

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

CONSOLIDATED FINANCIAL STATEMENTS

*As of and for the Years Ended December 31, 2015
and 2014*

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, 2015 and 2014, 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, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Atlanta, Georgia
June 27, 2016

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

DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 13,743,072	\$ 11,666,163
Receivables:		
Accrued World Service Fund allocation	7,790,657	8,229,107
Due from General Council on Finance and Administration	9,318,154	5,744,579
Due from related entities	682,457	242,040
Bequests receivable	495,246	877,266
Mortgage loans to churches and staff, net of allowance	1,065,570	1,304,542
Other	708,511	469,134
Prepaid expenses and other assets	498,359	594,747
Investments	153,041,038	173,305,108
Buildings and equipment, net	4,279,157	988,160
Prepaid Collins Health Plan for Missionaries pension asset	4,739,515	6,696,019
Beneficial interest in Collins Forests	32,722,000	34,924,000
Perpetual trusts held by others, including revolving loan funds	42,940,473	44,234,509
Total Assets	\$ 272,024,209	\$ 289,275,374
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable, accrued expenses, and other liabilities	\$ 12,058,688	\$ 15,415,992
Grants and projects payable	2,418,921	4,412,748
Due to related entities	367,236	14,640
Annuities payable	331,551	356,402
Collins Pension Plan liability	65,469,597	71,109,820
Assets held for others	24,891,495	25,230,432
Total Liabilities	105,537,488	116,540,034
Net Assets:		
Unrestricted:		
General operating fund	(6,814,403)	(8,186,349)
Other undesignated	3,136,535	4,276,745
Designated for programs	20,503,931	19,432,679
Designated for missionaries retirement including pension and health benefit costs	10,132,805	10,692,234
Total Unrestricted	26,958,868	26,215,309
Temporarily restricted	30,984,088	34,099,467
Permanently restricted	108,543,765	112,420,564
Total Net Assets	166,486,721	172,735,340
Total Liabilities and Net Assets	\$ 272,024,209	\$ 289,275,374

**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 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>41,832,209</u>	<u>12,124,912</u>	<u>-</u>	<u>53,957,121</u>
Net assets released from restrictions	<u>14,142,922</u>	<u>(14,142,922)</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>

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

YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Expenses:				
Program Services:				
Mission and Evangelism	\$ 689,621	\$ -	\$ -	\$ 689,621
Mission Theology and New Initiatives	4,328,554	-	-	4,328,554
Justice and Relationships	4,603,413	-	-	4,603,413
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	-	-	(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>

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, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Revenue:				
World Service Fund:				
Allocation	\$ 24,435,770	\$ -	\$ -	\$ 24,435,770
National Plan for Hispanic Ministries	-	530,584	-	530,584
Substance Abuse and Related Violence	-	494,181	-	494,181
Asian American Language Ministry	-	313,890	-	313,890
Korean American Task Force	-	686,639	-	686,639
Pacific Islanders	-	121,275	-	121,275
Deaf Ministries	-	61,132	-	61,132
Native American Awareness Sunday	-	91,726	-	91,726
World Communion Offering	-	374,983	-	374,983
Human Relations Day	1,243	398,998	-	400,241
Advance Special Gifts:				
Support for persons in mission	-	4,717,288	-	4,717,288
Other	789,334	3,274,026	-	4,063,360
United Methodist Women appropriation	296,064	-	-	296,064
United Methodist Committee on Relief appropriation	3,715,787	-	-	3,715,787
United Methodist Development Fund appropriation	915,178	-	-	915,178
Benefit Trust distribution	2,479,073	-	-	2,479,073
Bequests	637,603	164,954	-	802,557
Grants and other contributions	33,083	112,351	-	145,434
Interest income on cash equivalents, mortgage loans, and perpetual trusts	240,422	154,898	-	395,320
Collins Forests income distribution	4,408,709	-	-	4,408,709
Service fees	205,570	-	-	205,570
Missionary salary reimbursements	1,610,130	-	-	1,610,130
Other	1,026,800	-	-	1,026,800
Total	40,794,766	11,496,925	-	52,291,691
Net assets released from restrictions	13,950,197	(13,950,197)	-	-
Total Operating Revenue (Loss)	54,744,963	(2,453,272)	-	52,291,691

