



**GENERAL BOARD OF GLOBAL MINISTRIES
OF THE UNITED METHODIST CHURCH
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

*As of and for the Years Ended December 31, 2017
and 2016*

And Report of Independent Auditor

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
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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 the General Board of Global Ministries of the United Methodist Church (a nonprofit organization) and subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, 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 the General Board of Global Ministries of the United Methodist Church and subsidiaries as of December 31, 2017 and 2016, 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.

Changes in Financial Statement Presentation

As discussed in Note 2, the General Board of Global Ministries of the United Methodist Church adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

Cheryl Bekart LLP

Atlanta, Georgia
July 18, 2018

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 12,367,110	\$ 13,620,465
Accrued World Service Fund allocation	7,717,730	6,973,223
Due from General Council on Finance and Administration	16,215,235	8,482,222
Due from related entities	1,261,189	657,551
Accounts receivable	2,155,395	1,719,997
Prepaid expenses and other assets	405,982	468,281
Investments	172,648,038	152,736,487
Investments in the United Methodist Church Foundation	2,650,209	2,588,343
Investments in Texas Methodist Foundation	14,046,194	-
Revolving loan fund held by United Methodist Development Fund	20,018,853	19,041,230
Buildings and equipment, net	18,402,687	14,634,858
Prepaid Collins Health Plan for Missionaries pension asset	13,974,750	7,026,706
Beneficial interest in Collins Forests and Collins Trust	27,690,000	29,214,000
Perpetual trusts held by others	28,635,055	25,963,067
Total Assets	\$ 338,188,427	\$ 283,126,430
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable, accrued expenses, and other liabilities	\$ 20,510,191	\$ 12,348,524
Grants and projects payable	2,215,479	2,597,685
Due to related entities	38,704	443,008
Annuities payable	298,669	290,286
Collins Pension Plan liability	63,745,524	67,035,424
Funds held for others	29,890,929	26,635,101
Total Liabilities	116,699,496	109,350,028
Net Assets:		
Without Donor Restrictions:		
Invested in buildings and equipment	18,402,687	14,634,858
Designated for programs	17,643,984	17,126,142
Designated for missionaries retirement including pension and health benefit costs	8,934,426	8,378,809
General operating fund	12,859,086	(5,127,334)
Total without donor restrictions	57,840,183	35,012,475
With Donor Restrictions:		
Subject to purpose restrictions	13,843,740	15,563,813
Endowments and other perpetual gifts	149,805,008	123,200,114
Total with donor restrictions	163,648,748	138,763,927
Total Net Assets	221,488,931	173,776,402
Total Liabilities and Net Assets	\$ 338,188,427	\$ 283,126,430

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
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 AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)**

YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
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 returns	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 AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2016

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues:			
Allocation from World Service Fund	\$ 24,514,610	\$ 2,175,094	\$ 26,689,704
Special Sunday Offerings	-	882,311	882,311
Advance Special Gifts:			
Support for persons in mission	-	3,995,376	3,995,376
Other	868,468	2,689,617	3,558,085
Shared cost reimbursements	5,462,179	-	5,462,179
United Methodist Committee on			
Relief contribution	3,000,000	-	3,000,000
Benefit Trust distribution	1,869,233	-	1,869,233
Bequests	1,723,712	64,095	1,787,807
Grants and other contributions	1,013,545	1,866,932	2,880,477
Interest income on cash equivalents, mortgage loans, and perpetual trusts	346,838	200,510	547,348
Collins Forests and Collins Trust income distribution	3,432,231	-	3,432,231
Missionary salary reimbursements	1,766,484	-	1,766,484
Other	1,115,708	-	1,115,708
Total	<u>45,113,008</u>	<u>11,873,935</u>	<u>56,986,943</u>
Net assets released from restrictions	<u>13,455,083</u>	<u>(13,455,083)</u>	<u>-</u>
Total Operating Revenues	<u>58,568,091</u>	<u>(1,581,148)</u>	<u>56,986,943</u>

