

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

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

And Report of Independent Auditor

**GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH, INC. AND AFFILIATE
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Report of Independent Auditor

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

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

Opinion

We have audited the accompanying consolidated financial statements of General Board of Global Ministries of The United Methodist Church, Inc. and affiliate (a nonprofit organization) (collectively, “Global Ministries”), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Global Ministries as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Global Ministries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Global Ministries’ ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Global Ministries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Global Ministries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit period.

Cherry Bekart LLP

Atlanta, Georgia
August 5, 2022

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

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 9,520,038	\$ 16,790,005
Accrued World Service Fund allocation	7,216,833	8,321,319
Due from General Council on Finance and Administration	15,918,401	8,617,238
Due from related entities	87,033	355,575
Accounts receivable	515,743	436,286
Prepaid expenses and other assets	710,801	331,459
Investments	285,021,536	249,768,146
Restricted investments	27,175,458	26,588,878
Revolving loan fund held by Wesleyan Investive	20,534,853	20,348,159
Buildings and equipment, net	22,191,314	23,050,683
Beneficial interest in timberland forests	6,349,000	6,788,000
Perpetual trusts held by others	33,889,499	31,833,760
Total Assets	<u>\$ 429,130,509</u>	<u>\$ 393,229,508</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 15,915,024	\$ 9,020,987
Grants and projects payable	3,052,774	1,558,288
Due to related entities	54,177	126,254
Annuities payable	100,504	96,084
Paycheck Protection Program loan	-	1,974,740
Funds held for others	37,475,824	35,645,238
Total Liabilities	<u>56,598,303</u>	<u>48,421,591</u>
Net Assets:		
Without Donor Restrictions:		
Invested in buildings and equipment	22,191,314	23,050,683
Designated for programs	17,637,844	16,032,054
Designated for missionaries including pension and health benefit costs	17,405,363	16,583,260
Contractually restricted reserve for Collins Pension Plan and Collins Health Benefits Trust	27,175,458	26,588,878
General operating fund	103,523,708	84,519,949
Total Without Donor Restrictions	<u>187,933,687</u>	<u>166,774,824</u>
With Donor Restrictions:		
Subject to purpose restrictions	16,747,617	16,049,244
Endowments and other perpetual gifts	167,850,902	161,983,849
Total With Donor Restrictions	<u>184,598,519</u>	<u>178,033,093</u>
Total Net Assets	<u>372,532,206</u>	<u>344,807,917</u>
Total Liabilities and Net Assets	<u>\$ 429,130,509</u>	<u>\$ 393,229,508</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, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenues:			
Allocation from World Service Fund	\$ 20,478,315	\$ 1,501,867	\$ 21,980,182
Special Sunday Offerings	-	471,479	471,479
Advance Special Gifts:			
Support for persons in mission	-	2,748,335	2,748,335
Other	2,871,707	2,055,769	4,927,476
Shared cost reimbursements	4,965,855	-	4,965,855
Benefit Trust distribution	1,566,687	-	1,566,687
Bequests	212,765	20,652	233,417
Grants and other contributions	216,116	136,208	352,324
Interest income on cash equivalents, mortgage loans, and perpetual trusts	1,434,771	270,510	1,705,281
Timberland forests income distribution	875,317	-	875,317
Missionary salary reimbursements	1,352,870	-	1,352,870
Other	1,067,970	-	1,067,970
Total	<u>35,042,373</u>	<u>7,204,820</u>	<u>42,247,193</u>
Net assets released from restrictions	<u>11,164,153</u>	<u>(11,164,153)</u>	<u>-</u>
Operating Revenues	<u>46,206,526</u>	<u>(3,959,333)</u>	<u>42,247,193</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, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)**

YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Expenses:			
Program Services:			
Global Mission Programs	\$ 4,809,724	\$ -	\$ 4,809,724
Missionary Services	11,311,206	-	11,311,206
Board-wide programs	2,266,203	-	2,266,203
Distribution of designated funds and gifts	7,317,452	-	7,317,452
Total Program Services	<u>25,704,585</u>	<u>-</u>	<u>25,704,585</u>
Supporting Services:			
Management and general	8,321,092	-	8,321,092
Fundraising	1,248,311	-	1,248,311
Total Supporting Services	<u>9,569,403</u>	<u>-</u>	<u>9,569,403</u>
Total Expenses	<u>35,273,988</u>	<u>-</u>	<u>35,273,988</u>
Change in net assets from operating activities	<u>10,932,538</u>	<u>(3,959,333)</u>	<u>6,973,205</u>
Nonoperating Activities:			
Investment return, net	10,226,325	7,539,187	17,765,512
Net appreciation in fair value of perpetual trusts	-	2,055,739	2,055,739
Net depreciation in beneficial interest in timberland forest	-	(439,000)	(439,000)
Net increase in revolving loan fund held by United Methodist Development Fund	-	186,694	186,694
Contributions	-	1,182,139	1,182,139
Change in net assets from nonoperating activities	<u>10,226,325</u>	<u>10,524,759</u>	<u>20,751,084</u>
Change in net assets	21,158,863	6,565,426	27,724,289
Net assets, beginning of year	<u>166,774,824</u>	<u>178,033,093</u>	<u>344,807,917</u>
Net assets, end of year	<u>\$ 187,933,687</u>	<u>\$ 184,598,519</u>	<u>\$ 372,532,206</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, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenues:			
Allocation from World Service Fund	\$ 21,418,880	\$ 1,570,850	\$ 22,989,730
Special Sunday Offerings	-	501,780	501,780
Advance Special Gifts:			
Support for persons in mission	-	2,741,331	2,741,331
Other	2,029,521	2,208,134	4,237,655
Shared cost reimbursements	6,204,450	-	6,204,450
Benefit Trust distribution	1,639,905	-	1,639,905
Bequests	8,451,209	558,701	9,009,910
Grants and other contributions	87,933	209,651	297,584
Interest income on cash equivalents, mortgage loans, and perpetual trusts	1,131,233	334,051	1,465,284
Timberland forests income distribution	586,800	-	586,800
Missionary salary reimbursements	1,553,042	-	1,553,042
Other	901,845	-	901,845
Total	<u>44,004,818</u>	<u>8,124,498</u>	<u>52,129,316</u>
Net assets released from restrictions	<u>11,138,378</u>	<u>(11,138,378)</u>	<u>-</u>
Operating Revenues	<u>55,143,196</u>	<u>(3,013,880)</u>	<u>52,129,316</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, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)**

YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Expenses:			
Program Services:			
Global Mission Connections	\$ 6,057,253	\$ -	\$ 6,057,253
Missionary Services	14,123,178	-	14,123,178
Board-wide programs	2,656,709	-	2,656,709
Distribution of designated funds and gifts	5,597,788	-	5,597,788
Total Program Services	<u>28,434,928</u>	<u>-</u>	<u>28,434,928</u>
Supporting Services:			
Management and general	10,246,082	-	10,246,082
Fundraising	1,530,714	-	1,530,714
Total Supporting Services	<u>11,776,796</u>	<u>-</u>	<u>11,776,796</u>
Total Expenses	<u>40,211,724</u>	<u>-</u>	<u>40,211,724</u>
Change in net assets from operating activities	<u>14,931,472</u>	<u>(3,013,880)</u>	<u>11,917,592</u>
Nonoperating Activities:			
Investment return, net	19,093,502	17,260,454	36,353,956
Net appreciation in fair value of perpetual trusts	-	1,826,003	1,826,003
Net appreciation in beneficial interest in timberland forest	-	357,000	357,000
Net assets released from time restriction by donor - timberland forests	28,851,000	(28,851,000)	-
Net change in benefit obligations of the Collins Pension Plan and Health Benefits Trust	(16,905,803)	-	(16,905,803)
Net gain on transfer of plan sponsorship of the Collins Pension Plan and Health Benefits Trust Plan	26,830,490	-	26,830,490
Net increase in revolving loan fund held by United Methodist Development Fund	-	57,180	57,180
Contributions	-	302,880	302,880
Change in net assets from nonoperating activities	<u>57,869,189</u>	<u>(9,047,483)</u>	<u>48,821,706</u>
Change in net assets	72,800,661	(12,061,363)	60,739,298
Net assets, beginning of year	<u>93,974,163</u>	<u>190,094,456</u>	<u>284,068,619</u>
Net assets, end of year	<u>\$ 166,774,824</u>	<u>\$ 178,033,093</u>	<u>\$ 344,807,917</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, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2021

	Program Services				Supporting Services				Total
	Global Mission Programs	Missionary Services	Board-Wide Programs	Distribution of Designated Funds and Gifts	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Direct support to persons in mission	\$ -	\$ 10,052,857	\$ -	\$ (41,726)	\$ 10,011,131	\$ -	\$ -	\$ -	\$ 10,011,131
Salaries and benefits	1,801,329	1,131,683	1,365,557	96,811	4,395,380	3,430,435	207,093	3,637,528	8,032,908
Contributions and grants to others	1,881,797	90,000	-	4,058,512	6,030,309	-	-	-	6,030,309
Program development support	693,111	20,401	99,723	3,056,358	3,869,593	212,016	30,684	242,700	4,112,293
Professional fees	122,880	5,591	740,771	80,155	949,397	1,550,507	215,780	1,766,287	2,715,684
Travel and meetings	51,878	1,713	1,204	(5,176)	49,619	5,031	-	5,031	54,650
Depreciation and amortization	-	-	-	-	-	987,327	-	987,327	987,327
Promotional and information material	9,601	109	20,783	2,605	33,098	10,056	793,668	803,724	836,822
Insurance and taxes	-	-	-	514	514	765,101	-	765,101	765,615
Rent and building repairs	37,185	-	-	31,974	69,159	461,121	-	461,121	530,280
IT and infrastructure	353	1,763	4,250	-	6,366	537,042	840	537,882	544,248
Printing and office	33,153	647	26,121	-	59,921	87,224	-	87,224	147,145
Equipment leasing, repairs, and maintenance	4,961	-	500	-	5,461	32,180	-	32,180	37,641
Telephone and web service	9,349	1,829	1,992	-	13,170	39,982	-	39,982	53,152
Postage, shipping, and freight	5,749	3,010	2,237	-	10,996	47,451	196	47,647	58,643
Miscellaneous	158,378	1,603	3,065	37,425	200,471	155,619	50	155,669	356,140
Total Expenses	\$ 4,809,724	\$ 11,311,206	\$ 2,266,203	\$ 7,317,452	\$ 25,704,585	\$ 8,321,092	\$ 1,248,311	\$ 9,569,403	\$ 35,273,988

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

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

YEAR ENDED DECEMBER 31, 2020

	Program Services					Supporting Services			
	Global Mission Connections	Missionary Services	Board-Wide Programs	Distribution of Designated Funds and Gifts	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Direct support to persons in mission	\$ -	\$ 12,696,725	\$ -	\$ (67,711)	\$ 12,629,014	\$ -	\$ -	\$ -	\$ 12,629,014
Salaries and benefits	2,356,227	1,250,876	1,703,504	238,435	5,549,042	4,900,899	527,396	5,428,295	10,977,337
Contributions and grants to others	2,492,673	100,000	-	3,247,540	5,840,213	-	-	-	5,840,213
Program development support	752,324	17,292	111,620	2,159,475	3,040,711	305,618	34,449	340,067	3,380,778
Professional fees	103,313	28,902	739,027	-	871,242	1,720,189	246,628	1,966,817	2,838,059
Travel and meetings	92,524	5,155	20,130	27,869	145,678	76,280	1,606	77,886	223,564
Depreciation and amortization	-	-	-	-	-	1,194,119	-	1,194,119	1,194,119
Promotional and information material	9,978	-	32,994	4,731	47,703	9,673	720,363	730,036	777,739
Insurance and taxes	-	-	-	542	542	579,429	-	579,429	579,971
Rent and building repairs	33,348	-	-	27,900	61,248	527,206	-	527,206	588,454
IT and infrastructure	544	2,411	7,106	-	10,061	579,957	-	579,957	590,018
Printing and office	64,643	1,373	17,395	-	83,411	75,388	-	75,388	158,799
Equipment leasing, repairs, and maintenance	12,861	8,649	10,858	-	32,368	61,370	-	61,370	93,738
Telephone and web service	10,689	2,321	3,508	-	16,518	11,628	-	11,628	28,146
Postage, shipping, and freight	3,697	8,674	2,121	-	14,492	48,328	272	48,600	63,092
Miscellaneous	124,432	800	8,446	(40,993)	92,685	155,998	-	155,998	248,683
Total Expenses	\$ 6,057,253	\$ 14,123,178	\$ 2,656,709	\$ 5,597,788	\$ 28,434,928	\$ 10,246,082	\$ 1,530,714	\$ 11,776,796	\$ 40,211,724

