDF held \$19,934,781 of loan funds on behalf of Global Ministries, which represents \$1,882,357 of outstanding mortgage loans, valued at cost, and \$18,052,424 of available loan funds, valued at net asset value per share. As of December 31, 2017, UMDF held \$20,018,853 of loan funds on behalf of Global Ministries, which represents \$1,553,233 of outstanding mortgage loans, valued at cost, and \$18,465,620 of available loan funds, valued at net asset value per share.

Amounts received from other United Methodist churches and agencies accounted for approximately 48% and 64% of Global Ministries' total operating revenue in 2018 and 2017, respectively. Global Ministries' continued existence at the present level is dependent upon the Church's future financial support. The Church's financial support of Global Ministries is dependent upon contributions from its congregations (i.e. congregational participation in the appointment covenant).

Note 9—Employee benefits

Retirement Benefits – Full-time laypersons and clergy employed by Global Ministries participate in the Retirement Plan for General Agencies (RPGA). This defined contribution plan is administered by Wespath.

Global Ministries makes semi-monthly contributions to each eligible employee's account held by Wespath based on 8% of annual employee compensation. Additionally, Global Ministries matches up to 2% of each employee's compensation to their United Methodist Personal Investment Plan (UMPIP). Total contributions made by Global Ministries for both components during 2018 and 2017 totaled \$1,547,740 and \$1,471,554, respectively.

Collins Pension Plan – The missionaries employed by Global Ministries are covered by the Collins Pension Plan (the "Plan") for Missionaries, a defined benefit plan. Benefits under the Plan are based on the missionaries' years of service. The annual benefit level (per year of pension credit service) was \$579.64 for 2018 and \$568.27 for 2017.

Each missionary contributes \$3.50 per month through a payroll deduction into the Plan. Global Ministries contributes such amounts as are necessary on an actuarial basis to provide the Plan with sufficient assets to meet the Plan's benefit obligation.

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 9—Employee benefits (continued)

The following sets forth financial information about the Plan as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Benefit obligation at December 31	\$ (125,857,408)	\$ (142,051,463)
Fair value of plan assets at December 31	68,011,253	78,305,939
Unfunded obligation	<u>\$ (57,846,155)</u>	<u>\$ (63,745,524)</u>
Benefit obligation weighted average assumptions:		
Discount rate	4.30%	3.70%
Expected return on plan assets	7.00%	7.00%
Benefit cost weighted average assumptions:		
Discount rate	4.30%	3.70%
Expected return on plan assets	7.00%	7.00%
Benefit cost **	\$ 1,130,230	\$ 143,732
Benefits paid	9,983,528	10,169,890
Employer contributions	4,200,000	4,417,414

** Estimate

The following table presents the fair value of the Plan's assets at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Cash	\$ 204,927	\$ 196,909
Multiple Asset Fund - Wespath	67,806,326	78,109,030
Total plan assets	<u>\$ 68,011,253</u>	<u>\$ 78,305,939</u>

The Plan's investments measured at fair value using net asset value per share and is not classified in the fair value hierarchy. The Wespath Multiple Asset Fund's investment objective is to attain current income and capital appreciation by investing in a broad mix of different types of investments.

The Plan's assets are maintained in the Collins Pension Plan for Missionaries Trust (the "Trust") administered by Global Ministries.

Based on historically indexed data, the assumed long-term rates of return for 2018 are: equities 8.0%, fixed income 6.0%, which produces an expected composite rate of return of 7.0%.

Global Ministries has an Investment Committee comprised of the board of directors, executive management, and external consultants with financial and investment expertise. The Investment Committee meets on a quarterly basis to review investment performance and asset allocation. Managers are evaluated against prevalent market indices and changes are made when deemed necessary.