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)**

YEAR ENDED DECEMBER 31, 2016

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses:			
Program Services:			
Global Mission Connections	\$ 8,532,317	\$ -	\$ 8,532,317
Missionary Services	24,086,563	-	24,086,563
Board-wide programs	4,486,993	-	4,486,993
Distribution of designated funds and gifts	5,818,299	-	5,818,299
Total Program Services	<u>42,924,172</u>	<u>-</u>	<u>42,924,172</u>
Supporting Services:			
Management and general	13,792,307	-	13,792,307
Fundraising	2,086,624	-	2,086,624
Total Supporting Services	<u>15,878,931</u>	<u>-</u>	<u>15,878,931</u>
Total Expenses	<u>58,803,103</u>	<u>-</u>	<u>58,803,103</u>
Change in net assets from operating activities	<u>(235,012)</u>	<u>(1,581,148)</u>	<u>(1,816,160)</u>
Nonoperating Activities:			
Investment returns	7,567,255	3,346,812	10,914,067
Net appreciation in fair value of perpetual trusts	-	2,063,824	2,063,824
Net depreciation in beneficial interest in Collins Forests and Collins Trust	-	(3,508,000)	(3,508,000)
Net change in benefit obligations of the Collins Pension and Health Benefits Plans	721,364	-	721,364
Endowment contributions	-	184,898	184,898
Change in net assets from nonoperating activities	<u>8,288,619</u>	<u>2,087,534</u>	<u>10,376,153</u>
Change in net assets	8,053,607	506,386	8,559,993
Transfer of assets to UMCOR	-	(1,270,312)	(1,270,312)
Net assets, beginning of year	<u>26,958,868</u>	<u>139,527,853</u>	<u>166,486,721</u>
Net assets, end of year	<u>\$ 35,012,475</u>	<u>\$ 138,763,927</u>	<u>\$ 173,776,402</u>

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2017

	Program Services				Supporting Services			
	Global Mission Connections	Missionary Services	Board-Wide Programs	Distribution of Designated Funds and Gifts	Total Program Services	Management and General	Fundraising	Total
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	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	4,445,692
Professional fees	86,508	149,471	284,637	-	520,616	1,439,035	275,415	2,235,066
Travel and meetings	430,085	81,731	199,960	6,224	718,000	382,258	26,350	1,126,608
Depreciation	-	-	-	-	-	980,173	31,061	1,011,234
Promotional and information material	10,469	14,926	119,104	2,630	147,129	1,287	611,301	759,717
Insurance and taxes	-	-	1,524	20,968	22,492	638,130	66,170	726,792
Rent and building repairs	39,261	-	95,488	-	134,749	588,968	-	723,717
IT and infrastructure	-	-	6,080	-	6,080	615,453	27,430	648,963
Miscellaneous	165,725	11,769	64,720	-	242,214	191,707	5,695	439,616
Printing and office	27,889	7,310	27,804	100,933	163,936	106,239	26,109	296,284
Equipment leasing, repairs, and maintenance	14,401	12,668	29,874	-	56,943	95,149	38,734	190,826
Telephone and web service	17,500	3,733	16,596	38,032	75,861	38,026	10,949	124,836
Postage, shipping, and freight	17,250	12,747	41,907	-	71,904	26,288	16,201	114,393
Total Expenses	\$ 7,800,165	\$ 23,847,143	\$ 4,033,030	\$ 6,611,890	\$ 42,292,228	\$ 12,045,839	\$ 2,175,608	\$ 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 AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2016

	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	
Mission programs	\$ 955,032	\$ 22,086,287	\$ 171,932	\$ 2,335,753	\$ 25,549,004	\$ 478,161	\$ 9,661	\$ 26,036,826
Salaries and benefits	3,216,996	1,579,436	3,237,077	461,755	8,495,264	6,808,326	887,799	16,191,389
Contributions and grants to others	3,592,913	113,000	15,000	3,221,950	6,942,863	-	-	6,942,863
Professional fees	92,881	153,380	429,277	-	675,538	1,135,697	209,276	2,020,511
Rent and building repairs	-	-	90,440	-	90,440	1,660,884	146,170	1,897,494
Travel and meetings	382,401	76,048	155,944	38,143	652,536	674,711	111,968	1,439,215
Depreciation	-	-	-	-	-	930,675	28,083	958,758
IT and infrastructure	321	66	2,680	-	3,067	866,003	11,013	880,083
Promotional and information material	420	7,381	80,569	19,857	108,227	1,326	566,977	676,530
Insurance and taxes	-	-	1,380	6,477	7,857	470,927	3,987	482,771
Miscellaneous	162,134	12,418	45,263	(267,842)	(48,027)	400,695	4,045	356,713
Printing and office	44,591	12,357	125,204	1,150	183,302	62,519	19,234	265,055
Telephone and web service	52,757	17,229	43,331	1,056	114,373	101,140	26,377	241,890
Equipment leasing, repairs, and maintenance	13,590	5,167	19,996	-	38,753	132,125	45,651	216,529
Postage, shipping, and freight	18,281	23,794	68,900	-	110,975	69,118	16,383	196,476
Total Expenses	\$ 8,532,317	\$ 24,086,563	\$ 4,486,993	\$ 5,818,299	\$ 42,924,172	\$ 13,792,307	\$ 2,086,624	\$ 58,803,103