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

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

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 27,724,289	\$ 60,739,298
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	987,327	1,194,119
Change in fair value of beneficial interest in timberland forests	439,000	(357,000)
Net gain on transfer of Collins Pension Plan and Health Plan Trust plan sponsorship	-	(26,830,490)
Net appreciation in fair value of investments	(16,653,120)	(28,916,040)
Net increase in revolving loan fund	(186,694)	(57,180)
Net appreciation in fair value of perpetual trusts	(2,055,739)	(1,826,003)
Contributions restricted for long-term investment	(1,182,139)	(302,881)
Actuarial loss on annuity obligations	21,785	245,313
Changes in operating assets and liabilities:		
Due from related entities	268,542	5,490,046
Accrued World Service Fund allocation	1,104,486	(635,684)
Due from General Council on Finance and Administration	(7,301,163)	(2,389,057)
Accounts receivable	(79,457)	845,198
Prepaid expenses and other assets	(379,342)	64,895
Prepaid Collins Health Plan for Missionaries asset	-	1,741,090
Accounts payable, accrued expenses, and other liabilities	6,894,037	2,593,012
Grants and projects payable	1,494,486	(491,485)
Due to related entities	(72,077)	19,057
Collins Pension Plan liability	-	15,164,713
Paycheck Protection Program loan	(1,974,740)	1,974,740
Funds held for others	1,170,995	311,491
Net cash flows from operating activities	<u>10,220,476</u>	<u>28,577,152</u>
Cash flows from investing activities:		
Proceeds from sale of portion of interests in California Forests	-	3,605,380
Proceeds from sale of investments	3,287,125	22,667,303
Purchases of investments	(21,814,384)	(44,472,122)
Purchases of buildings and equipment	(127,958)	(799,007)
Net cash flows from investing activities	<u>(18,655,217)</u>	<u>(18,998,446)</u>
Cash flows from financing activities:		
Payment of annuity obligations	(17,365)	(363,725)
Contributions restricted for long-term investment	1,182,139	302,881
Net cash flows from financing activities	<u>1,164,774</u>	<u>(60,844)</u>
Net change in cash and cash equivalents	(7,269,967)	9,517,862
Cash and cash equivalents, beginning of year	16,790,005	7,272,143
Cash and cash equivalents, end of year	<u>\$ 9,520,038</u>	<u>\$ 16,790,005</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, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Supplemental disclosure of cash flow information:		
Transfer of Beneficial Interests in California Forests	\$ -	\$ 25,245,620
Derecognition of Collins Health Benefit Trust prepaid asset	\$ -	\$ 19,506,526
Derecognition of Collins Pension Plan liability	\$ -	\$ 71,582,636

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

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

DECEMBER 31, 2021 AND 2020

Note 1—Nature of organization

General Board of Global Ministries of The United Methodist Church, Inc. (“Global Ministries”) functions through its program units described as follows:

Global Mission Programs – Global Mission Programs is made up of two subunits, Global Mission Relations and Multi-Ethnic Ministries. Global Mission Relations unit’s focus is on programmatic means for creating and sustaining relationships and having a “presence” in the global regions by assisting and evaluating how partners can lead and grow their churches, networks, initiative, and institutions. The Multi-Ethnic Ministries unit works to strengthen multiethnic congregations and communities. The unit is responsible for the administrative oversight of four of the General Conference mandated plans assigned to Global Ministries: the National Plan for Hispanic/Latino Ministries (NPHLM), the Korean Ministry Plan (KMP), the Asian American Language Ministry (AALM), and the Plan for Pacific Islander Ministry (PPIM).

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

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

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

During the year ended December 31, 2014, Global Ministries formed GBGM Forests, LLC, with Global Ministries as the sole member. GBGM Forests, LLC was created for the sole purpose to take title to certain beneficial interest in timberland forests in California solely for the benefit of and to advance the exempt charitable and religious purposes of Global Ministries. On January 6, 2020, GBGM Forests, LLC was dissolved, and all assets and liabilities were transferred to Global Ministries. See Note 6.

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 (“U.S. GAAP”).

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

DECEMBER 31, 2021 AND 2020

Note 2—Summary of significant accounting policies

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

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

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

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

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

Contractually Restricted – Represents resources that must be maintained based on the terms of contractual agreements. See Note 12 for further discussion.

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

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

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

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

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Note 2—Summary of significant accounting policies (continued)

Investments – Investments are carried at fair value as follows:

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

Investments Valued at Net Asset Value per Share – Global Ministries has placed funds for investment with entities that measure the fair value of those investments on the basis of the net asset value per share without any additional adjustments if certain criteria are met. These entities have established, for accounting purposes, an initial unit value for an accounting unit of the participants' accounts based on the participants' net assets divided by the unit value. At all times, the total value of the participants' net assets, divided by the total of all participants' units, will equal the unit value. The unit value of the net assets will be determined on the valuation date.

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

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

Functional Expenses – For the years ended December 31, 2021 and 2020, the costs of providing programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. There was no allocation of expenses needed for the years ended December 31, 2021 or 2020.

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

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

Revenue Recognition – Revenue from exchange transactions, investment activities, and other non-contribution related revenue are recognized as earned.

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Note 2—Summary of significant accounting policies (continued)

Contributions are recognized when cash, other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met. If assets are transferred in advance of the conditions being met, a liability will be recorded until the conditions have been substantially met or explicitly waived by the donor. Contributions of assets other than cash are recorded at their estimated fair value.

Grants and Contributions to Others – Grants and contributions to other organizations are approved and made by management and committees of and the board of directors of Global Ministries. Grants and contributions to other organizations are recorded in the accompanying consolidated financial statements when approved and all conditions on which they depended have been met. Grants and contributions payable to other organizations in future years are recorded at the present value using the risk-adjusted rates applicable to the years in which the promises to give are to be made.

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, 2021 and 2020.

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

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

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

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

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

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

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Note 2—Summary of significant accounting policies (continued)

Future Accounting Pronouncement – In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classifications affecting the pattern of expense recognition in the consolidated statements of activities. ASU 2016-02 is effective for the year ending December 31, 2022. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. Management is currently evaluating the impact of this standard on Global Ministries’ consolidated financial statements.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. This distinction will increase transparency of contributions recognized. This standard will be effective for the year ending December 31, 2022. Management is currently evaluating the impact the pending adoption will have on Global Ministries’ consolidated financial statements.

Note 3—Liquidity and availability of resources

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

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 9,520,038	\$ 16,790,005
Accrued World Service Fund allocation	7,216,833	8,321,319
Due from General Council on Finance and Administration	15,918,401	8,617,238
Due from related entities	87,033	355,575
Accounts receivable	515,743	436,286
Investments	312,196,994	276,357,024
Total financial assets at year-end	<u>345,455,042</u>	<u>310,877,447</u>
Less amounts not available to be used for general expenditures within one year:		
Funds held for others	37,475,824	35,645,238
Subject to donor purpose restrictions	16,747,617	16,049,244
Board-designated funds	35,043,207	32,615,314
Contractually restricted net assets	27,175,458	26,588,878
Endowments	107,077,550	103,013,930
Financial assets not available to be used within one year	<u>223,519,656</u>	<u>213,912,604</u>
Financial assets available to meet general expenditures within one year	<u>\$ 121,935,386</u>	<u>\$ 96,964,843</u>

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Note 3—Liquidity and availability of resources (continued)

Global Ministries considers general expenditures to include program expenses, supporting services, and any commitments or liabilities to be paid in the subsequent year. Global Ministries is substantially supported by contributions with and without donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, Global Ministries must maintain sufficient resources to meet those responsibilities to its donors. All endowments are donor-restricted endowments. Income from donor-restricted endowments that is restricted for specific purposes or for time is not available for general expenditure. Global Ministries also has net assets that are designated for program services, and missionaries' retirement pension and benefit plan costs.

