



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

CONSOLIDATED FINANCIAL STATEMENTS

*As of and for the Years Ended December 31, 2016
and 2015*

And Report of Independent Auditor

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
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 Cash Flows7
Notes to the Consolidated Financial Statements.....8-25

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, 2016 and 2015, and the related consolidated statements of activities 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, 2016 and 2015, 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
July 6, 2017

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

DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 13,620,465	\$ 13,743,072
Receivables:		
Accrued World Service Fund allocation	6,973,223	7,790,657
Due from General Council on Finance and Administration	8,482,222	9,318,154
Due from related entities	657,551	682,457
Bequests receivable	555,326	495,246
Mortgage loans to churches, net of allowance	-	1,065,570
Other	1,164,671	708,511
Prepaid expenses and other assets	468,281	498,359
Investments	152,736,487	150,425,963
Investments in the United Methodist Church Foundation	2,588,343	2,615,075
Buildings and equipment, net	14,634,858	4,279,157
Prepaid Collins Health Plan for Missionaries pension asset	7,026,706	4,739,515
Beneficial interest in Collins Forests and Collins Trust	29,214,000	32,722,000
Perpetual trusts held by others, including revolving loan funds	45,004,297	42,940,473
Total Assets	<u>\$ 283,126,430</u>	<u>\$ 272,024,209</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable, accrued expenses, and other liabilities	\$ 12,348,524	\$ 12,058,688
Grants and projects payable	2,597,685	2,418,921
Due to related entities	443,008	367,236
Annuities payable	290,286	331,551
Collins Pension Plan liability	67,035,424	65,469,597
Funds held for others	26,635,101	24,891,495
Total Liabilities	<u>109,350,028</u>	<u>105,537,488</u>
Net Assets:		
Unrestricted:		
General operating fund	5,912,387	(6,814,403)
Other undesignated	3,595,137	3,136,535
Designated for programs	17,126,142	20,503,931
Designated for missionaries retirement including pension and health benefit costs	8,378,809	10,132,805
Total Unrestricted	<u>35,012,475</u>	<u>26,958,868</u>
Temporarily restricted	31,479,440	30,984,088
Permanently restricted	107,284,487	108,543,765
Total Net Assets	<u>173,776,402</u>	<u>166,486,721</u>
Total Liabilities and Net Assets	<u>\$ 283,126,430</u>	<u>\$ 272,024,209</u>

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 ACTIVITIES**

YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenue:				
World Service Fund:				
Allocation	\$ 24,514,610	\$ -	\$ -	\$ 24,514,610
National Plan for Hispanic Ministries	-	529,728	-	529,728
Substance Abuse and Related Violence	-	516,351	-	516,351
Asian American Language Ministry	-	315,696	-	315,696
Korean American Task Force	-	690,251	-	690,251
Pacific Islanders	-	123,068	-	123,068
Native American Awareness Sunday	-	122,106	-	122,106
World Communion Offering	-	365,874	-	365,874
Human Relations Day	-	394,331	-	394,331
Advance Special Gifts:				
Support for persons in mission	-	3,995,376	-	3,995,376
Other	868,468	2,689,617	-	3,558,085
United Methodist Women appropriation	200,000	-	-	200,000
United Methodist Committee on Relief appropriation	4,372,732	-	-	4,372,732
United Methodist Committee on Relief contribution	3,000,000	-	-	3,000,000
United Methodist Development Fund appropriation	889,447	-	-	889,447
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
Service fees	187,223	-	-	187,223
Missionary salary reimbursements	1,766,484	-	-	1,766,484
Other	828,563	-	-	828,563
Total	41,580,855	15,306,166	-	56,887,021
Net assets released from restrictions	16,887,314	(16,887,314)	-	-
Total Operating Revenue (Loss)	58,468,169	(1,581,148)	-	56,887,021