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 AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 47,712,529	\$ 8,559,993
Adjustments to reconcile change in net assets to net cash from operating activities:		
Transfer of assets to UMCOR	-	(1,270,312)
Depreciation and amortization	1,011,234	958,758
Decrease in fair value of beneficial interest in Collins Forests and Collins Trust	1,524,000	3,508,000
Net appreciation in fair value of investments	(26,193,613)	(10,914,067)
Net appreciation in fair value of perpetual trusts	(2,639,846)	(2,033,870)
Net appreciation in fair value of investments held for others	(3,612,653)	(1,639,124)
Increase in perpetual trusts held by others	(32,142)	(29,954)
Contributions and investment return restricted for long-term investment	(13,033,239)	(184,898)
Actuarial loss on annuity obligations	75,783	157,633
Changes in operating assets and liabilities:		
Receivables	(8,912,918)	1,137,126
Prepaid expenses and other assets	62,299	30,078
Prepaid Collins Health Plan for Missionaries pension asset	(6,948,044)	(2,287,191)
Accounts payable, accrued expenses, and other liabilities	8,161,667	289,836
Due from related entities	(603,638)	24,906
Due to related entities	(404,304)	75,772
Collins Pension Plan liability	(3,289,900)	1,565,827
Grants and projects payable	(382,206)	178,764
Funds held for others	3,255,828	1,743,606
Net cash flows from operating activities	<u>(4,249,163)</u>	<u>(129,117)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	25,669,270	32,493,653
Purchases of investments	(30,860,238)	(22,224,254)
Purchases of buildings and equipment	(4,779,063)	(11,314,459)
Principal collections on mortgages	-	279,686
Mortgage loans purchased by United Methodist Development Fund	-	785,884
Net cash flows from investing activities	<u>(9,970,031)</u>	<u>20,510</u>
Cash flows from financing activities:		
Payment of annuity obligations	(67,400)	(198,898)
Contributions and investment return restricted for long-term investment	13,033,239	184,898
Net cash flows from financing activities	<u>12,965,839</u>	<u>(14,000)</u>
Net change in cash and cash equivalents	(1,253,355)	(122,607)
Cash and cash equivalents, beginning of year	13,620,465	13,743,072
Cash and cash equivalents, end of year	<u>\$ 12,367,110</u>	<u>\$ 13,620,465</u>

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 1—Nature of organization

The General Board of Global Ministries of the United Methodist Church (“Global Ministries”) is a tax-exempt, not-for-profit organization incorporated in New York, which 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 mission interpretation through New World Outlook.

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 the GBGM Forests, LLC, with the 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.

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 2—Summary of significant accounting policies

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”).

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’ 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 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. New York State law (substantially in conformity with the Uniform Management of Institutional Funds Act) authorizes expenditures of appreciation (both realized and unrealized) in the value of endowment funds subject to a standard of business care and prudence. 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.

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 2—Summary of significant accounting policies (continued)

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.

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.

Global Ministries has granted indefinite use of certain properties (land and buildings) to related church organizations under leasing or other arrangements and, accordingly, these properties are not reflected in the accompanying consolidated financial statements. These arrangements may call for nominal payments and are typically renewed so long as the grantee continues to carry out the stated program. The carrying value of such properties was reflected as a program expense at the time the arrangements for indefinite use of the property were made. Repair and maintenance costs incurred by Global Ministries for such properties are recorded as program expenses in the consolidated statements of activities.