Global Ministries is contractually obligated to hold certain investments related to the transfer of its plan sponsorship in the Collins Pension Plan and Collins Health Benefits Trust. These investments totaled \$27,175,458 and \$26,588,878 at December 31, 2021 and 2020, respectively and are reported as restricted investments on the statements of financial position. See Note 15 for further discussion.

As part of Global Ministries' liquidity management plan, it structures its financial assets to be available as its obligations come due.

Note 4—Investments

At December 31, 2021 and 2020, the cost and fair value of investments, including investments held for others, are as follows:

	2021		2020	
	Fair Value	Cost	Fair Value	Cost
Multiple Asset Fund (I Series) - Wespath	\$ 246,512,332	\$ 169,243,093	\$ 212,580,519	\$ 151,822,851
Extended Term Fixed Income Fund - Wespath	20,370,089	20,598,022	19,749,602	19,357,025
U.S. Equity Fund - Wespath	3,826,785	3,076,341	3,676,822	3,759,078
International Equity Fund - Wespath	2,978,583	2,731,784	3,162,454	3,214,593
STIF Fund - UMC Foundation	1,107,492	1,097,529	1,109,919	1,101,634
Fixed Income Fund - UMC Foundation	1,796,721	1,783,590	1,839,154	1,735,338
Balanced Portfolio - Texas Methodist Foundation	35,263,290	25,000,000	33,891,952	25,000,000
Short-term securities	58,182	55,810	41,549	40,625
U.S. government securities	80,345	80,386	83,607	81,010
Bond mutual funds	146,118	146,118	164,391	164,391
Equities	57,057	69,724	57,055	69,724
Total	<u>\$ 312,196,994</u>	<u>\$ 223,882,397</u>	<u>\$ 276,357,024</u>	<u>\$ 206,346,269</u>

Investment return, net for the years ended December 31, 2021 and 2020, excluding investment returns on investments held for others, consisted of the following:

	2021	2020
Interest and dividends	\$ 56,683	\$ 81,849
Realized gains on investments, net	1,119,793	7,420,595
Change in unrealized gains on investments, net	16,653,120	28,916,040
Subtotal	17,829,596	36,418,484
Less investment management expenses	(64,084)	(64,528)
Investment return, net	<u>\$ 17,765,512</u>	<u>\$ 36,353,956</u>

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Note 5—Buildings and equipment

Buildings and equipment consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Buildings, building improvements, and land	\$ 24,187,716	\$ 24,072,288
Equipment	2,092,468	2,079,938
Internally-developed software	2,468,396	2,468,396
	<u>28,748,580</u>	<u>28,620,622</u>
Less accumulated depreciation and amortization	<u>(6,557,266)</u>	<u>(5,569,939)</u>
Buildings and equipment, net	<u>\$ 22,191,314</u>	<u>\$ 23,050,683</u>

Depreciation and amortization expense totaled \$987,327 and \$1,194,119 for the years ended December 31, 2021 and 2020, respectively.

Note 6—Beneficial interest in timberland forests

Prior to January 2, 2020, Global Ministries owned an undivided 54.6721% interest in the Collins Almanor Forest, which is a composite forest area of several timberland forests ownerships in Plumas and Tehama Counties in California and a 100% interest in a forest located in Plumas County in California (“collectively, the “California Forests”). Global Ministries also owns a beneficial interest in a trust, which owns a timberland forest in Pennsylvania (the “Pennsylvania Forest”). The California and Pennsylvania Forests are working forests of old growth timber. In accordance with the underlying agreements, Global Ministries receives annual income from its interest in the California and Pennsylvania Forests into perpetuity. Global Ministries reports its beneficial interests in the California Forests and the Pennsylvania Forest as net assets with donor restrictions due to their perpetual nature. Annual distributions from the California and Pennsylvania Forests are free of purpose or time restrictions and are reported as net assets without donor restrictions. The Board of Directors of Global Ministries designated the distributions from the California and Pennsylvania Forests to be used to satisfy the annual actuarially determined funding requirements of the Collins Pension Plan and the Collins Health Benefits Trust and annual contributions to the missionaries’ United Methodist Personal Investment Plan.

On January 2, 2020, GBGM Forests, LLC entered into a timberland purchase and sale agreement with CC&H Lands, LLC, the owner of the undivided 45.3279% interest in the Collins Almanor Forest, to sell 5.6721% of GBGM Forests, LLC’s beneficial interest in the Collins Almanor Forest; thereby reducing its beneficial interest to 49% and increasing CC&H Lands, LLC’s interest to 51%. Proceeds received from the sale was \$3,605,380. No gain or loss was recognized on the sale. On January 6, 2020, Global Ministries dissolved GBGM Forests, LLC and succeeded and assumed all rights, obligations, and liabilities of GBGM Forests, LLC including title to the interests in the California Forests and all rights in the underlying other related forests agreements.

Prior to March 10, 2020, Global Ministries obtained the consent from CC&H Lands, LLC to transfer Global Ministries’ interest, as of that date, in the California Forests to the General Board of Pensions and Health Benefits of The United Methodist Church, Inc. d/b/a Wespath Benefits and Investments (“Wespath”); thereby releasing Global Ministries from the restriction to hold its beneficial interest in the California Forests into perpetuity. On March 10, 2020, Global Ministries entered into and signed a transfer agreement with Wespath to transfer its remaining beneficial interest in the California Forests to satisfy the existing and future benefit obligations of the Collins Pension Plan and the Collins Health Benefits Trust. See Note 16 for further discussion on this transaction.

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Note 6—Beneficial interest in timberland forests (continued)

Subsequent to the transfer of the California Forests to Wespath, management of Global Ministries will utilize the annual distributions from the Pennsylvania Forest to fund contributions to the missionaries' United Methodist Personal Investment Plan.

The total recorded value of the Pennsylvania Forest was \$6,349,000 and \$6,788,000 as of December 31, 2021 and 2020, respectively. The recorded values represent the discounted present value of the estimated future cash flows (over 30 years), as computed by management of these forests. A discount rate of 7.25% for 2021 and 2020, respectively, which represents the 30-year Treasury yield curve rate on the valuation date, increased by the credit risk rate of 5.35% in 2021 and 5.6% in 2020, and an inflation rate of 4.70% in 2021 and 1.24% in 2020, was used in determining the present value.