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

YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Expenses:				
Program Services:				
Global Mission Connections	\$ 7,945,963	\$ -	\$ -	\$ 7,945,963
Center for Mission Innovation	1,484,653	-	-	1,484,653
Missionary Services	19,363,168	-	-	19,363,168
Board-Wide Mission Program expenses	6,229,941	-	-	6,229,941
Advance Special Gifts	2,573,078	-	-	2,573,078
Distribution of Designated Funds	3,153,065	-	-	3,153,065
Total Program Services	<u>40,749,868</u>	<u>-</u>	<u>-</u>	<u>40,749,868</u>
Supporting Services:				
Management and general	11,391,582	-	-	11,391,582
Fund-raising	2,086,624	-	-	2,086,624
Total Supporting Services	<u>13,478,206</u>	<u>-</u>	<u>-</u>	<u>13,478,206</u>
Total Operating Expenses	<u>54,228,074</u>	<u>-</u>	<u>-</u>	<u>54,228,074</u>
Change in net assets from operations	<u>4,240,095</u>	<u>(1,581,148)</u>	<u>-</u>	<u>2,658,947</u>
Nonoperating Activities:				
Net appreciation in fair value of investments	7,567,255	3,346,812	-	10,914,067
Net appreciation in fair value of perpetual trusts	-	-	2,033,870	2,033,870
Net depreciation in beneficial interest in Collins Forests and Collins Trust	-	-	(3,508,000)	(3,508,000)
Collins Pension and Health Benefits Plan	(3,853,665)	-	-	(3,853,665)
Endowment contributions, including perpetual trusts	-	-	214,852	214,852
Other income	99,922	-	-	99,922
Total Nonoperating Activities	<u>3,813,512</u>	<u>3,346,812</u>	<u>(1,259,278)</u>	<u>5,901,046</u>
Change in net assets	8,053,607	1,765,664	(1,259,278)	8,559,993
Transfer of assets to UMCOR	-	(1,270,312)	-	(1,270,312)
Net assets, beginning of year	26,958,868	30,984,088	108,543,765	166,486,721
Net assets, end of year	<u>\$ 35,012,475</u>	<u>\$ 31,479,440</u>	<u>\$ 107,284,487</u>	<u>\$ 173,776,402</u>

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 ACTIVITIES**

YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Revenue:				
World Service Fund:				
Allocation	\$ 24,902,613	\$ -	\$ -	\$ 24,902,613
National Plan for Hispanic Ministries	-	542,065	-	542,065
Substance Abuse and Related Violence	-	524,499	-	524,499
Asian American Language Ministry	-	321,146	-	321,146
Korean American Task Force	-	701,227	-	701,227
Pacific Islanders	-	123,693	-	123,693
Deaf Ministries	-	61,853	-	61,853
Native American Awareness Sunday	-	120,720	-	120,720
World Communion Offering	-	379,967	-	379,967
Human Relations Day	-	421,183	-	421,183
Advance Special Gifts:				
Support for persons in mission	-	4,498,334	-	4,498,334
Other	900,964	4,116,421	-	5,017,385
United Methodist Women appropriation	275,035	-	-	275,035
United Methodist Committee on				
Relief appropriation	4,359,124	-	-	4,359,124
United Methodist Development				
Fund appropriation	882,850	-	-	882,850
Benefit Trust distribution	1,993,963	-	-	1,993,963
Bequests	957,148	103,294	-	1,060,442
Grants and other contributions	497,996	116,014	-	614,010
Interest income on cash equivalents, mortgage loans, and perpetual trusts	697,305	94,496	-	791,801
Collins Forests and Collins Trust income distribution	-	3,699,800	-	3,699,800
Service fees	226,447	-	-	226,447
Missionary salary reimbursements	1,808,114	-	-	1,808,114
Other	630,850	-	-	630,850
Total	<u>38,132,409</u>	<u>15,824,712</u>	<u>-</u>	<u>53,957,121</u>
Net assets released from restrictions	<u>17,842,722</u>	<u>(17,842,722)</u>	<u>-</u>	<u>-</u>
Total Operating Revenue (Loss)	<u>55,975,131</u>	<u>(2,018,010)</u>	<u>-</u>	<u>53,957,121</u>