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Note 2—Summary of significant accounting policies (continued)

Functional Expenses – The costs of providing programs and other activities have been summarized on a functional basis in the 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.

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, 2017 and 2016.

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.

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Note 2—Summary of significant accounting policies (continued)

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.

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 – On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Global Ministries has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14.

Future Accounting Pronouncement – In May 2014, the FASB issued 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 annual reporting periods beginning after December 15, 2018. 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. The Company is currently evaluating the effect of the new revenue recognition guidance.

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Note 3—Liquidity and availability of resources

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

Financial assets at year end:

Cash	\$ 12,367,110
Accrued World Service Fund allocation	7,717,730
Due from General Council on Finance and Administration	16,215,235
Due from related entities	1,261,189
Accounts receivable	2,155,395
Investments	172,648,038
Investments in the United Methodist Church Foundation	2,650,209
Investments in Texas Methodist Foundation	14,046,194
Total financial assets	<u>229,061,100</u>

Less amounts not available to be used for general expenditures within one year:

Funds held for others	29,890,929
Subject to donor purpose restrictions	13,843,740
Board-designated funds	26,578,410
Endowments	<u>73,461,100</u>
Financial assets not available to be used within one year	<u>143,774,179</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 85,286,921</u></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. As part of Global Ministries' liquidity management plan, it structures its financial assets to be available as its obligations come due.

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Note 4—Investments

At December 31, 2017 and 2016, the cost and fair value of investments, including investments held for others, are as follows:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Texas Methodist Foundation	\$ 12,500,000	\$ 14,046,194	\$ -	\$ -
UMC Foundation	2,644,526	2,650,209	2,643,119	2,588,343
Wespath Multiple Asset Fund	120,788,731	171,944,448	123,000,270	152,016,042
Short-term securities	273,414	273,414	281,102	281,103
Equities	34,385	22,910	54,810	42,496
U.S. government securities	73,258	71,607	54,191	53,167
Bond mutual funds	335,659	335,659	343,679	343,679
Subtotal	121,505,447	172,648,038	123,734,052	152,736,487
Total	\$ 136,649,973	\$ 189,344,441	\$ 126,377,171	\$ 155,324,830

Investment return for the years ended December 31, 2017 and 2016, excluding investment returns on investments held for others, consisted of the following:

	2017	2016
Interest and dividends	\$ 48,171	\$ 36,841
Realized gains on investments, net	4,631,253	3,263,075
Unrealized gains on investments, net	21,579,277	7,681,422
Subtotal	26,258,701	10,981,338
Less investment management expenses	(65,088)	(67,271)
Investment returns	\$ 26,193,613	\$ 10,914,067

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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.

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.

Note 6—Buildings and equipment

Buildings and equipment consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Buildings, building improvements, and land	\$ 16,412,267	\$ 12,738,704
Equipment	1,884,278	1,311,487
Internally-developed software	2,357,578	1,824,870
	<u>20,654,123</u>	<u>15,875,061</u>
Less accumulated depreciation and amortization	<u>(2,251,436)</u>	<u>(1,240,203)</u>
Total buildings and equipment, net	<u>\$ 18,402,687</u>	<u>\$ 14,634,858</u>

Depreciation and amortization expense totaled \$1,011,234 and \$958,758 for the years ended December 31, 2017 and 2016, respectively.

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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 post-retirement benefits.

The total recorded value of the Collins Forest and the Pennsylvania Forest was \$27,690,000 and \$29,214,000 as of December 31, 2017 and 2016, respectively, which represents the discounted present value of the estimated future cash flows (over 30 years) computed by management of these forests. A discount rate (8.5% and 7.75% for 2017 and 2016, respectively) adjusted for credit risk (2.13% and 4.69% for 2017 and 2016, respectively) was used in determining the present value.

In 2014 Global Ministries formed GBGM Forests, LLC (“GBGM Forests”) and transferred its beneficial interest and related assets in the Collins Forests to GBGM Forests on May 31, 2015. Global Ministries is the sole member of GBGM Forests and all of the financial activities and balances of GBGM Forests are included in the consolidated financial statements of Global Ministries.