During the years ended December 31, 2021 and 2020, there was net appreciation (depreciation) in the fair value of the beneficial interest in the Pennsylvania Forest of (\$439,000) and \$357,000, respectively.

Note 7—Related parties

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

Global Ministries receives reimbursement of shared costs from United Methodist Committee on Relief ("UMCOR") for support of certain programs and administrative and management services. During the years ended December 31, 2021 and 2020, Global Ministries received \$4,965,854 and \$6,204,450 in reimbursements, respectively, from UMCOR. At December 31, 2021 and 2020, amounts due from UMCOR were \$4,648 and \$256,886, respectively.

During 2021 and 2020, UMCOR contributed \$23,086 and \$159,801, respectively, to Global Ministries towards the construction and rehabilitation costs of its headquarters in Atlanta, Georgia. The amounts above are included in shared cost reimbursements on the consolidated statements of activities.

UMCOR has placed certain of its endowment funds with Global Ministries for investment management purposes. At December 31, 2021 and 2020, UMCOR had assets under management with Global Ministries of \$1,975,281 and \$1,936,685, respectively. Since the underlying investments are not in UMCOR's name those balances are included in investments and a corresponding liability is recorded in funds held for others in the consolidated statements of financial position. Investment returns are allocated to UMCOR based upon the weighted average percentage of the UMCOR funds held for investment to the total Global Ministries investments.

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Note 7—Related parties (continued)

During 2012, Global Ministries transferred \$17,150,000 of its loan funds, which were restricted by donors to be held into perpetuity, to United Methodist Development Fund (“UMDF”) for the purpose of making missional loans. During the year ended December 31, 2021, UMDF changed its name to Wesleyan Investive (“WI”). As of December 31, 2021, WI held \$20,534,853 of funds on behalf of Global Ministries, comprised of \$784,153 of outstanding mortgage loans and \$19,750,700 of funds available to make loans. As of December 31, 2020, WI held \$20,348,159 of funds on behalf of Global Ministries, which represents \$1,610,845 of outstanding mortgage loans and \$18,737,314 of funds available to make loans. The funds available to make loans are invested in WI notes which are valued at cost in the consolidated statements of financial position.

Amounts received from other United Methodist churches and agencies accounted for approximately 53% and 45% of Global Ministries’ total operating revenue in 2021 and 2020, respectively. Global Ministries’ continued existence at the present level is dependent upon the Church’s future financial support. The Church’s financial support of Global Ministries is dependent upon contributions from its congregations (i.e., congregational participation in the appointment covenant).

Note 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.

Global Ministries makes semi-monthly contributions to each eligible employee’s account held by Wespath based on 8% of annual employee compensation. Additionally, Global Ministries matches up to 2% of each employee’s compensation to their United Methodist Personal Investment Plan (UMPIP). Total contributions made by Global Ministries for both components during 2021 and 2020 totaled \$1,242,780 and \$1,325,920, respectively.

Collins Pension Plan – The missionaries employed by Global Ministries are covered by the Collins Pension Plan (the “Plan”) for Missionaries, a defined benefit plan. Benefits under the Plan are based on the missionaries’ years of service. 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.

Prior to August 14, 2020, the Plan’s assets were maintained in the Collins Pension Plan Trust (the “Trust”) administered by Global Ministries. Global Ministries contributed amounts to provide the Plan with assets sufficient to meet benefits to be paid to participants based on actuarial assessments. Global Ministries had an Investment Committee comprised of the Board of Directors, executive management, and external consultants with financial and investment expertise. The Investment Committee met on a quarterly basis to review investment performance and asset allocation. Managers were evaluated against prevalent market indices and changes are made when deemed necessary.

On August 14, 2020, the Plan sponsorship was transferred to Wespath. In addition, on August 14, 2020, the Plan assets maintained in the Trust and the Plan obligations were transferred to Wespath. See Note 15 for further discussion on this transaction.

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Note 9—Health, life, and other employee benefits

The General Agencies of The United Methodist Church Benefit Plan (the “Benefit Plan”) which qualifies for treatment as a multiemployer plan under ASC 715, *Compensation – Retirement Benefits*, provides medical, dental, life, and long- and short-term disability defined benefits to participants of the 11 general agencies, all Bishops covered by the Episcopal Fund, and employees of other United Methodist related organizations. Effective January 1, 2004, Benefit Plan amendments were made to change the retiree benefits offered and increase the related premiums paid by retirees.

Global Ministries provides health, dental, life, and other employee benefits for its active employees and health, dental, and life benefits to non-Medicare eligible retirees through the Benefit Plan. Retirees who are Medicare eligible, and who elect to enroll, are eligible for a Health Reimbursement Account up to \$2,100 annually and \$2,000 for their spouse, if applicable. Unused reimbursement funds continue to roll-over to subsequent years until death of the retiree or their spouse, whichever is later.

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 \$836,093 and \$1,155,422 in 2021 and 2020, respectively, exclusive of reimbursement from the General Agency Benefit Trust (the “Benefit Trust”), and is included in salaries and benefits in the consolidated statements of functional expenses.

The Benefit Plan’s unfunded accumulated postretirement benefit obligation was approximately \$41,922,000 and \$71,430,000 as of December 31, 2021 and 2020, respectively. The Benefit Plan’s unfunded expected postretirement benefit obligation was approximately \$60,056,000 and \$100,140,000 as of December 31, 2021 and 2020, respectively.

Wespath transferred certain excess pension assets to the Benefit Trust established by the 1996 General Conference as of December 31, 1996. Annually, the Benefit Trust allows a stated percentage, not to exceed 6% for 2021 and 2020, of the fair value of Benefit Trust assets at year-end for which GCFA is the beneficiary 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) for which GCFA is the beneficiary, was \$190,403,000 and \$186,112,480 as of December 31, 2021 and 2020, respectively. The total amount available for reimbursement in 2021 and 2020 was \$11,167,000 and \$10,046,935, respectively. Global Ministries’ share, net of retiree health benefits was \$1,983,148 and \$2,075,830 in 2021 and 2020, respectively, of which \$416,461 and \$435,924 was allocated to UMCOR in 2021 and 2020, respectively.

Collins Health Benefits Trust – Prior to August 14, 2020, Global Ministries sponsored the Collins Health Benefits Trust (the “Health Plan”), a noncontributory postretirement welfare plan, which covers all retired missionaries, with a minimum qualified missionary service requirement of 20 or more years (or 15 to 19 years if employed prior to January 1, 1997), for their respective lifetimes. The Health Plan benefits included reimbursements for medical and dental care, medically related travel, Medicare premiums, and expenses for special medical care assistance. The level of benefits was 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 Health Plan’s investments are measured at fair value using net asset value per share and is not classified in the fair value hierarchy. The Wespath Multiple Asset Fund’s (I Series) investment objective is to attain current income and capital appreciation by investing in a broad mix of different types of investments. As of April 1, 2019, Health Plan assets were invested 100% in the Wespath Multiple Asset Fund (I Series). Based on historical indexed data, the assumed long-term rates of return for 2019 for the Multiple Asset Fund (I Series) was 9.9%.