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

YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Expenses:				
Program Services:				
Mission and Evangelism	\$ 546,465	\$ -	\$ -	\$ 546,465
Mission Theology and New Initiatives	4,573,686	-	-	4,573,686
Justice and Relationships	3,858,088	-	-	3,858,088
Missionary Services	17,004,922	-	-	17,004,922
Board-wide Mission Program expenses	5,648,038	-	-	5,648,038
Advance special projects	3,449,138	-	-	3,449,138
Distribution of designated funds	5,333,702	-	-	5,333,702
Total Program Services	<u>40,414,039</u>	<u>-</u>	<u>-</u>	<u>40,414,039</u>
Supporting Services:				
Management and general	7,945,120	-	-	7,945,120
Fund-raising	3,349,085	-	-	3,349,085
Total Supporting Services	<u>11,294,205</u>	<u>-</u>	<u>-</u>	<u>11,294,205</u>
Total Operating Expenses	<u>51,708,244</u>	<u>-</u>	<u>-</u>	<u>51,708,244</u>
Change in net assets from operations	<u>3,036,719</u>	<u>(2,453,272)</u>	<u>-</u>	<u>583,447</u>
Nonoperating Activities:				
Net appreciation in fair value of investments	4,660,886	1,707,441	-	6,368,327
Net appreciation in fair value of perpetual trusts	-	-	998,583	998,583
Net depreciation in beneficial interest in Collins Forests	-	-	(4,068,000)	(4,068,000)
Collins Pension and Health Benefits Plan	(4,349,010)	-	-	(4,349,010)
Endowment contributions, including perpetual trusts	-	-	693,540	693,540
Other income	963,307	-	-	963,307
Total Nonoperating Activities	<u>1,275,183</u>	<u>1,707,441</u>	<u>(2,375,877)</u>	<u>606,747</u>
Change in net assets	4,311,902	(745,831)	(2,375,877)	1,190,194
Net assets, beginning of year	<u>21,903,407</u>	<u>34,845,298</u>	<u>114,796,441</u>	<u>171,545,146</u>
Net assets, end of year	<u>\$ 26,215,309</u>	<u>\$ 34,099,467</u>	<u>\$ 112,420,564</u>	<u>\$ 172,735,340</u>

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

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (6,248,619)	\$ 1,190,194
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	712,782	343,960
Provision for doubtful loans	-	(837,697)
Decrease in fair value of beneficial interest in Collins Forests	2,202,000	4,068,000
Net (appreciation) depreciation in fair value of investments	3,600,082	(6,368,327)
Net (appreciation) depreciation in fair value of perpetual trusts	1,633,682	(998,583)
Net (appreciation) depreciation in fair value of investments held for others	402,145	(623,290)
Increase in perpetual trusts held by others	(339,646)	(189,918)
Contributions and investment return restricted for long-term investment	(369,583)	(693,540)
Actuarial loss on annuity obligations	76,408	67,194
Changes in operating assets and liabilities:		
Receivables	(2,992,482)	3,808,925
Prepaid expenses and other assets	96,388	(338,221)
Prepaid Collins Health Plan for Missionaries pension asset	1,956,504	(453,006)
Accounts payable, accrued expenses, and other liabilities	(3,357,304)	(2,390,818)
Due from General Board of Global Ministries - related entities	(440,417)	758,122
Due to General Board of Global Ministries - related entities	352,596	(589,965)
Collins Pension Plan liability	(5,640,223)	1,067,210
Grants and projects payable	(1,993,827)	63,676
Assets held for others	(338,937)	1,432,286
Net cash flows from operating activities	<u>(10,688,451)</u>	<u>(683,798)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	31,598,397	43,980,015
Purchases of investments	(15,336,554)	(43,866,530)
Purchases of equipment	(4,003,779)	(521,837)
Principal collections on mortgages	238,972	255,497
Net cash flows from investing activities	<u>12,497,036</u>	<u>(152,855)</u>
Cash flows from financing activities:		
Payment of annuity obligations	(101,259)	(82,630)
Contributions and investment return restricted for long-term investment	369,583	693,540
Net cash flows from financing activities	<u>268,324</u>	<u>610,910</u>
Net change in cash and cash equivalents	2,076,909	(225,743)
Cash and cash equivalent, beginning of year	11,666,163	11,891,906
Cash and cash equivalents, end of year	<u>\$ 13,743,072</u>	<u>\$ 11,666,163</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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:

Mission and Evangelism – This program area carries the responsibilities within Global Ministries as it seeks to enhance the involvement of all United Methodists in Christian mission and develop ways to facilitate this mission involvement and collaborates in realizing the radical will of God for the transformation of the world. It develops mission programming around the following areas: identification and analysis of the missional concerns that shape the conditions under which the church is called to engage in God’s Mission; providing opportunities for United Methodists to understand the global mission of The United Methodist Church and for personal and corporate witness through involvement in and support of this mission; working with ecumenical agencies in fulfilling mission education responsibilities; and providing opportunities for United Methodists to gather and witness as a global church.

Mission Theology and Evaluation – This program area provides strategic, long-term vision and leadership for the mission of Global Ministries. The unit oversees the development and implementation of a system of performance management for Global Ministries, provides mission theology expertise to/for Global Ministries projects, develops and creates programs geared to the mission education of United Methodist and other constituents, and coordinates the process of leadership development for mission through the Global Praise and our scholarship programs. The unit is also responsible for special program initiatives, which are not part of established portfolios in any department, such as global migration, microfinance initiative, and coordination of interpretation services with partners. It is also responsible for the supervision and relationships with the General Conference mandated plans assigned to Global Ministries: the Special Program on Substance Abuse and Related Violence (SPSARV), 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).

Justice and Relationships – This program area provides Justice and Relationships partners with and accompanies ministries, missionaries, and networks with emphasis on children, young people, women, and communities of color within the Church and around the globe. Justice and Relationships trains and develops leaders, communities, and congregations for mission related to justice, freedom, peace, health, and wholeness. This unit also cultivates, nurtures, and coordinates relationships among church and ecumenical mission partners around the globe that enhance a holistic approach to God’s Mission. The goal of these connections is to build up the Body of Christ in its national and regional expressions by facilitating cross-cultural mission exchange of ideas, support, encouragement, and resources.

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.

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

DECEMBER 31, 2015 AND 2014

Note 1—Nature of organization (continued)

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 of the limited liability company to take title to certain real estate solely for the benefit of and to advance the exempt charitable and religious purposes of Global Ministries.

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 have been 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 a financial institution in excess of federally insured limits.

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

DECEMBER 31, 2015 AND 2014

Note 2—Summary of significant accounting policies (continued)

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.

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.

Leasehold improvements are amortized over the life of the asset or the remaining lease term, whichever is shorter.

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.

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

DECEMBER 31, 2015 AND 2014

Note 2—Summary of significant accounting policies (continued)

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, 2015 and 2014.

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.

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Note 2—Summary of significant accounting policies (continued)

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. Actual results could differ from those estimates.

New Accounting Pronouncements – In April 2013, FASB issued Accounting Standards Update (“ASC”) 2013-06, *Not-for-Profit Entities* (Topic 958): *Services Received from Personnel of an Affiliate*, a consensus of the EITF. This guidance requires a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. Global Ministries has adopted ASU 2013-06 for the year ended December 31, 2015. As Global Ministries does not receive services from personnel of an affiliate, the adoption of this standard had no impact on Global Ministries consolidated financial statements.

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 2012, Global Ministries transferred \$17,150,000 of its loan funds to UMDF for the purpose of making “missional” loans. As of December 31, 2015 and 2014, UMDF held \$17,964,901 and \$17,823,316, 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.

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Note 3—Related parties (continued)

Amounts received from other United Methodist units accounted for approximately 72% of Global Ministries' total operating revenue in 2015 and 2014. 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, 2015 and 2014, Global Ministries held investments, at fair value, with the United Methodist Church Foundation of \$2,615,075 and \$2,611,511, respectively.