During the years ended December 31, 2017 and 2016, there was net depreciation in the fair value of the beneficial interest in the Collins Forests and Pennsylvania Forest of \$1,524,000 and \$3,508,000, 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.

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Note 8—Related parties (continued)

Global Ministries receives reimbursement of shared costs from United Methodist Women (“UMW”), the United Methodist Committee on Relief (“UMCOR”), and the United Methodist Development Fund (“UMDF”), for support of certain programs and administrative and management services. During the years ended December 31, 2017 and 2016, Global Ministries received reimbursements of \$13,750 and \$200,000, respectively, from UMW. During the years ended December 31, 2017 and December 31, 2016, Global Ministries received \$5,137,438 and \$4,372,732 in reimbursements, respectively, from UMCOR. During the years ended December 31, 2017 and 2016, Global Ministries received reimbursements of \$103,138 and \$889,447, respectively, from UMDF. During 2017 and 2016, UMCOR contributed \$828,219 and \$3,000,000, respectively, to Global Ministries towards the construction and rehabilitation costs of the new headquarters in Atlanta, Georgia. The amounts above are included in shared cost reimbursements on the statement of activities.

During 2016, Global Ministries transferred cash assets of \$1,270,312 to UMCOR relating to the transfer of administration over the Special Program on Substance Abuse and Related Violence.

During 2017 and 2016, Global Ministries managed assets of \$1,722,159 and \$1,550,558, respectively, relating to UMCOR’s endowment funds. The related balances are included in investments and funds held for others on the 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, 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. As of December 31, 2016, UMDF held \$19,041,230 of loan funds on behalf of Global Ministries, which represents \$1,526,736 of outstanding mortgage loans, valued at cost, and \$17,514,494 of available loan funds, valued at net asset value per share.

Amounts received from other United Methodist churches and agencies accounted for approximately 64% and 71% of Global Ministries’ total operating revenue in 2017 and 2016, 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 2017 and 2016 totaled \$1,471,554 and \$1,197,360, 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 \$568.27 for 2017 and \$557.13 for 2016.

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Note 9—Employee benefits (continued)

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.

The following sets forth financial information about the Plan as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Benefit obligation at December 31	\$ (142,051,463)	\$ (138,905,803)
Fair value of plan assets at December 31	78,305,939	71,870,379
Unfunded obligation	<u>\$ (63,745,524)</u>	<u>\$ (67,035,424)</u>
Benefit obligation weighted average assumptions:		
Discount rate	3.70%	4.20%
Expected return on plan assets	7.00%	7.00%
Benefit cost weighted average assumptions:		
Discount rate	3.70%	4.20%
Expected return on plan assets	7.00%	7.00%
Benefit cost	\$ 143,732	\$ 1,127,514
Benefits paid	10,169,890	10,497,529
Employer contributions	4,417,414	4,575,029

The following table presents the fair value of the Plan's assets at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Cash	\$ 196,909	\$ 219,166
Wespath Multiple Asset Fund	78,109,030	71,651,213
Total plan assets	<u>\$ 78,305,939</u>	<u>\$ 71,870,379</u>

The Plan's investments are recorded at fair value using primarily Level 1 inputs, except for the Multiple Asset Fund – Wespath, which is 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 maximize long-term investment returns, including current income and capital appreciation, while reducing short-term risk by investing in a broad mix of investments. The fund is a composite of U.S. equity funds (35.4%), fixed income funds (23%), international equity funds (32.2%), inflation protection funds (9.1%), and multiple asset fund cash (.3%), which are Level 2 inputs.

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 2017 are: equities 8.0%, fixed income 6.0%, which produces an expected composite rate of return of 7.0%.

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Note 9—Employee benefits (continued)

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 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, 2018	\$ 10,601,681
December 31, 2019	10,298,430
December 31, 2020	10,007,658
December 31, 2021	9,603,151
December 31, 2022	9,186,186
Thereafter through 2027	45,511,064

A contribution will likely be made to the Plan for the year ending December 31, 2018. 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 \$98,600,000 and \$91,600,000 and the unfunded expected postretirement benefit obligation (EPBO) was approximately \$148,700,000 and \$127,500,000 as of December 31, 2017 and 2016, 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 \$1,246,468 and \$1,778,233 in 2017 and 2016, respectively.

