GENERAL BOARD OF HIGHER EDUCATION AND MINISTRY OF THE UNITED METHODIST CHURCH

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of and for the Years Ended December 31, 2025 and 2024

And Report of Independent Auditor

Cherry Bekaert LLP
Your Guide Forward

GENERAL BOARD OF HIGHER EDUCATION AND MINISTRY OF THE UNITED METHODIST CHURCH

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Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

To the Board of Directors
General Board of Higher Education and Ministry
The United Methodist Church
Nashville, Tennessee

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

Opinion

We have audited the accompanying financial statements of General Board of Higher Education and Ministry of The United Methodist Church ("GBHEM"), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GBHEM as of December 31, 2025 and 2024, and the change in its net assets and its 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 Financial Statements* section of our report. We are required to be independent of GBHEM 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 GBHEM's 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about GBHEM's 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Cherry Bekaert LLP

Charlotte, North Carolina
July 20, 2026

GENERAL BOARD OF HIGHER EDUCATION AND MINISTRY OF THE UNITED METHODIST CHURCH
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
Cash and cash equivalents	$ 750	$ 250
Due from General Council on Finance and Administration ("GCFA") Cash Balance Pool ("CBP")	10,259,150	19,061,781
Accounts receivable	-	393
Investments	247,266,505	310,233,129
Due from related organizations	6,462,105	7,810,063
Other assets	718,122	786,054
Property and equipment, net	37,952	56,099
Funds held by outside trustees for the beneficial interests of GBHEM	5,827,328	6,045,454
Total Assets	$ 270,571,912	$ 343,993,223
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 5,330,569	$ 5,436,590
Due to related organizations	765,177	732,277
Custodial funds payable	23,496,279	109,500,535
Total Liabilities	29,592,025	115,669,402
Net Assets:		
Without Donor Restrictions:		
Invested in property and equipment	37,952	56,099
Board-designated	52,680,000	48,709,235
Undesignated	25,576,454	18,456,897
Total Without Donor Restrictions	78,294,406	67,222,231
With Donor Restrictions:		
Subject to purpose restrictions	91,690,570	95,686,969
Endowments	70,994,911	65,414,621
Total With Donor Restrictions	162,685,481	161,101,590
Total Net Assets	240,979,887	228,323,821
Total Liabilities and Net Assets	$ 270,571,912	$ 343,993,223

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

GENERAL BOARD OF HIGHER EDUCATION AND MINISTRY OF THE UNITED METHODIST CHURCH
STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue:						
General Church Funds:						
World Service Fund allocation	$ 2,711,174	$ -	$ 2,711,174	$ 4,084,239	$ -	$ 4,084,239
Ministerial Education Fund	-	8,601,657	8,601,657	-	11,859,692	11,859,692
Black College Fund	-	4,879,360	4,879,360	-	6,736,717	6,736,717
Young Clergy Initiative	-	-	-	-	1,054,311	1,054,311
Central Conference Theological Education	-	1,052,857	1,052,857	-	1,516,467	1,516,467
Special Offerings:						
Student Day	-	141,388	141,388	-	167,074	167,074
World Communion-Ethnic Minority Scholarships	-	101,924	101,924	-	102,774	102,774
World Communion-In-Service	-	43,682	43,682	-	44,046	44,046
Native American Awareness	-	75,572	75,572	-	97,921	97,921
Total General Church Funds	2,711,174	14,896,440	17,607,614	4,084,239	21,579,002	25,663,241
Investment return from Invested Fund draw for operations	625,300	3,424,785	4,050,085	1,009,537	3,270,934	4,280,471
Contributions and grants	32,413	1,055,809	1,088,222	46,883	1,517,631	1,564,514
Benefit trust distribution	1,007,902	-	1,007,902	818,150	-	818,150
Services received from GCFA	44,438	-	44,438	43,120	-	43,120
Services received from GBGM	301,534	-	301,534	-	-	-
Other income	53,522	407,711	461,233	102,681	-	102,681
Net assets released from restrictions	27,789,100	(27,789,100)	-	24,445,441	(24,445,441)	-
Total Operating Revenue	32,565,383	(8,004,355)	24,561,028	30,550,051	1,922,126	32,472,177
Operating Expenses:						
Program Services:						
Division of Higher Education	9,138,707	-	9,138,707	7,451,262	-	7,451,262
Office of Loans and Scholarships	4,424,134	-	4,424,134	4,088,436	-	4,088,436
Division of Ordained Ministry	15,257,387	-	15,257,387	11,664,115	-	11,664,115
Special Initiatives	1,789,346	-	1,789,346	2,384,969	-	2,384,969
General Board	699,480	-	699,480	609,222	-	609,222
Total Program Services	31,309,054	-	31,309,054	26,198,004	-	26,198,004
Management and General	4,438,823	-	4,438,823	4,481,235	-	4,481,235
Total Operating Expenses	35,747,877	-	35,747,877	30,679,239	-	30,679,239
Change in Net Assets from Operations	(3,182,494)	(8,004,355)	(11,186,849)	(129,188)	1,922,126	1,792,938
Nonoperating Revenue (Expenses):						
Investment return from Cash Balance Pool, net	237,952	260,223	498,175	399,898	326,267	726,165
Investment return, net	14,008,994	9,459,687	23,468,681	6,774,682	8,407,371	15,182,053
Change in value of funds held by outside trustees	-	(218,126)	(218,126)	-	(45,026)	(45,026)
Gifts held in perpetuity	7,723	86,462	94,185	1,983	60,529	62,512
Total Nonoperating Revenue (Expenses)	14,254,669	9,588,246	23,842,915	7,176,563	8,749,141	15,925,704
Change in net assets	11,072,175	1,583,891	12,656,066	7,047,375	10,671,267	17,718,642
Net assets, beginning of year	67,222,231	161,101,590	228,323,821	60,174,856	150,430,323	210,605,179
Net assets, end of year	$ 78,294,406	$ 162,685,481	$ 240,979,887	$ 67,222,231	$ 161,101,590	$ 228,323,821