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 9—Employee benefits (continued)

Estimated future Plan benefit payments reflecting expected future service for the next five fiscal years and thereafter through 2027 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
December 31, 2019	\$ 10,037,483
December 31, 2020	9,746,916
December 31, 2021	9,440,951
December 31, 2022	9,146,589
December 31, 2023	8,812,097
Thereafter through 2028	39,440,921

A contribution will likely be made to the Plan for the year ending December 31, 2019. The exact amount will be determined at a later date.

Effective January 1, 2014 (the "Effective Date"), the Plan was amended and restated, at which time the Plan was partially frozen, discontinuing further credited service for certain existing participants and rendering new missionaries Ineligible for the Plan. All retired participants and their beneficiaries receiving benefits on the Effective Date will continue to receive the benefits they received previously, subject to any future adjustments called for by the Plan. All participants, terminated participants, and their beneficiaries not yet receiving benefits on the Effective Date, but entitled to receive benefits under the Plan, will receive such benefits when they are due under the terms of the Plan as amended and restated. Participants who are over age 50 and have over 15 years of credited service on the Effective Date will be entitled to continue to accrue credited service after the Effective Date in accordance with the terms of the Plan as restated; no other participants will be entitled to accrue credited service on or after the Effective Date, although they will be entitled to continue to accrue vesting service.

Note 10—Health, life, and other employee benefits

Global Ministries provides health, life, dental, and other employee benefits for its active employees and health, life, and dental benefits to retirees through a group plan, which qualifies for treatment as a multi-employer plan. Substantially all retired employees are eligible to participate in the plan if they have attained normal retirement age while in the employ of Global Ministries.

The General Agencies of The United Methodist Church Benefit Plan (the "Benefit Plan") provides medical, dental, life, and long- and short-term disability defined benefits to participants of the general agencies. The Benefit Plan's unfunded accumulated postretirement benefit obligation (APBO) was approximately \$94,500,000 and \$98,600,000 and the unfunded expected postretirement benefit obligation (EPBO) was approximately \$131,500,000 and \$148,700,000 as of December 31, 2018 and 2017, respectively.

All of Global Ministries' active employees are covered by the Benefit Plan. The cost of the benefits is recognized as expense as premiums are paid. The total cost of benefits for active employees was \$1,397,755 and \$1,246,468 in 2018 and 2017, respectively.

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 10—Health, life, and other employee benefits (continued)

Wespath transferred certain excess pension assets to the General Agency Benefit Trust (the “Benefit Trust”) established by the 1996 General Conference as of December 31, 1996. Annually, the Benefit Trust allows a stated percentage, 6% for 2018 and 2017, of the fair value of Benefit Trust assets at year-end to be available for distribution in the subsequent year in order to reimburse the participating agencies, through GCFA, for their funding of active and retiree health employee benefits. The fair value of the Benefit Trust’s assets (not plan assets) was approximately \$146,625,000 and \$165,800,000 as of December 31, 2018 and 2017, respectively. The total amount available for reimbursement in 2018 and 2017 was \$9,948,300 and \$8,957,614, respectively. Global Ministries’ share, net of retiree health benefits, was \$1,942,796 and \$1,960,129, respectively, of which \$407,974 and \$415,051 was allocated to UMCOR in 2018 and 2017, respectively.

Collins Health Plan for Missionaries – Global Ministries also sponsors the Collins Retiree Medical/Dental Reimbursement Plan (the “Collins Health Plan”), a noncontributory postretirement welfare plan, which covers all retired missionaries, with a minimum qualified missionary service requirement of 20 or more years (or 15 to 19 years if employed prior to January 1, 1997), for their respective lifetimes. Plan benefits include reimbursements for medical and dental care, medically related travel, Medicare premiums, and expenses for special medical care assistance. The level of benefits is based on the employees’ years of service: 50% reimbursement for retirees with 15 to 24 years and 75% for retirees with 25 years and over. Medicare premiums are reimbursed at 50% for retirees with 15 to 24 years and 75% for retirees with 25 years and over.