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 ACTIVITIES (CONTINUED)**

YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Expenses:				
Program Services:				
Global Mission Connections	\$ 8,578,309	\$ -	\$ -	\$ 8,578,309
Center for Mission Innovation	1,043,279	-	-	1,043,279
Missionary Services	18,951,651	-	-	18,951,651
Board-wide Mission Program expenses	5,565,580	-	-	5,565,580
Advance special projects	3,924,671	-	-	3,924,671
Distribution of designated funds	4,457,838	-	-	4,457,838
Total Program Services	<u>42,521,328</u>	<u>-</u>	<u>-</u>	<u>42,521,328</u>
Supporting Services:				
Management and general	8,835,428	-	-	8,835,428
Fund-raising	3,085,893	-	-	3,085,893
Total Supporting Services	<u>11,921,321</u>	<u>-</u>	<u>-</u>	<u>11,921,321</u>
Total Operating Expenses	<u>54,442,649</u>	<u>-</u>	<u>-</u>	<u>54,442,649</u>
Change in net assets from operations	<u>1,532,482</u>	<u>(2,018,010)</u>	<u>-</u>	<u>(485,528)</u>
Nonoperating Activities:				
Net depreciation in fair value of investments	(2,502,713)	(1,097,369)	-	(3,600,082)
Net depreciation in fair value of perpetual trusts	-	-	(1,633,682)	(1,633,682)
Net depreciation in beneficial interest in Collins Forests and Collins Trust	-	-	(2,202,000)	(2,202,000)
Collins Pension and Health Benefits Plan	8,526	-	-	8,526
Endowment contributions, including perpetual trusts	-	-	369,583	369,583
Other income	1,294,564	-	-	1,294,564
Transfer of assets to United Methodist Development Fund	410,700	-	(410,700)	-
Total Nonoperating Activities	<u>(788,923)</u>	<u>(1,097,369)</u>	<u>(3,876,799)</u>	<u>(5,763,091)</u>
Change in net assets	743,559	(3,115,379)	(3,876,799)	(6,248,619)
Net assets, beginning of year	<u>26,215,309</u>	<u>34,099,467</u>	<u>112,420,564</u>	<u>172,735,340</u>
Net assets, end of year	<u>\$ 26,958,868</u>	<u>\$ 30,984,088</u>	<u>\$ 108,543,765</u>	<u>\$ 166,486,721</u>

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS**

YEAR ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 8,559,993	\$ (6,248,619)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Transfer of assets to UMCOR	(1,270,312)	-
Depreciation and amortization	958,758	712,782
Decrease in fair value of beneficial interest in Collins Forests and Collins Trust	3,508,000	2,202,000
Net (appreciation) depreciation in fair value of investments	(10,914,067)	3,600,082
Net (appreciation) depreciation in fair value of perpetual trusts	(2,033,870)	1,633,682
Net (appreciation) depreciation in fair value of investments held for others	(1,639,124)	402,145
Increase in perpetual trusts held by others	(29,954)	(339,646)
Contributions and investment return restricted for long-term investment	(214,852)	(369,583)
Actuarial loss on annuity obligations	157,633	76,408
Changes in operating assets and liabilities:		
Receivables	1,137,126	(2,992,482)
Prepaid expenses and other assets	30,078	96,388
Prepaid Collins Health Plan for Missionaries pension asset	(2,287,191)	1,956,504
Accounts payable, accrued expenses, and other liabilities	289,836	(3,357,304)
Due from related entities	24,906	(440,417)
Due to related entities	75,772	352,596
Collins Pension Plan liability	1,565,827	(5,640,223)
Grants and projects payable	178,764	(1,993,827)
Funds held for others	1,743,606	(338,937)
Net cash flows from operating activities	<u>(159,071)</u>	<u>(10,688,451)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	32,493,653	31,598,397
Purchases of investments	(22,224,254)	(15,336,554)
Purchases of buildings and equipment	(11,314,459)	(4,003,779)
Principal collections on mortgages	279,686	238,972
Mortgage loans purchased by United Methodist Development Fund	785,884	-
Net cash flows from investing activities	<u>20,510</u>	<u>12,497,036</u>
Cash flows from financing activities:		
Payment of annuity obligations	(198,898)	(101,259)
Contributions and investment return restricted for long-term investment	214,852	369,583
Net cash flows from financing activities	<u>15,954</u>	<u>268,324</u>
Net change in cash and cash equivalents	(122,607)	2,076,909
Cash and cash equivalent, beginning of year	13,743,072	11,666,163
Cash and cash equivalents, end of year	<u>\$ 13,620,465</u>	<u>\$ 13,743,072</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements. 7

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

DECEMBER 31, 2016 AND 2015

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’s 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 is expected to open in March 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).