Note 4—Investments

At December 31, 2015 and 2014, the cost and fair value of investments are as follows:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Short-term securities	\$ 1,421,728	\$ 1,421,728	\$ 1,417,415	\$ 1,417,415
Total Short-term securities	1,421,728	1,421,728	1,417,415	1,417,415
U.S. Government and Agencies	4,186	4,186	5,609	5,595
Multiple Asset Fund	129,738,852	149,623,536	142,582,472	169,847,809
Other bonds	1,535,447	1,537,277	1,511,018	1,532,790
Equities	108,670	65,256	139,755	98,904
Bond mutual funds	389,055	389,055	402,595	402,595
Total Marketable Securities	131,776,210	151,619,310	144,641,449	171,887,693
	<u>\$ 133,197,938</u>	<u>\$ 153,041,038</u>	<u>\$ 146,058,864</u>	<u>\$ 173,305,108</u>

Investment return for the years ended December 31, 2015 and 2014, excluding investment return on assets held for others, consisted of the following:

	2015	2014
Interest and dividends	\$ 39,126	\$ 57,561
Net appreciation(depreciation) in fair value of investments:		
Realized gains on investments, net	3,137,754	5,715,433
Unrealized gains(loss) on investments, net	(6,708,907)	664,949
Net appreciation(depreciation) in fair value of investments	(3,571,153)	6,380,382
Total return on investments	(3,532,027)	6,437,943
Investment management expenses	(68,055)	(69,616)
Investment return on investments, net	<u>\$ (3,600,082)</u>	<u>\$ 6,368,327</u>

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Note 5—Mortgage loans to churches and staff

Mortgage loans to churches and staff consist of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Church mortgage loans	\$ 1,210,570	\$ 1,449,542
Allowance for doubtful loans	(145,000)	(145,000)
Total mortgage loans, net	<u>\$ 1,065,570</u>	<u>\$ 1,304,542</u>

Note 6—Beneficial interest in Collins Forests

Global Ministries owns a beneficial interest in two timberlands in the Collins Forests, which are working forests of old growth timber in California and a beneficial interest in a Collins Trust which owns a timberland in Pennsylvania (collectively, “the Forests”). Global Ministries receives annual income from its interest in the California timberlands and has an irrevocable right to a percentage of the annual income from the trust which holds the Pennsylvania Forest. Global Ministries has recognized both its beneficial interest in the Forests as permanently restricted net assets. The recorded value of \$32,722,000 and \$34,924,000 as of December 31, 2015 and 2014, respectively, represents the discounted present value of the estimated future cash flows (over 30 years) from the Forests as computed by management of the Forests. A discount rate (7.50% for 2015 and 2014) adjusted for credit risk (4.5%, 2015 and 2014) was used in determining the present value.

During the years ended December 31, 2015 and 2014, there was net depreciation in the fair value of the beneficial interest in the Forest of \$2,202,000 and \$4,068,000, respectively.

The economic decline in the United States during recent years have significantly impacted the lumber and building products industry resulting in actual cash flow streams that are less than previous annual projections. Management of the Forests and Global Ministries believes the economic conditions are temporary in nature and that over the 30-year period the cash flows will approximate the original projections.

The income from the Forests 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.

Note 7—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 the General Board of Pension and Health Benefits of the United Methodist Church (“GBOPHB”).

Global Ministries makes semi-monthly contributions to each eligible employee’s account held by GBOPHB 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 2015 and 2014 totaled \$1,001,132 and \$975,710, respectively.

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Note 7—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 \$535.50 for 2015 and \$525 for 2014.