The following sets forth financial information about the Collins Health Plan as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Benefit obligation at December 31	\$ (17,826,801)	\$ (22,209,346)
Fair value of plan assets at December 31	<u>33,166,440</u>	<u>36,184,096</u>
Funded status	<u>\$ 15,339,639</u>	<u>\$ 13,974,750</u>
Benefit obligation weighted average assumptions:		
Discount rate	4.30%	3.70%
Expected return on plan assets	7.00%	7.00%
Benefit cost weighted average assumptions:		
Discount rate	4.30%	3.70%
Expected return on plan assets	7.00%	7.00%
Benefit cost	\$ (1,581,440)	\$ (1,209,765)
Benefits paid	1,209,959	1,527,119
Employer contributions	-	-

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 10—Health, life, and other employee benefits (continued)

For measurement purposes, the assumed annual rates of increase in the per capita costs were as follows in 2018:

- Medical and Drug: 6.7% in 2018, decreasing by .33% per year to ultimate rate of 5.0% in 2023 and all future years;
- Medicare Part B: 3.0% in 2018 and all future years;
- Dental: 1.0% in 2018 and all future years; and
- Nursing home care: 0% in 2018 and all future years

The following table presents the fair value of the Collins Health Plan’s assets at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,054,337	\$ 1,185,705
Multiple Asset Fund - Wespath	240,548	256,277
U.S. Equity Fund - Wespath	14,840,938	16,304,148
Fixed Income Fund - Wespath	12,011,809	12,656,035
International Equity Fund - Wespath	4,938,159	5,727,513
Receivables	97,490	54,418
Accrued expenses	(16,841)	-
Total plan assets	<u>\$ 33,166,440</u>	<u>\$ 36,184,096</u>

The Collins Health Plan’s investments are measured at fair value using net asset value per share and is not classified in the fair value hierarchy. The investment objectives of the Collins Health Plan’s investments held with Wespath are as follows:

- Multiple Asset Fund – To attain current income and capital appreciation by investing in a broad mix of different types of investments.
- U.S. Equity Fund – To obtain long-term capital appreciation by investing in a broadly diversified portfolio that includes equities of companies primarily domiciled in the U.S. and traded on a regulated U.S. stock exchange.
- Fixed Income Fund – To earn current income by primarily investing in a diversified mix of fixed income securities.
- International Equity Fund – To attain long-term capital appreciation from a diversified portfolio of primarily non-U.S. domiciled companies which are traded on a stock exchange, non-U.S. Equity index Futures and to a lesser extent non-U.S. Private Equity and Private Real Estate.

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 10—Health, life, and other employee benefits (continued)

The Collins Health Plan assets are maintained in the Collins Health Benefit Trust (the “Health Trust”) administered by Global Ministries. Global Ministries contributes such amounts as are necessary to provide the Plan with sufficient assets to meet the Collins Health Plan’s current benefit obligation. The following table presents information with respect to the Collins Health Plan assets:

<u>Asset Category</u>	<u>Target Asset</u>	<u>Actual Allocation at December 31,</u>	
	<u>Allocation</u>	<u>2018</u>	<u>2017</u>
Equities	65%	62%	64%
Fixed income	35%	38%	36%

Based on historically indexed data, the assumed long-term rates of return for 2018 are: equities 8.0%, fixed income 6.0%, which produces an expected composite rate of return of 7.0%.

Global Ministries has an Investment Committee comprised of the board of directors, executive management, and external consultants with financial and investment expertise. The Investment Committee meets on a quarterly basis to review investment performance and asset allocation. Managers are evaluated against prevalent market indices and changes are made when deemed necessary.