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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 2017 and 2016, 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 \$165,800,000 and \$149,300,000 as of December 31, 2017 and 2016, respectively. The total amount available for reimbursement in 2017 and 2016 was \$8,957,614 and \$8,822,895, respectively, of which Global Ministries’ share, net of retiree health benefits was \$1,545,078 and \$1,869,233, 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Benefit obligation at December 31	\$ (22,209,346)	\$ (25,734,891)
Fair value of plan assets at December 31	36,184,096	32,761,597
Funded status	<u>\$ 13,974,750</u>	<u>\$ 7,026,706</u>
Benefit obligation weighted average assumptions:		
Discount rate	3.70%	4.20%
Expected return on plan assets	7.00%	7.00%
Benefit cost weighted average assumptions:		
Discount rate	3.70%	4.20%
Expected return on plan assets	7.00%	7.00%
Benefit cost	\$ (1,209,765)	\$ (616,782)
Benefits paid	1,527,119	1,272,715
Employer contributions	-	-

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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 2017:

- Medical and Drug: 7.0% in 2017, decreasing by .33% per year to ultimate rate of 5.0% in 2023 and all future years;
- Medicare Part B: 3.0% in 2017 and all future years;
- Dental: 1.0% in 2017 and all future years; and
- Nursing home care: 0% in 2017 and all future years

The following table presents the fair value of the Collins Health Plan's assets at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 1,185,705	\$ 134,858
Wespath Multiple Asset Fund	256,277	217,163
Wespath Domestic Stock Fund	16,304,148	15,973,897
Wespath Domestic Bond Fund	12,656,035	11,876,088
Wespath International Stock Fund	5,727,513	4,386,750
Receivables	54,418	189,305
Accrued expenses	-	(16,464)
Total plan assets	<u>\$ 36,184,096</u>	<u>\$ 32,761,597</u>

In accordance with ASC Subtopic 820-10, the Collins Health Plan's plan assets 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 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 Allocation</u>	<u>Actual Allocation at December 31,</u>	
		<u>2017</u>	<u>2016</u>
Equities	65%	64%	64%
Fixed income	35%	36%	36%

Based on historically indexed data, the assumed long-term rates of return for 2017 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.

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

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>	Benefits Reflecting Medicare Subsidy	Benefits Not Reflecting Medicare Subsidy
December 31, 2018	\$ 1,492,000	\$ 1,639,000
December 31, 2019	1,460,000	1,606,000
December 31, 2020	1,416,000	1,561,000
December 31, 2021	1,376,000	1,519,000
December 31, 2022	1,328,000	1,468,000
Thereafter through 2027	6,073,000	6,746,000

No contribution is expected to be made to the Health Trust for the year ending December 31, 2018.

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 2017, the postretirement benefit obligation and benefit cost were reduced by \$2,664,000 and \$167,000, respectively, and in 2016, the postretirement benefit obligation and benefit cost were reduced by \$2,609,000 and \$159,000, respectively.

Note 11—Funds held for others

Funds held for others consist of amounts held for the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Foundation for Theological Education in Southeast Asia	\$ 17,259,620	\$ 15,359,637
Beneficiary organizations designated by donors	10,100,753	9,147,477
Education Endowment Fund	2,530,556	2,127,987
Total funds held for others	<u>\$ 29,890,929</u>	<u>\$ 26,635,101</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.

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Note 12—Board designated net assets

Certain net assets without donor restrictions at December 31, 2017 and 2016 have been designated by the board of directors of Global Ministries for the following purposes:

	<u>2017</u>	<u>2016</u>
Field projects	\$ 4,749,665	\$ 4,112,270
Regionalization Atlanta	1,424,996	4,041,669
Missionary work	3,898,703	3,676,686
Property	5,026,788	2,593,998
Special program emphasis	1,760,805	1,609,636
Humanitarian relief	200,000	378,331
Advance office	261,776	208,460
Annuity fund	201,681	204,463
Mission education	91,367	179,020
Plant and equipment	-	75,049
Economic development	28,203	38,900
Women, children, and youth	-	7,660
Total board-designated, unrestricted net assets for programs	<u>\$ 17,643,984</u>	<u>\$ 17,126,142</u>