Center for Mission Innovation – The new Center for Mission Innovation offers an extraordinary opportunity to engage the many diverse constituencies of the church, connect them more fully with the work of the agency, and explore with them new ways to be together in mission. The Center for Mission Innovation helps the church apply best practices to transform local and global ministries by bringing together creative ideas and synergies of faithful witness to God’s mission.

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.

In addition, the following describes other functional areas in which Global Ministries conducts additional program activities not assigned to a specific program unit:

Board-Wide Mission 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.

Advance Special Gifts – These are expenses associated with numerous projects funded through the Advance for Christ and His Church.

Distributions of Designated Funds – These are designated and temporarily restricted fund balance expenditures.

GBGM Forests LLC – 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 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, 2016 AND 2015

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 is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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 and change in fair value, change in pension obligations, and gains or losses on sales of buildings and equipment to be nonoperating activities.

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 – All 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.

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.

Investment in United Methodist Church Foundation – Global Ministries is a participant investor, placing a portion of its investment funds with The United Methodist Church Foundation (the “UMC Foundation”) for their management. The UMC Foundation has 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. The valuation date is the last business day of each calendar month.

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.

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

DECEMBER 31, 2016 AND 2015

Note 2—Summary of significant accounting policies (continued)

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.

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 permanently restricted contribution 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 realized and unrealized gains and losses, of which are not distributed by the trusts, are recorded in permanently restricted net assets in the consolidated statements of activities as designated by the donor.

Net Assets – Unrestricted net assets represent resources over which the board of directors has full discretion with respect to use. Temporarily restricted net assets represent resources, which have been time- and/or purpose-restricted by the specific donor. Permanently restricted net assets represent contributions and other gifts, which require that the corpus be maintained intact and that only the income be used as specified by the donor.

When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Expenses are reported as decreases in unrestricted net assets. 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 unrestricted net assets unless their use is restricted by donors or State law.

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 unrestricted, temporarily restricted, or permanently restricted support, 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, 2016 and 2015.

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

DECEMBER 31, 2016 AND 2015

Note 2—Summary of significant accounting policies (continued)

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 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 accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the revenue and expenses during the reporting period. 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 Pronouncements – 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*. ASU 2016-14 provides for a variety of changes to the presentation of the financial statements of not-for-profit entities, including changing from three classes of net assets to two classes of net assets, enhancing disclosure requirements related to liquidity concerns and endowment management, a requirement to present expenses classified by both their nature and their function and other changes to presentation and disclosure. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, and early adoption is permitted. Global Ministries is presently evaluating the impact of ASU 2016-14 on its financial statements.

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

DECEMBER 31, 2016 AND 2015

Note 3—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 also receives appropriations 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 year ended December 31, 2016, Global Ministries received a \$3,000,000 contribution from UMCOR towards the construction and rehabilitation costs of the new headquarters in Atlanta, Georgia.

During 2012, Global Ministries transferred \$17,150,000 of its loan funds to UMDF for the purpose of making "missional" loans. As of December 31, 2016 and 2015, UMDF held \$19,041,230 and \$17,964,900, respectively, of Global Ministries loan funds. These loan funds are carried at cost and are reported in perpetual trusts held by others, including revolving loan funds in the accompanying consolidated statements of financial position.

Service fees include contract services revenue from Collins Pension Plan for Missionaries Trust. Other service fees from related parties consist mainly of sales of supplies to other Global Ministries-related entities, principally UMCOR.

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.

Amounts received from other United Methodist churches and agencies accounted for approximately 71% of Global Ministries' total operating revenue in 2016 and 2015. 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).

At December 31, 2016 and 2015, Global Ministries held investments, at fair value, with the UMC Foundation of \$2,588,343 and \$2,615,075, respectively.