Estimated future Collins Health Plan benefit payments reflecting expected future service for the next five fiscal years and thereafter through 2027 are as follows:

<u>Fiscal Year</u>	<u>Benefits</u>	<u>Benefits Not</u>
	<u>Reflecting</u>	<u>Reflecting</u>
	<u>Medicare Subsidy</u>	<u>Medicare Subsidy</u>
December 31, 2019	\$ 1,292,000	\$ 1,403,000
December 31, 2020	1,250,000	1,361,000
December 31, 2021	1,206,000	1,316,000
December 31, 2022	1,160,000	1,268,000
December 31, 2023	1,159,000	1,269,000
Thereafter through 2027	5,219,000	5,746,000

No contribution is expected to be made to the Health Trust for the year ending December 31, 2019.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the “Act”) was signed into law in December 2003. The Act included a prescription drug benefit under Medicare (“Medicare Part D”), as well as a federal subsidy to sponsors of retiree health plans that provide a benefit at least actuarially equivalent to Medicare Part D. Accordingly, in 2018, the postretirement benefit obligation and benefit cost were reduced by \$1,959,000 and \$166,000, respectively, and in 2017, the postretirement benefit obligation and benefit cost were reduced by \$2,664,000 and \$167,000, respectively.

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 11—Funds held for others

Funds held for others consist of amounts held for the following at December 31, 2018 and 2017:

	2018	2017
Foundation for Theological Education in Southeast Asia	\$ 15,364,282	\$ 17,259,620
Assets held for beneficiary organizations designated by donors	8,676,569	8,378,594
Education Endowment Fund	2,366,103	2,530,556
UMCOR Endowment funds	1,511,228	1,722,159
Total funds held for others	<u>\$ 27,918,182</u>	<u>\$ 29,890,929</u>

The investments held by Global Ministries for the Foundation for Theological Education in Southeast Asia (the “Foundation”) are maintained in the Swope Wendell Fund, the return from which was designated by the donor for programs to improve Christian theological education in Southeast Asia and China. All of the investment return from the Swope Wendell Fund is given to the Foundation.

The Educational Endowment Fund represents investments held by Global Ministries to assist missionaries in their children’s education. Missionaries with children under 18 years of age automatically contribute a fixed percentage of their salary, which is combined with a matching contribution from Global Ministries. The missionaries’ vested interest in the Educational Endowment Fund is distributed to them upon their termination or non-enrollment of their children.

Assets held for beneficiary organizations designated by donors is comprised of funds held by Global Ministries in a custodial capacity, advance special gifts to be distributed to designated organizations, or amounts appropriated from endowment accumulated income not yet paid to named beneficiary organizations.

Note 12—Board-designated net assets

Certain net assets without donor restrictions at December 31, 2018 and 2017 have been designated by the board of directors of Global Ministries for the following purposes:

	2018	2017
Property	\$ 4,951,719	\$ 5,026,788
Field projects	4,799,758	4,749,665
Missionary work	4,133,399	3,898,703
Special program emphasis	1,015,319	1,760,805
Regionalization Atlanta	569,856	1,424,996
Humanitarian relief	187,000	200,000
Advance office	261,776	261,776
Annuity fund	155,911	201,681
Mission education	86,199	91,367
Economic development	26,092	28,203
Board designated for programs	16,187,029	17,643,984
Missionaries retirement	11,865,990	8,934,426
Total	<u>\$ 28,053,019</u>	<u>\$ 26,578,410</u>

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 13—Net assets with donor restrictions

Net assets with donor restrictions at December 31, 2018 and 2017 have been restricted by the donors for the following purpose restrictions:

	<u>2018</u>	<u>2017</u>
Subject to purpose restriction:		
Restricted through General Conference	\$ 4,259,008	\$ 4,311,266
Scholarships and leadership training	3,727,673	3,654,263
Field projects	3,652,813	3,402,605
Advance special projects	2,967,285	2,466,837
Other	8,769	8,769
Total subject to purpose restriction	<u>14,615,548</u>	<u>13,843,740</u>
Endowments and other perpetual gifts:		
Collins Forests and Collins Trust	29,664,000	27,690,000
Revolving loan fund	19,934,781	20,018,853
Perpetual trusts	26,311,382	28,635,055
Endowments (subject to spending policy and appropriation):		
Subject to purpose restrictions and appropriation	36,453,909	42,052,794
Subject to appropriation only	<u>27,967,497</u>	<u>31,408,306</u>
Total endowments	<u>64,421,406</u>	<u>73,461,100</u>
Total endowments and other perpetual gifts	<u>140,331,569</u>	<u>149,805,008</u>
Total net assets with donor restrictions	<u>\$ 154,947,117</u>	<u>\$ 163,648,748</u>

Net assets with donor restrictions for the years ended December 31, 2018 and 2017 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2018</u>	<u>2017</u>
Subject to purpose restriction:		
Advanced special projects	\$ 6,001,389	\$ 5,481,698
Appropriation from endowments subject to purpose restrictions	3,006,889	2,827,812
General Conference	2,406,712	2,198,028
Scholarships and leadership training	122,109	63,350
Field Projects	1,541	1,850
Subject to time restriction:		
Appropriation from endowments for expenditure	<u>1,089,656</u>	<u>1,087,133</u>
Total net assets released from restrictions	<u>\$ 12,628,296</u>	<u>\$ 11,659,871</u>

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 14—Endowment funds

Global Ministries' endowment consists of approximately 1,400 individual funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The board of directors of Global Ministries has interpreted the applicable state law as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, Global Ministries classifies as net assets with donor restrictions as follows:

- (a) the original value of gifts donated to the permanent endowment,
- (b) the original value of subsequent gifts to the permanent endowment, and
- (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

As of December 31, 2018 and 2017, Global Ministries had the following endowment net assets composition:

	December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 46,442,023	\$ 46,442,023
Accumulated investment earnings	-	17,979,383	17,979,383
Endowment net assets	<u>\$ -</u>	<u>\$ 64,421,406</u>	<u>\$ 64,421,406</u>
	December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 46,099,428	\$ 46,099,428
Accumulated investment earnings	-	27,361,672	27,361,672
Endowment net assets	<u>\$ -</u>	<u>\$ 73,461,100</u>	<u>\$ 73,461,100</u>

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 14—Endowment funds (continued)

Changes in endowment net assets for the years ended December 31, 2018 and 2017 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2016	\$ 3,595,137	\$ 48,981,817	\$ 52,576,954
Investment return, net	-	11,765,852	11,765,852
Contributions	-	13,033,239	13,033,239
Appropriation of endowment assets for expenditure pursuant to spending-rate policy	-	(3,914,945)	(3,914,945)
Transfer of investment earnings	<u>(3,595,137)</u>	<u>3,595,137</u>	<u>-</u>
Endowment net assets, December 31, 2017	-	73,461,100	73,461,100
Investment return, net	-	(5,285,744)	(5,285,744)
Contributions	-	342,595	342,595
Appropriation of endowment assets for expenditure pursuant to spending-rate policy	-	<u>(4,096,545)</u>	<u>(4,096,545)</u>
Endowment net assets, December 31, 2018	<u>\$ -</u>	<u>\$ 64,421,406</u>	<u>\$ 64,421,406</u>

Underwater Endowment Funds – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the applicable state law requires Global Ministries to retain as a fund of perpetual duration. Global Ministries has interpreted UMPIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no underwater endowments as of December 31, 2018 and 2017.

Return Objectives and Risk Parameters – Global Ministries has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Global Ministries must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the board of directors, the endowment assets of Global Ministries are invested in the Multiple Asset Fund of Wespath.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, Global Ministries relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Global Ministries targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy – Global Ministries has adopted distribution policy of 7% of the fair market value of an endowment fund, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than five (5) years immediately preceding the year in which the appropriation for expenditure is made. Global Ministries has a policy that permits spending from underwater funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 15—Fair value of financial instruments

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on Global Ministries' assessment of available market information and appropriate valuation methodologies.