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, 2015 and 2014:

	2015	2014
Benefit obligation at December 31	\$ (137,701,857)	\$ (152,557,525)
Fair value of plan assets at December 31	72,232,260	81,447,705
Unfunded obligation	<u>\$ (65,469,597)</u>	<u>\$ (71,109,820)</u>
Benefit obligation weighted average assumptions:		
Discount rate	4.50%	4.10%
Expected return on plan assets	7.00%	7.00%
Benefit cost weighted average assumptions:		
Discount rate	4.50%	4.10%
Expected return on plan assets	7.00%	7.00%
Benefit cost	\$ 877,045	\$ 4,967,211
Benefits paid	10,928,066	10,542,130
Employer contributions	3,510,000	3,900,000

The following table presents the fair value of the Plan’s assets at December 31, 2015 and 2014:

	2015	2014
Cash	\$ 215,868	\$ 237,847
Multiple Asset Fund - GBOPHB	72,016,392	77,309,858
Receivables and payables	-	3,900,000
Total plan assets	<u>\$ 72,232,260</u>	<u>\$ 81,447,705</u>

The Plan’s investments are recorded at fair value using primarily Level 1 inputs, except for the Multiple Asset Fund – GBOPHB, which is recorded at fair value using primarily Level 2 inputs. The General Board of Pension and Health Benefits of the United Methodist Church 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.

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Note 7—Employee benefits (continued)

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 2015 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, 2016	\$ 10,667,149
December 31, 2017	10,378,502
December 31, 2018	10,196,871
December 31, 2019	9,945,981
December 31, 2020	9,691,753
Thereafter through 2025	44,372,764

A contribution will likely be made to the Plan during 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.

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Note 8—Health, life, and other employee benefits

Global Ministries provides health, life, and other employee benefits for its active employees and health, dental, and life 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 \$104,744,000 and \$110,000,000 and the unfunded expected postretirement benefit obligation (EPBO) was approximately \$145,163,500 and \$151,000,000 as of December 31, 2015 and 2014, respectively.

GBOPHB 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 2015 and 2014, 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 \$147,048,248 and \$160,530,000 as of December 31, 2015 and 2014, respectively. The total amount available for reimbursement in 2015 and 2014 was \$ 9,631,814 and \$9,855,581, respectively, of which Global Ministries’ share, net of retiree health benefits was \$1,993,963 and \$2,479,073, 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 \$1,403,276 and \$1,402,563 in 2015 and 2014, 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.

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Note 8—Health, life, and other employee benefits (continued)

The following sets forth financial information about the Collins Health Plan as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Benefit obligation at December 31	\$ (26,737,987)	\$ (26,634,906)
Fair value of plan assets at December 31	31,477,466	33,330,925
Funded status	<u>\$ 4,739,479</u>	<u>\$ 6,696,019</u>
Benefit obligation weighted average assumptions:		
Discount rate	4.50%	4.10%
Expected return on plan assets	7.00%	7.00%
Benefit cost weighted average assumptions:		
Discount rate	4.50%	4.10%
Expected return on plan assets	7.00%	7.00%
Benefit cost	\$ (865,532)	\$ (1,028,124)
Benefits paid	1,357,507	1,449,459
Employer contributions	-	-

For measurement purposes, the assumed annual rates of increase in the per capita costs were as follows in 2015:

- Medical: 9.0% in 2015, decreasing by 1.0% per year to ultimate rate of 5.0% in 2019 and all future years;
- Drug: 7.0% in 2015 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 2015 and all future years;
- Dental: 1.0% in 2015 and all future years; and
- Nursing home care: 6.0% in 2015 and all future years.

The following table presents the fair value of the Collins Health Plan's assets at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 315,430	\$ 184,574
Multiple Asset Fund - GBOPHB	201,556	216,594
Domestic Stock Fund - GBOPHB	15,432,952	16,146,796
Domestic Bond Fund - GBOPHB	11,301,299	12,071,381
International Stock Fund - GBOPHB	4,163,315	4,660,410
Receivables	77,154	65,547
Accrued expenses	(14,240)	(14,377)
Total plan assets	<u>\$ 31,477,466</u>	<u>\$ 33,330,925</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.

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Note 8—Health, life, and other employee benefits (continued)

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

<u>Asset Category</u>	<u>Target Asset Allocation</u>	<u>Actual Allocation at December 31,</u>	
		<u>2015</u>	<u>2014</u>
Equities	65%	64%	64%
Fixed income	35%	36%	36%

Based on historically indexed data, the assumed long-term rates of return for 2015 are: equities 8.0%, fixed income 6.0%, which produces an expected composite rate of return of 7.0%.