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

DECEMBER 31, 2016 AND 2015

Note 4—Investments

At December 31, 2016 and 2015, the cost and fair value of investments are as follows:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
UMC Foundation	\$ 2,643,119	\$ 2,588,343	\$ 2,613,245	\$ 2,615,075
Short-term securities	281,102	281,103	343,930	343,930
Multiple Asset Fund	123,000,270	152,016,042	129,738,852	149,623,536
Equities	54,810	42,496	108,670	65,256
U.S. Government and Agencies	54,191	53,167	4,186	4,186
Bond mutual funds	343,679	343,679	389,055	389,055
Subtotal Investments	123,734,052	152,736,487	130,584,693	150,425,963
Total Investments	\$ 126,377,171	\$ 155,324,830	\$ 133,197,938	\$ 153,041,038

Investment return for the years ended December 31, 2016 and 2015, excluding investment return on assets held for others, consisted of the following:

	2016	2015
Interest and dividends	\$ 36,841	\$ 39,126
Net appreciation (depreciation) in fair value of investments:		
Realized gains on investments, net	3,263,075	3,137,754
Unrealized gains (losses) on investments, net	7,681,422	(6,708,907)
Net appreciation (depreciation) in fair value of investments	10,944,497	(3,571,153)
Total return on investments	10,981,338	(3,532,027)
Investment management expenses	(67,271)	(68,055)
Return on investments, net	\$ 10,914,067	\$ (3,600,082)

Note 5—Buildings and equipment

Buildings and equipment consist of the following at December 31:

	2016	2015
Buildings, building improvements, and land	\$ 12,738,704	\$ 3,083,762
Equipment	1,311,487	491,669
Internally developed software	1,824,870	1,508,566
	15,875,061	5,083,997
Less accumulated depreciation and amortization	(1,240,203)	(804,840)
Total buildings and equipment, net	\$ 14,634,858	\$ 4,279,157

Depreciation and amortization expense totaled \$958,758 and \$712,782 for the years ended December 31, 2016 and 2015, respectively.

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

DECEMBER 31, 2016 AND 2015

Note 6—Mortgage loans to churches

During the year ended December 31, 2016, UMDF purchased all of Global Ministries' church mortgage loans with a principal balance of \$785,884. Global Ministries wrote off the related allowance for doubtful loans balance of \$145,000.

At December 31, 2015, the gross church mortgage loans balance was \$1,210,570, the allowance for doubtful accounts was \$145,000, and the total net mortgage loans balance was \$1,065,570.

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 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 permanently restricted net assets.

The income from the Collins Forests and the Pennsylvania Forest is used to satisfy the actuarially determined funding requirements for the Collins Pension Plan, supports contributions to the Collins Health Benefits Plan for post-retirement benefits and pays benefits to qualifying missionaries, and supplements medical costs of active missionaries.

The total recorded value of the Collins Forest and the Pennsylvania Forest was \$29,214,000 and \$32,722,000 as of December 31, 2016 and 2015, 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 (7.75% and 7.50% for 2016 and 2015, respectively) adjusted for credit risk (4.69% and 4.50% for 2016 and 2015, 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, 2016 and 2015, there was net depreciation in the fair value of the beneficial interest in the Collins Forests and Pennsylvania Forest of \$3,508,000 and \$2,202,000, respectively.

Note 8—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 Benefits and Investments ("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 contribution to their United Methodist Personal Investment Plan (UMPIP). Total contributions made by Global Ministries for both components during 2016 and 2015 totaled \$1,197,360 and \$1,001,132, respectively.

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

DECEMBER 31, 2016 AND 2015

Note 8—Employee benefits (continued)

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 \$557.13 for 2016 and \$546.21 for 2015.