The following tables summarize the required fair value disclosures and measurements at December 31, 2018 and 2017 for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

	December 31, 2018			
	Fair Value Measurements at Reporting Date Using			
Assets (Liabilities) Measured at Fair Value	Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	
Assets				
Investments:				
Multiple Asset Fund - Wespath*	\$ 155,459,292	\$ -	\$ -	\$ -
UMC Foundation*	2,640,167	-	-	-
Texas Methodist Foundation*	12,642,984	-	-	-
Short-term securities	264,946	264,946	-	-
U.S. government securities	79,097	79,097	-	-
Bond mutual funds	275,550	275,550	-	-
Equities	21,718	21,718	-	-
Total investments	<u>\$ 171,383,754</u>	<u>\$ 641,311</u>	<u>\$ -</u>	<u>\$ -</u>
Revolving loan fund held by UMDF*	\$ 18,052,424	\$ -	\$ -	\$ -
Beneficial interest in Collins Forests and Collins Trust	\$ 29,664,000	\$ -	\$ -	\$ 29,664,000
Perpetual trusts held by others	\$ 26,311,382	\$ -	\$ -	\$ 26,311,382

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 15—Fair value of financial instruments (continued)

	December 31, 2017			
	Fair Value Measurements at Reporting Date Using			
	Assets (Liabilities) Measured at Fair Value	Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Investments:				
Wespath Multiple Asset Fund*	\$ 171,944,448	\$ -	\$ -	\$ -
UMC Foundation*	2,650,209	-	-	-
Texas Methodist Foundation*	14,046,194	-	-	-
Short-term securities	273,414	273,414	-	-
U.S. government securities	71,607	71,607	-	-
Bond mutual funds	335,659	335,659	-	-
Equities	22,910	22,910	-	-
Total investments	<u>\$ 189,344,441</u>	<u>\$ 703,590</u>	<u>\$ -</u>	<u>\$ -</u>
Revolving loan fund held by UMDF*	\$ 18,465,620	\$ -	\$ -	\$ -
Beneficial interest in Collins Forests and Collins Trust	\$ 27,690,000	\$ -	\$ -	\$ 27,690,000
Perpetual trusts held by others	\$ 28,635,055	\$ -	\$ -	\$ 28,635,055

* In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Investments – The fair value of short-term securities, U.S. government securities, bond mutual funds, and equities are determined using primarily Level 1 inputs in accordance with ASC 820.

Beneficial Interest in Collins Forests and Collins Trust – Fair value is based on the discounted present value of the estimated future cash flows (over 30 years) from the Collins Forests and Collins Trust (Note 7). Because no public market exists for these assets and an estimate of fair value is not practicable to obtain, the fair value is determined using primarily Level 3 inputs.

Perpetual Trusts Held by Others – Fair value is based on the fair value of the underlying investments. Because timing of realization is an unobservable input, the fair value is determined using primarily Level 3 inputs.

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 15—Fair value of financial instruments (continued)

The following is a reconciliation of activity for 2018 and 2017 for assets measured at fair value based on significant unobservable information:

	Beneficial Interest in Collins Forests and Collins Trust	Perpetual Trusts Held by Others
Balance, January 1, 2017	\$ 29,214,000	\$ 25,963,067
Contribution	-	32,143
Net (depreciation) appreciation in fair value	<u>(1,524,000)</u>	<u>2,639,845</u>
Balance, December 31, 2017	27,690,000	28,635,055
Contribution	-	-
Net (depreciation) appreciation in fair value	<u>1,974,000</u>	<u>(2,323,673)</u>
Balance, December 31, 2018	<u>\$ 29,664,000</u>	<u>\$ 26,311,382</u>

Note 16—Subsequent events

Management has evaluated subsequent events through June 25, 2019, the date the consolidated financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure, except as disclosed in Note 5.