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

Estimated future Collins Health Plan benefit payments reflecting expected future service for the next five fiscal years and thereafter through 2025 are as follows:

	<u>Benefits Reflecting Medicare Subsidy</u>	<u>Benefits Not Reflecting Medicare Subsidy</u>
December 31, 2016	\$ 1,821,000	\$ 1,974,000
December 31, 2017	1,788,000	1,943,000
December 31, 2018	1,795,000	1,951,000
December 31, 2019	1,796,000	1,953,000
December 31, 2020	1,783,000	1,939,000
Thereafter through 2025	8,232,000	9,001,000

No contribution is expected to be made to the Health Trust during the year ending 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 2015 the postretirement benefit obligation and benefit cost were reduced by \$2,701,000 and \$158,000, respectively, and in 2014 the postretirement benefit obligation and benefit cost were reduced by \$3,048,000 and \$434,000, respectively.

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Note 9—Commitments

Global Ministries has a non-cancelable operating lease for office space, which expires in 2016. 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>
2016	\$ 2,411,868

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 \$2,411,868 and \$2,381,016 in 2015 and 2014, respectively. This includes approximately \$849,000 and \$822,000 in 2015 and 2014, respectively, paid by the other related Methodist agencies.

During 2015, Global Ministries entered into construction contracts with unrelated parties for approximately \$15,000,000 for the construction and rehabilitation of the new headquarters in Atlanta, Georgia. At December 31, 2015, approximately \$12,000,000 of such contract commitments has not yet been incurred.

Note 10—Assets held for others

Assets held for others consist of amounts held for the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Foundation for Theological Education in Southeast Asia	\$ 14,692,424	\$ 15,697,038
Education Endowment Fund	2,035,902	2,158,210
Beneficiary organizations designated by donors	8,163,169	7,375,184
Total assets held for others	<u>\$ 24,891,495</u>	<u>\$ 25,230,432</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 11—Designated net assets

Board designated unrestricted net assets for programs at December 31, 2015 and 2014 are as follows:

	2015	2014
Annuity fund	\$ 244,041	\$ 289,206
Missionary work	3,717,918	3,816,169
Field projects	4,170,823	4,249,109
Property	2,885,704	3,509,353
Plant and equipment	75,049	75,049
Humanitarian relief	379,099	379,864
Special program emphasis	1,844,474	1,503,137
Advance Office	221,750	230,399
Economic development	40,328	40,328
Health consultation	-	150,000
Regionalization Atlanta	6,769,863	5,000,000
Mission education	147,221	182,404
Women, children, and youth	7,661	7,661
Total board designated unrestricted net assets for programs	<u>\$ 20,503,931</u>	<u>\$ 19,432,679</u>

Note 12—Restricted net assets

Temporarily restricted net assets at December 31, 2015 and 2014 are available for the following purposes:

	2015	2014
Advance special projects	\$ 1,808,950	\$ 1,750,084
China programs	2,180,826	2,652,535
Projects for individuals and institutions	1,122,345	1,171,892
Scholarships and leadership training	6,335,638	6,992,506
Restricted through General Conference	6,799,554	6,802,496
Field projects	11,618,871	13,572,886
Missionary support	944,830	980,459
Other	173,074	176,609
Total temporarily restricted net assets	<u>\$ 30,984,088</u>	<u>\$ 34,099,467</u>

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Note 12—Restricted net assets (continued)

Permanently restricted net assets at December 31, 2015 and 2014 represent contributions restricted to investment in perpetuity. Income from these funds is expendable to support the following purposes:

	<u>2015</u>	<u>2014</u>
Collins Forests (see Note 6)	\$ 32,722,000	\$ 34,924,000
Revolving loan fund - available for loans for unrestricted purposes	17,964,900	18,234,017
Permanent funds - income unrestricted	26,964,922	27,805,706
Permanent funds - income donor restricted for the following:		
Advance special projects	1,422,772	1,672,984
China programs	1,173,185	1,173,185
Field projects	17,213,232	17,801,874
Projects for individuals and institutions	2,269,893	1,083,639
Missionary support	3,403,383	4,180,708
Scholarships	5,026,012	5,160,985
Pensions	383,466	383,466
Total permanently restricted net assets	<u>\$ 108,543,765</u>	<u>\$ 112,420,564</u>

Note 13—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.