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, 2016 and 2015:

	2016	2015
Benefit obligation at December 31	\$ (138,905,803)	\$ (137,701,857)
Fair value of plan assets at December 31	71,870,379	72,232,260
Unfunded obligation	<u>\$ (67,035,424)</u>	<u>\$ (65,469,597)</u>
Benefit obligation weighted average assumptions:		
Discount rate	4.20%	4.50%
Expected return on plan assets	7.00%	7.00%
Benefit cost weighted average assumptions:		
Discount rate	4.20%	4.50%
Expected return on plan assets	7.00%	7.00%
Benefit cost	\$ 1,699,254	\$ 877,045
Benefits paid	10,497,529	10,928,066
Employer contributions	4,575,029	3,510,000

The following table presents the fair value of the Plan’s assets at December 31, 2016 and 2015:

	2016	2015
Cash	\$ 219,166	\$ 215,868
Wespath Multiple Asset Fund	71,651,213	72,016,392
Total plan assets	<u>\$ 71,870,379</u>	<u>\$ 72,232,260</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 (44%), fixed income funds (25%), international equity funds (20%), inflation protection funds (10%), and multiple asset fund cash (1%), 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.

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

DECEMBER 31, 2016 AND 2015

Note 8—Employee benefits (continued)

Based on historically indexed data, the assumed long-term rates of return for 2016 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 Plan benefit payments reflecting expected future service for the next five fiscal years and thereafter through 2025 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
December 31, 2017	\$ 10,558,368
December 31, 2018	10,350,302
December 31, 2019	10,091,639
December 31, 2020	9,835,419
Thereafter through 2025	52,300,260

A contribution will likely be made to the Plan for the year ending December 31, 2016. 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 9—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 \$91,600,000 and \$94,000,000 and the unfunded expected postretirement benefit obligation (EPBO) was approximately \$127,500,000 and \$134,000,000 as of December 31, 2016 and 2015, respectively.

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

DECEMBER 31, 2016 AND 2015

Note 9—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 2016 and 2015, 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 \$149,293,565 and \$147,048,245 as of December 31, 2016 and 2015, respectively. The total amount available for reimbursement in 2016 and 2015 was \$8,822,895 and \$9,631,814, respectively, of which Global Ministries’ share, net of retiree health benefits was \$1,869,233 and \$1,993,963, 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 \$1,778,233 and \$1,403,276 in 2016 and 2015, respectively, exclusive of reimbursement from the Benefit Trust.

Collins Health Plan for Missionaries – Global Ministries also sponsors the Collins Retiree Medical/Dental Reimbursement 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Benefit obligation at December 31	\$ (25,734,891)	\$ (26,737,987)
Fair value of plan assets at December 31	32,761,597	31,477,502
Funded status	<u>\$ 7,026,706</u>	<u>\$ 4,739,515</u>
Benefit obligation weighted average assumptions:		
Discount rate	4.20%	4.50%
Expected return on plan assets	7.00%	7.00%
Benefit cost weighted average assumptions:		
Discount rate	4.20%	4.50%
Expected return on plan assets	7.00%	7.00%
Benefit cost	\$ (616,782)	\$ (865,532)
Benefits paid	1,272,715	1,357,507
Employer contributions	-	-

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

DECEMBER 31, 2016 AND 2015

Note 9—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 2016:

- Medical: 8.0% in 2016, decreasing by 1.0% per year to ultimate rate of 5.0% in 2019 and all future years;
- Drug: 6.5% in 2016 and all future years; decreasing by 0.5% per year to ultimate rate of 5.0% in 2019 and all future years;
- Medicare Part B: 3.0% in 2016 and all future years;
- Dental: 1.0% in 2016 and all future years; and
- Nursing home care: 6.0% in 2016 and all future years

The following table presents the fair value of the Collins Health Plan’s assets at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 134,858	\$ 315,430
Wespath Multiple Asset Fund	217,163	201,556
Wespath Domestic Stock Fund	15,973,897	15,432,952
Wespath Domestic Bond Fund	11,876,088	11,301,299
Wespath International Stock Fund	4,386,750	4,163,315
Receivables	189,305	77,154
Accrued expenses	(16,464)	(14,240)
Total plan assets	<u>\$ 32,761,597</u>	<u>\$ 31,477,466</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>2016</u>	<u>2015</u>
Equities	65%	64%	64%
Fixed income	35%	36%	36%

Based on historically indexed data, the assumed long-term rates of return for 2016 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 AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2016 AND 2015

Note 9—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 2025 are as follows:

<u>Fiscal Year</u>	<u>Benefits Reflecting Medicare Subsidy</u>	<u>Benefits Not Reflecting Medicare Subsidy</u>
December 31, 2017	\$ 1,778,000	\$ 1,932,000
December 31, 2018	1,778,000	1,932,000
December 31, 2019	1,768,000	1,922,000
December 31, 2020	1,743,000	1,895,000
Thereafter through 2025	9,293,000	10,161,000

No contribution is expected to be made to the Health Trust for the year ended December 31, 2016.