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Note 9—Health, life, and other employee benefits (continued)

Prior to August 14, 2020, the Health Plan’s assets were maintained in the Collins Health Benefit Trust (the “Health Trust”) administered by Global Ministries. Global Ministries contributes such amounts that were necessary on an actuarial basis to provide the Health Plan with sufficient assets to meet the Health Plan’s current benefit obligation. Global Ministries had an Investment Committee comprised of the Board of Directors, executive management, and external consultants with financial and investment expertise. The Investment Committee meet on a quarterly basis to review investment performance and asset allocation. Managers were evaluated against prevalent market indices and changes are made when deemed necessary.

On August 14, 2020, the sponsorship of the Health Plan was transferred to Wespath. In addition, on August 14, 2020, the Health Plan assets maintained in the Health Trust and the Plan obligations were transferred to Wespath. See Note 15 for further discussion on this transaction.

Note 10—Funds held for others

Funds held for others consist of amounts held for the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Foundation for Theological Education in Southeast Asia	\$ 21,269,273	\$ 20,525,712
Assets held for beneficiary organizations designated by donors	11,318,589	10,351,401
Education Endowment Fund	2,912,681	2,831,441
UMCOR Endowment funds	1,975,281	1,936,684
Total funds held for others	<u>\$ 37,475,824</u>	<u>\$ 35,645,238</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 returns from the Swope Wendell Fund are distributed to the Foundation.

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

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—Board-designated net assets

Certain net assets without donor restrictions at December 31, 2021 and 2020 have been designated by the Board of Directors of Global Ministries for the following purposes:

	<u>2021</u>	<u>2020</u>
Board designated for programs:		
Property and maintenance	\$ 4,592,921	\$ 4,508,707
Field projects	4,891,091	4,936,756
Missionary work	3,997,892	4,142,429
Special program emphasis	1,995,139	1,253,452
Regionalization Atlanta	479,572	479,572
Humanitarian relief	1,189,887	191,207
Advance office	236,156	246,776
Annuity fund	248,046	266,015
Mission education	7,140	7,140
Total board designated for programs	<u>\$ 17,637,844</u>	<u>\$ 16,032,054</u>
Board designated for missionaries retirement including pension and health benefit costs	<u>\$ 17,405,363</u>	<u>\$ 16,583,260</u>

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Note 12—Net assets with donor restrictions

Net assets with donor restrictions at December 31, 2021 and 2020 have been restricted by the donors for the following purpose restrictions:

	<u>2021</u>	<u>2020</u>
Subject to purpose restrictions:		
Restricted through General Conference	\$ 4,898,642	\$ 4,532,643
Scholarships and leadership training	3,961,120	4,006,963
Field projects	4,633,060	4,691,847
Advance special projects	3,250,021	2,809,022
Other	4,774	8,769
Total subject to purpose restrictions	<u>16,747,617</u>	<u>16,049,244</u>
Endowments and other perpetual gifts:		
Beneficial interest in Pennsylvania Forest	6,349,000	6,788,000
Revolving loan fund	20,534,853	20,348,159
Perpetual trusts	33,889,499	31,833,760
Endowments:		
Endowment corpus	60,780,133	59,597,994
Accumulated earnings subject to future appropriation	46,297,417	43,415,936
Total endowments	<u>107,077,550</u>	<u>103,013,930</u>
Total endowments and other perpetual gifts	<u>167,850,902</u>	<u>161,983,849</u>
Total net assets with donor restrictions	<u>\$ 184,598,519</u>	<u>\$ 178,033,093</u>

Net assets with donor restrictions for the years ended December 31, 2021 and 2020 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2021</u>	<u>2020</u>
Subject to purpose restrictions:		
Advanced special projects	\$ 4,563,864	\$ 5,278,504
Appropriation from endowments subject to purpose restrictions	3,501,474	3,191,146
General Conference	1,410,952	1,647,264
Scholarships and leadership training	492,079	38,618
Field Projects	39,552	(71,461)
	<u>10,007,921</u>	<u>10,084,071</u>
Subject to time restrictions:		
Appropriation from endowments for expenditure	1,156,232	1,054,307
Total net assets released from restrictions - operating	<u>\$ 11,164,153</u>	<u>\$ 11,138,378</u>
Subject to time restrictions:		
Released by donor - interest in the California Forests	\$ -	\$ 28,851,000
Total net assets released from restrictions - nonoperating	<u>\$ -</u>	<u>\$ 28,851,000</u>

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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 U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

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

Endowment net assets consist of the following as of December 31, 2021 and 2020.

	December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 60,780,133	\$ 60,780,133
Accumulated investment earnings	-	46,297,417	46,297,417
Endowment net assets	<u>\$ -</u>	<u>\$ 107,077,550</u>	<u>\$ 107,077,550</u>

	December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 59,597,994	\$ 59,597,994
Accumulated investment earnings	-	43,415,936	43,415,936
Endowment net assets	<u>\$ -</u>	<u>\$ 103,013,930</u>	<u>\$ 103,013,930</u>

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Note 13—Endowment funds (continued)

Changes in endowment net assets for the years ended December 31, 2021 and 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2019	\$ -	\$ 89,696,048	\$ 89,696,048
Investment return, net	-	17,260,454	17,260,454
Contributions	-	302,881	302,881
Appropriation of endowment assets for expenditure pursuant to spending-rate policy	-	(4,245,453)	(4,245,453)
Endowment net assets, December 31, 2020	-	103,013,930	103,013,930
Investment return, net	-	7,539,187	7,539,187
Contributions	-	1,182,139	1,182,139
Appropriation of endowment assets for expenditure pursuant to spending-rate policy	-	(4,657,706)	(4,657,706)
Endowment net assets, December 31, 2021	<u>\$ -</u>	<u>\$ 107,077,550</u>	<u>\$ 107,077,550</u>

Underwater Endowment Funds – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the applicable state law requires Global Ministries to retain as a fund of perpetual duration. Global Ministries has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no underwater endowments as of December 31, 2021 and 2020.