Note 13—Net assets with donor restrictions

Net assets with donor restrictions at December 31, 2017 and 2016 have been restricted by the donors for the following purpose restrictions:

	<u>2017</u>	<u>2016</u>
Subject to purpose restriction:		
Restricted through General Conference	\$ 4,311,266	\$ 5,799,676
Scholarships and leadership training	3,654,263	3,379,605
Field projects	3,402,605	3,933,630
Advance special projects	2,466,837	2,427,475
Other	8,769	23,427
Total subject to purpose restriction	<u>13,843,740</u>	<u>15,563,813</u>
Endowments and other perpetual gifts:		
Collins Forests and Collins Trust	27,690,000	29,214,000
Revolving loan fund	20,018,853	19,041,230
Perpetual trusts	28,635,055	25,963,067
Endowments (subject to spending policy and appropriation):		
Subject to additional purpose restrictions	42,052,794	36,809,460
Subject to appropriation only	31,408,306	12,172,357
Total endowments	<u>73,461,100</u>	<u>48,981,817</u>
Total endowments and other perpetual gifts	<u>149,805,008</u>	<u>123,200,114</u>
Total net assets with donor restrictions	<u>\$ 163,648,748</u>	<u>\$ 138,763,927</u>

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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, 2017 and 2016, Global Ministries had the following endowment net assets composition:

	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>

	December 31, 2016		
	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 33,066,189	\$ 33,066,189
Accumulated investment earnings	3,595,137	15,915,628	19,510,765
Endowment net assets	<u>\$ 3,595,137</u>	<u>\$ 48,981,817</u>	<u>\$ 52,576,954</u>

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Note 14—Endowment funds (continued)

Changes in endowment net assets for the years ended December 31, 2017 and 2016, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2015	\$ 3,136,535	\$ 47,417,920	\$ 50,554,455
Investment return, net	1,195,491	3,346,810	4,542,301
Contributions	-	184,898	184,898
Appropriation of endowment assets for expenditure pursuant to spending-rate policy	(736,889)	(1,967,811)	(2,704,700)
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	(3,595,137)	3,595,137	-
Endowment net assets, December 31, 2017	<u>\$ -</u>	<u>\$ 73,461,100</u>	<u>\$ 73,461,100</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, 2017 and 2016.

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.

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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, 2017 and 2016 for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

	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	\$ -	\$ -	\$ -
UMDF Revolving Loan				
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
Liabilities				
Funds held for others	\$ (29,890,929)	\$ (29,890,929)	\$ -	\$ -

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Note 15—Fair value of financial instruments (continued)

	December 31, 2016			
	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*	\$ 152,016,042	\$ -	\$ -	\$ -
UMC Foundation*	2,588,343	-	-	-
Short-term securities	281,103	281,103	-	-
U.S. government securities	53,167	53,167	-	-
Bond mutual funds	343,679	343,679	-	-
Equities	42,496	42,496	-	-
Total investments	<u>\$ 155,324,830</u>	<u>\$ 720,445</u>	<u>\$ -</u>	<u>\$ -</u>
Revolving loan fund held by UMDF*	\$ 17,514,494	\$ -	\$ -	\$ -
Beneficial interest in Collins Forests and Collins Trust	\$ 29,214,000	\$ -	\$ -	\$ 29,214,000
Perpetual trusts held by others	\$ 25,963,067	\$ -	\$ -	\$ 25,963,067
Liabilities				
Funds held for others	\$ (26,635,101)	\$ (26,635,101)	\$ -	\$ -

* 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.

Funds Held for Others – Fair values are based on quoted market prices.

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Note 15—Fair value of financial instruments (continued)

The following is a reconciliation of activity for 2017 and 2016 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, 2016	\$ 32,722,000	\$ 24,975,573
Contribution	-	29,954
Net (depreciation) appreciation in fair value	<u>(3,508,000)</u>	<u>957,540</u>
Balance, December 31, 2016	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	<u>\$ 27,690,000</u>	<u>\$ 28,635,055</u>

Note 16—Subsequent events

Management has evaluated subsequent events through July 18, 2018, the date the consolidated financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.