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 2016, the postretirement benefit obligation and benefit cost were reduced by \$2,609,000 and \$159,000, respectively, and in 2015, the postretirement benefit obligation and benefit cost were reduced by \$2,701,000 and \$158,000, respectively.

Note 10—Commitments

Global Ministries has a noncancelable operating lease for office space, which expires in 2017. The annual rental is adjusted each year upon the landlord’s analysis of carrying, maintenance, depreciation, and capital improvement fund charges for the building.

The future minimum rental commitments under this lease are as follows:

<u>Year Ending December 31:</u>	<u>Amount</u>
2017	\$ 73,656

Global Ministries shares the office space with the UMW, UMCOR, and other related Methodist agencies. The rental payments are allocated to each agency based on square feet utilization. Total rent expense incurred by Global Ministries under the lease amounted to approximately \$2,041,366 and \$2,411,868 in 2016 and 2015, respectively. This includes approximately \$765,091 and \$849,000 in 2016 and 2015, respectively, paid by the other related Methodist agencies.

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

DECEMBER 31, 2016 AND 2015

Note 11—Funds held for others

Funds held for others consist of amounts held for the following at December 31, 2016 and 2015:

	2016	2015
Foundation for Theological Education in Southeast Asia	15,359,637	\$ 14,692,424
Beneficiary organizations designated by donors	9,147,477	8,163,169
Education Endowment Fund	2,127,987	2,035,902
Total funds held for others	<u>\$ 26,635,101</u>	<u>\$ 24,891,495</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.

Note 12—Designated net assets

Board designated unrestricted net assets for programs at December 31, 2016 and 2015 are as follows:

	2016	2015
Field projects	\$ 4,112,270	\$ 4,170,823
Regionalization Atlanta	4,041,669	6,769,863
Missionary work	3,676,686	3,717,918
Property	2,593,998	2,885,704
Special program emphasis	1,609,636	1,844,474
Humanitarian relief	378,331	379,099
Advance Office	208,460	221,750
Annuity fund	204,463	244,041
Mission education	179,020	147,221
Plant and equipment	75,049	75,049
Economic development	38,900	40,328
Women, children, and youth	7,660	7,661
Total board designated unrestricted net assets for programs	<u>\$ 17,126,142</u>	<u>\$ 20,503,931</u>

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

DECEMBER 31, 2016 AND 2015

Note 13—Restricted net assets

Temporarily restricted net assets at December 31, 2016 and 2015 are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Field projects	\$ 12,220,809	\$ 11,618,871
Scholarships and leadership training	6,515,465	6,335,638
Restricted through General Conference	5,799,676	6,799,554
China programs	2,440,576	2,180,826
Advance special projects	1,921,340	1,808,950
Projects for individuals and institutions	1,234,366	1,122,345
Missionary support	1,105,466	944,830
Other	241,742	173,074
Total temporarily restricted net assets	<u>\$ 31,479,440</u>	<u>\$ 30,984,088</u>

Permanently restricted net assets at December 31, 2016 and 2015 represent contributions restricted to investment in perpetuity. Income from these funds is expendable to support the following purposes:

	<u>2016</u>	<u>2015</u>
Collins Forests and Collins Trust	\$ 29,214,000	\$ 32,722,000
Permanent funds - income unrestricted	27,894,784	26,964,922
Revolving loan fund - available for loans for unrestricted purposes	19,041,230	17,964,900
Permanent funds - income donor restricted for the following:		
Field projects	17,406,615	17,213,232
Scholarships	5,033,947	5,026,012
Missionary support	3,416,000	3,403,383
Projects for individuals and institutions	2,272,841	2,269,893
Advance special projects	1,443,392	1,422,772
China programs	1,178,212	1,173,185
Pensions	383,466	383,466
Total permanently restricted net assets	<u>\$ 107,284,487</u>	<u>\$ 108,543,765</u>

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 permanently restricted net assets (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.