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

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

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

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Note 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 tables summarize the required fair value disclosures and measurements at December 31, 2021 and 2020 for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

	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)
December 31, 2021				
Investments:				
Multiple Asset Fund (I Series) - Wespath*	\$ 246,512,332	\$ -	\$ -	\$ -
Extended Term Fixed Income Fund - Wespath*	20,370,089	-	-	-
U.S. Equity Fund - Wespath*	3,826,785	-	-	-
International Equity Fund - Wespath*	2,978,583	-	-	-
STIF Fund - UMC Foundation*	1,107,492	-	-	-
Fixed Income Fund - UMC Foundation*	1,796,721	-	-	-
Balanced Portfolio - Texas Methodist Foundation*	35,263,290	-	-	-
Short-term securities	58,182	58,182	-	-
U.S. government securities	80,345	80,345	-	-
Bond mutual funds	146,118	146,118	-	-
Equities	57,057	57,057	-	-
Total investments	<u>\$ 312,196,994</u>	<u>\$ 341,702</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in timberland forest	\$ 6,349,000	\$ -	\$ -	\$ 6,349,000
Perpetual trusts held by others	\$ 33,889,499	\$ -	\$ -	\$ 33,889,499
December 31, 2020				
Investments:				
Multiple Asset Fund (I Series) - Wespath*	\$ 212,580,519	\$ -	\$ -	\$ -
Extended Term Fixed Income Fund - Wespath*	19,749,602	-	-	-
U.S. Equity Fund - Wespath*	3,676,822	-	-	-
International Equity Fund - Wespath*	3,162,454	-	-	-
STIF Fund - UMC Foundation*	1,109,919	-	-	-
Fixed Income Fund - UMC Foundation*	1,839,154	-	-	-
Balanced Portfolio - Texas Methodist Foundation*	33,891,952	-	-	-
Short-term securities	41,549	41,549	-	-
U.S. government securities	83,607	83,607	-	-
Bond mutual funds	164,391	164,391	-	-
Equities	57,055	57,055	-	-
Total investments	<u>\$ 276,357,024</u>	<u>\$ 346,602</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in timberland forest	\$ 6,788,000	\$ -	\$ -	\$ 6,788,000
Perpetual trusts held by others	\$ 31,833,760	\$ -	\$ -	\$ 31,833,760

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

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Note 14—Fair value of financial instruments

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 Timberland Forests – Fair value is based on the discounted present value of the estimated future cash flows (over 30 years) from timberland forests (see 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.

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.

For entities that calculate net asset value (“NAV”) per share (or its equivalent), the following table provides information about the probability of investments being sold at amounts different from NAV per share for the year ended December 31, 2021:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Multiple Asset Fund (I Series) - Wespath ^(a)	\$ 246,512,332	none	daily	daily
Extended Term Fixed Income Fund - Wespath ^(b)	20,370,089	none	daily	daily
U.S. Equity Fund - Wespath ^(c)	3,826,785	none	daily	daily
International Equity Fund - Wespath ^(d)	2,978,583	none	daily	daily
STIF Fund - UMC Foundation ^(e)	1,107,492	none	daily	daily
Fixed Income Fund - UMC Foundation ^(f)	1,796,721	none	daily	daily
Balanced Portfolio - Texas Methodist Foundation ^(g)	35,263,290	none	none	none

(a) The objective of the Wespath’s Multiple Asset Fund (I series) 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. This fund holds a pre-specific allocation of units of the following Wespath funds: (1) Fixed Income Fund-I Series (FIF-I), (2) Inflation Protection Fund-I Series (IPF-I), (3) International Equity Fund-I Series (IEF-I), and (4) U.S. Equity Fund-I Series (USEF-I).

(b) The objective of Wespath’s Extended Term Fixed Income Fund is to provide current income while preserving capital and providing exposure to long term interest rates by primarily investing in a diversified mix of fixed income instruments. The fund holds publicly traded U.S. fixed income securities, fixed income instruments denominated in currencies other than the U.S. dollar, and includes private debt securities.

(c) The objective of Wespath’s U.S. Equity Fund is to provide long-term capital appreciation from a broadly diversified portfolio of primarily U.S. stocks. The fund holds securities of publicly-traded U.S. based real estate investment trusts (“REIT”), limited partnership interests in private U.S. real estate and other private investments (venture capital, buyouts, etc.) of U.S. companies. The fund holds equity index futures of U.S. stock indexes.

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Note 14—Fair value of financial instruments (continued)

- (d) The objective of Wespath's International Equity Fund is to provide long-term capital appreciation primarily from a broadly diversified portfolio of foreign equities. The fund holds REIT and interests in private real estate and private equity partnerships located in foreign countries.
- (e) The objective of the UMC Foundation's STIF Fund is to provide liquidity and a reasonable rate of return. This fund is designed for short-term investment of funds when the timing of the investor's liquidity needs is uncertain or variable.
- (d) The objective of the UMC Foundation's Fixed Income Fund is to provided current income and preservation of nominal capital. No provision is made for protection against inflation. The fund is primarily invested in government and corporate bonds, commercial paper, mortgage-backed securities, and collateralized mortgage securities. The fund is permitted to invest up to 10% in securities with "BB" or "B" ratings. The fund may invest up to 5% of portfolio market value in bank loans, interest-only or principal-only securities as conditions warrant. The fund is designed for investors whose main objective is current income.
- (e) The objective of the Texas Methodist Foundation Balanced Portfolio is to provide nominal rates of return over rolling 3- and 5-year periods, diversification, growth, income, protection from inflation, and risk over long-term time horizons. The target allocation of the fund is 60% and 70% of assets to equities and between 30% and 40% to fixed income instruments, notes, and cash equivalents. This fund is designed to enable charitable organizations, with purposes in alignment with the Wesleyan tradition, to achieve their long-term investment objectives.

The following is a reconciliation of activity for 2021 and 2020 for assets measured at fair value based on significant unobservable information:

	Beneficial Interest in Timberland Forests	Perpetual Trusts Held by Others
Balance, January 1, 2020	\$ 35,282,000	\$ 30,007,757
Sale of 5.6721% Interest in the Collins Almanor forest (Note 6)	(3,605,380)	-
Transfer of beneficial interest in the California Forests (Note 15)	(25,245,620)	-
Net appreciation in fair value	357,000	1,826,003
Balance, December 31, 2020	6,788,000	31,833,760
Net (depreciation) appreciation in fair value	(439,000)	2,055,739
Balance, December 31, 2021	<u>\$ 6,349,000</u>	<u>\$ 33,889,499</u>

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Note 15—Transfer of plan sponsorship of the Collins Pension Plan and Collins Health Benefits Trust

On March 10, 2020, Global Ministries signed an agreement (the “transfer agreement”) for Wespath to assume the sponsorship of the Collins Pension Plan and Collins Health Benefits Trust (collectively, the “Plans”). The Plans are “church plans” within the meaning of Section 3 (33) of the Employee Retirement Income Security Act of 1974 and Section 414(e) of the Internal Revenue Code of 1986. The Plans assets were maintained in the Trust and Health Trust (collectively, “Pension Trusts”) administered by Global Ministries.