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Note 13—Endowment funds (continued)

Changes in endowment nets assets at December 31, 2015 and 2014 are:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2014	\$ 8,289,483	\$ 17,682,625	\$ 75,804,441	\$ 101,776,549
Investment return:				
Net appreciation (realized and unrealized)	639,639	1,707,441	998,583	3,345,663
Contributions and transfers	348,311	654,956	693,540	1,696,807
Appropriation of endowment assets for expenditure	<u>(781,260)</u>	<u>(2,524,891)</u>	<u>-</u>	<u>(3,306,151)</u>
Endowment net assets, December 31, 2014	<u>\$ 8,496,173</u>	<u>\$ 17,520,131</u>	<u>\$ 77,496,564</u>	<u>\$ 103,512,868</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	<u>(1,234,208)</u>	<u>(2,933,693)</u>	<u>-</u>	<u>(4,167,901)</u>
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, 2015 and 2014.

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.

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Note 13—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 14—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, 2015 and 2014 for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

	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:				
Multiple Asset Fund (GBOPHB) *	\$ 149,623,536	\$ -	\$ -	\$ -
Short-term securities	1,343,487	1,343,487	-	-
U.S. government securities	4,204	4,204	-	-
Bond mutual funds	467,297	467,297	-	-
Other bonds	1,537,277	921,905	615,372	-
Equities	65,237	65,237	-	-
Total investments	<u>\$ 153,041,038</u>	<u>\$ 2,802,130</u>	<u>\$ 615,372</u>	<u>\$ -</u>
Beneficial interest in				
Collins Forests	\$ 32,722,000	\$ -	\$ -	\$ 32,722,000
Perpetual trusts held by others	\$ 24,974,573	\$ 24,974,573	\$ -	\$ -
Liabilities				
Assets held for others	\$ (24,891,495)	\$ (24,891,495)	\$ -	\$ -

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Note 14—Fair value of financial instruments (continued)

	December 31, 2014			
	Fair Value Measurements at Reporting Date Using			
	Assets (Liabilities) Measured at Fair Value	Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Investments:				
Multiple Asset Fund (GBOPHB) *	\$ 169,847,809	\$ -	\$ -	\$ -
Short-term securities	1,417,415	1,417,415	-	-
U.S. government securities	5,595	5,595	-	-
Bond mutual funds	402,595	402,595	-	-
Other bonds	1,532,790	1,025,437	507,353	-
Equities	98,904	98,904	-	-
Total investments	<u>\$ 173,305,108</u>	<u>\$ 2,949,946</u>	<u>\$ 507,353</u>	<u>\$ -</u>
Beneficial interest in				
Collins Forests	\$ 34,924,000	\$ -	\$ -	\$ 34,924,000
Perpetual trusts held by others	\$ 26,411,192	\$ 26,411,192	\$ -	\$ -
Liabilities				
Assets held for others	\$ (25,230,432)	\$ (25,230,432)	\$ -	\$ -

* 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. The fair values of the Multiple Asset Fund (GBOPHB), corporate bonds, and other bonds are determined using primarily Level 2 inputs.

Beneficial Interest in Collins Forests – Fair value is based on the discounted present value of the estimated future cash flows (over 30 years) from the Forests (Note 6). 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.

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Note 14—Fair value of financial instruments (continued)

The following is a reconciliation of activity for 2015 and 2014 for assets measured at fair value based on significant unobservable information:

	<u>2015</u>	<u>2014</u>
Balance at beginning of year	\$ 34,924,000	\$ 38,992,000
Net (depreciation) appreciation in fair value	<u>(2,202,000)</u>	<u>(4,068,000)</u>
Balance at end of year	<u>\$ 32,722,000</u>	<u>\$ 34,924,000</u>

Perpetual Trusts Held by Others and Assets Held for Others – Fair values are based on quoted market prices.

Note 15—Subsequent events

Management has evaluated subsequent events through June 27, 2016, the date the consolidated financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.