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

DECEMBER 31, 2016 AND 2015

Note 14—Endowment funds (continued)

Changes in endowment net assets at December 31, 2016 and 2015 are:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2016	\$ 7,703,636	\$ 14,536,628	\$ 75,821,765	\$ 98,062,029
Investment return:				
Net appreciation (realized and unrealized)	458,602	1,379,000	2,033,870	3,871,472
Contributions and transfers	359,973	1,016,101	214,852	1,590,926
Appropriation of endowment assets for expenditure	-	(1,016,101)	-	(1,016,101)
Endowment net assets, December 31, 2016	<u>\$ 8,522,211</u>	<u>\$ 15,915,628</u>	<u>\$ 78,070,487</u>	<u>\$ 102,508,326</u>
Endowment net assets, January 1, 2015	\$ 8,496,173	\$ 17,520,131	\$ 77,496,564	\$ 103,512,868
Investment return:				
Net depreciation (realized and unrealized)	(396,704)	(1,097,369)	(1,633,682)	(3,127,755)
Contributions and transfers	427,675	1,047,559	369,583	1,844,817
Transfer of assets to UMDF	410,700	-	(410,700)	-
Appropriation of endowment assets for expenditure	(1,234,208)	(2,933,693)	-	(4,167,901)
Endowment net assets, December 31, 2015	<u>\$ 7,703,636</u>	<u>\$ 14,536,628</u>	<u>\$ 75,821,765</u>	<u>\$ 98,062,029</u>

Funds with Deficiencies – 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. There were no deficiencies as of December 31, 2016 and 2015.

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) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a combination of the S&P 500 Index, MSCI-EAFE and BC Aggregate, while assuming a moderate level of investment risk. Global Ministries expects its endowment funds, over time, to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.

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

DECEMBER 31, 2016 AND 2015

Note 14—Endowment funds (continued)

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 a policy of appropriating 100% of income for distribution annually. Capital gains are re-invested. From time to time realized gains may be distributed upon approval by the Board of Directors during the Annual Board Meeting. In establishing this policy, Global Ministries considered the long-term expected return on its endowment. Accordingly, over the long term, Global Ministries expects the current spending policy to allow its endowment to grow at an average rate of 7% annually. This is consistent with Global Ministries' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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 table summarizes required fair value disclosures and measurements at December 31, 2016 and 2015 for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

	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>
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)	\$ -	\$ -

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

DECEMBER 31, 2016 AND 2015

Note 15—Fair value of financial instruments (continued)

	December 31, 2015			
	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*	\$ 149,623,536	\$ -	\$ -	\$ -
UMC Foundation*	2,615,075	-	-	-
Short-term securities	265,689	265,689	-	-
U.S. government securities	4,204	4,204	-	-
Bond mutual funds	467,297	467,297	-	-
Equities	65,237	65,237	-	-
Total investments	<u>\$ 153,041,038</u>	<u>\$ 802,427</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in Collins				
Forests and Collins Trust	\$ 32,722,000	\$ -	\$ -	\$ 32,722,000
Perpetual trusts held by others	\$ 24,975,573	\$ -	\$ -	\$ 24,975,573
Liabilities				
Funds held for others	\$ (24,891,495)	\$ (24,891,495)	\$ -	\$ -

* 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 this table 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.

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

DECEMBER 31, 2016 AND 2015

Note 15—Fair value of financial instruments (continued)

The following is a reconciliation of activity for 2016 and 2015 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, 2015	\$ 34,924,000	\$ 26,411,193
Net depreciation in fair value	(2,202,000)	(1,435,620)
Balance, December 31, 2015	\$ 32,722,000	\$ 24,975,573
Contribution	-	29,954
Net (depreciation) appreciation in fair value	(3,508,000)	957,540
Balance, December 31, 2016	<u>\$ 29,214,000</u>	<u>\$ 25,963,067</u>

Note 16—Subsequent events

Management has evaluated subsequent events through July 6, 2017, the date the consolidated financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.