Under the transfer agreement, Global Ministries will transfer to Wespath: (1) the sponsorship of the Plans, (2) all of Global Ministries’ rights and obligations under the Plans, and (3) ownership of all accounts and all cash in the bank of the Plans including all assets in the Pension Trusts and Wespath agreed to become the sponsor of the Plans and accept Global Ministries sponsorship rights and assumes the Plans’ obligations as of the closing date of the transaction. In addition, Global Ministries agreed that Wespath will have the right to amend or terminate the Health Trust and certain other agreements specified in the transfer agreement. Global Ministries will retain responsibility for certain employer functions which are enumerated in the transfer agreement.

After the closing date, Wespath as the Plans’ sponsor will: (1) manage the third-party administrator relationship, (2) review and determine whether changes to the Plans design are needed, with input from Global Ministries, (3) approve exceptions, with recommendations from Global Ministries, (4) pay vendors, claims and benefits under the Plans, and (5) support resolution of participant issues. In addition, Wespath is required to provide written notice to Global Ministries prior to amending the Plans. If an amendment would materially reduce benefits, Global Ministries may elect to provide additional funding to Wespath in an amount sufficient to eliminate the need to reduce the applicable benefits subject to certain provisions in the transfer agreement. Also, in accordance with the transfer agreement, since Global Ministries had historically utilized the annual income distributions from the California Forests to fund the actuarially determined annual required contributions of the Plans, Global Ministries agreed to transfer and convey to Wespath all of Global Ministries assignable and transferrable right, title and interests in the California Forests and all other forest agreements related to the California Forests in effect as of the closing date in order to provide a funding source for the obligations of the Plans.

In addition, the transfer agreement required Global Ministries to set aside funds in a separate Wespath account (the “reserve account”), to ensure that the assets provided to Wespath are sufficient to cover certain costs related to the transfer of the Plans and for the long-term funding of the Plans should the assets transfers under the transfer agreement prove to be insufficient to fund the long-term obligations of the Plans. The amount to be held in the reserve account is calculated as the difference between: (a) 105% of the Plans liabilities determined as the sum of the projected benefit obligation of the Collins Pension Plan and the accumulated postretirement benefit obligation of the Collins Health Benefits Trust and (b) the Plans assets in the Trusts and value of the California Forests interest using the discounted cash flow method as computed as of December 31, 2019. As of the closing date of the transaction, the computed required reserve account balance was \$24,825,324, which was fully funded by Global Ministries as of that date. The balance in the reserve account at December 31, 2021 and 2020, was \$27,175,458 and \$26,588,878, respectively, and is reported as restricted investments in the consolidated statements of financial position. Global Ministries has also agreed to provide Wespath with the irrevocable right to transfer assets from the reserve account in any amount reasonably determined by Wespath is necessary to satisfy any of the obligations of the Plans. Every two years, commencing on January 1, 2022, Wespath will recalculate the amount to be held in the reserve account. If based on the re-computation the reserve account is overfunded, Wespath will transfer to Global Ministries the overfund amount by May 8th of the applicable year. If as of January 1 of the applicable reserve account recalculation, the distributions from the California Forests have declined more than 30% from the distributions it received in the immediately prior two-year period, then Wespath will postpone the reserve account recomputation for two more years. When the obligations under the Plans have been fully satisfied Wespath will deliver the investments held in the reserve account to Global Ministries free of any encumbrances.

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Note 15—Transfer of plan sponsorship of the Collins Pension Plan and Collins Health Benefits Trust (continued)

The transaction closed on August 14, 2020. Management has accounted for the transfer of Global Ministries sponsorship of the Plans to Wespath in accordance with ASC 715 *Compensation Retirement Benefits*.

The following sets forth actuarially determined financial information about the Plans as of July 31, 2020, prior to the transfer to Wespath:

Collins Pension Plan:

Benefit obligation at July 31, 2020	\$ (143,009,848)
Fair value of plan assets at July 31, 2020	<u>71,427,212</u>
Funded status	<u>\$ (71,582,636)</u>

Benefit obligation weighted average assumptions*:

Discount rate	2.50%
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**No other assumptions were changed for the July 31, 2020 actuarial valuation to determine the plan's benefit obligation as of July 31, 2020 compared to the December 31, 2019 actuarially determined benefit obligation disclosed in Note 9.*

Collins Health Benefits Trust:

Benefit obligation at July 31, 2020	\$ (19,845,894)
Fair value of plan assets at July 31, 2020	<u>39,352,420</u>
Funded status	<u>\$ 19,506,526</u>

Benefit obligation weighted average assumptions:

Discount rate	2.50%
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**No other assumptions were changed for the July 31, 2020 actuarial valuation to determine the plan's benefit obligation as of July 31, 2020 compared to the December 31, 2019 actuarially determined benefit obligation disclosed in Note 10.*

To following is a summary of the Plans obligations derecognized and assets transferred on August 14, 2020, the transaction closing date:

Collins Health Benefits Trust prepaid asset - Funded status	\$ (19,506,526)
Collins Pension Plan liability - Funded status	<u>71,582,636</u>
Net Plans' obligations derecognized	52,076,110
Present value of assets transferred to Wespath:	
Beneficial Interest in California Forests	<u>(25,245,620)</u>
Net gain on transfer of Plans' obligations	<u>\$ 26,830,490</u>

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Note 16—Paycheck Protection Program loan

On April 20, 2020, Global Ministries received a Paycheck Protection Program loan (“PPP loan”) in the amount of \$3,433,500. The PPP loan is granted by the Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). PPP loans are considered conditional contributions under ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. The loan must be repaid if Global Ministries does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. Upon the issuance of updated guidance from the SBA, Global Ministries believed it had not substantially met all barriers for loan forgiveness and, therefore, returned \$1,458,760 in May 2020, and recorded the remaining receipt of the funds of \$1,974,740 as deferred revenue in the statement of financial position as of December 31, 2020. On May 3, 2021, after further evaluation by management, Global Ministries returned the full amount of \$1,974,740 of the PPP loan plus \$20,680 in accrued interest to the issuing bank.

Note 17—Contingencies

The Protocol of Reconciliation and Grace through Separation was introduced as legislation in early 2020 for the upcoming General Conference. This joins other legislative proposals that if adopted by the General Conference would provide an alternative way for churches to separate from The United Methodist Church. These proposals include a provision for new denominations to receive financial payments from The United Methodist Church and retain their real estate. The scheduled General Conference has been delayed until 2024, and the financial impact resulting from these potential separations on the Commission is unknown at this time.

Note 18—Subsequent events

Subsequent events have been evaluated through August 5, 2022, the date these consolidated financial statements were available to be issued.

As stated in the transfer agreement, referenced in Note 15, between Global Ministries and Wespath, every two years, commencing on January 1, 2022, Wespath will recalculate the amount held in the reserve account using the reserve calculation formula. The reserve calculation formula is used to determine if the reserve account is overfunded. On January 1, 2022, Wespath performed the reserve calculation and determined that reserve account balance was at the required level and there was no reduction required.