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

GENERAL BOARD OF HIGHER EDUCATION AND MINISTRY OF THE UNITED METHODIST CHURCH
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2025

	Program Services					Supporting Services	
	Division of Higher Education	Office of Loans and Scholarships	Division of Ordained Ministry	Special Initiatives	General Board	Management and General	Total
Distributions to historically black colleges and universities	$ 7,484,105	$ -	$ -	$ -	$ -	$ -	$ 7,484,105
Distributions to theological schools	-	-	11,415,494	-	-	-	11,415,494
Grants and other distributions	398,095	-	1,523,038	1,532,753	-	-	3,453,886
Scholarships	182,692	3,785,848	38,900	-	147,308	-	4,154,748
Events, training, and other program expenditures	135,279	-	739,463	238,646	268,443	-	1,381,831
Salaries and wages	722,379	262,881	1,077,861	-	161,794	1,701,313	3,926,228
Employee benefits	152,985	67,954	249,991	-	46,444	610,718	1,128,092
Administration provided by GCFA	-	-	-	-	-	44,438	44,438
Administration services paid GBGM	-	41,264	-	-	-	703,931	745,195
Rent and occupancy	-	-	-	-	-	135,800	135,800
Travel and meetings	53,459	2,962	111,273	10,567	27,350	118,352	323,963
Professional fees	-	215,912	86,959	1,807	45,996	434,826	785,500
Supplies	-	-	287	-	-	34,446	34,733
Telephone and web service	5,145	2,030	7,350	1,070	1,470	118,835	135,900
Postage, shipping, and freight	161	10	1,355	-	-	555	2,081
Insurance	-	-	-	-	-	168,772	168,772
Depreciation	-	8,190	-	-	-	9,957	18,147
Promotional and informational material	-	-	66	-	-	31,724	31,790
Software	-	-	-	-	-	315,788	315,788
Miscellaneous	4,407	37,083	5,350	4,503	675	9,368	61,386
Total Operating Expenses	$ 9,138,707	$ 4,424,134	$ 15,257,387	$ 1,789,346	$ 699,480	$ 4,438,823	$ 35,747,877

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

GENERAL BOARD OF HIGHER EDUCATION AND MINISTRY OF THE UNITED METHODIST CHURCH
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2024

	Program Services					Supporting Services	
	Division of Higher Education	Office of Loans and Scholarships	Division of Ordained Ministry	Special Initiatives	General Board	Management and General	Total
Distributions to historically black colleges and universities	$ 5,951,056	$ -	$ -	$ -	$ -	$ -	$ 5,951,056
Distributions to theological schools	-	-	8,894,762	-	-	-	8,894,762
Grants and other distributions	364,483	-	3,000	1,800,066	-	-	2,167,549
Scholarships	182,692	3,499,984	-	-	116,903	-	3,799,579
Events, training, and other program expenditures	258,662	-	1,271,964	363,907	191,487	-	2,086,020
Salaries and wages	487,813	269,291	1,087,411	129,230	123,998	1,765,481	3,863,224
Employee benefits	136,594	74,803	229,082	33,163	40,150	647,314	1,161,106
Administration provided by GCFA	-	-	-	-	-	43,120	43,120
Administration services paid to other agencies	-	-	-	-	-	278,070	278,070
Rent and occupancy	-	-	-	-	-	130,600	130,600
Travel and meetings	58,446	7,862	114,706	33,502	69,759	403,286	687,561
Professional fees	-	219,021	46,692	17,143	63,230	537,298	883,384
Supplies	-	-	169	-	-	41,238	41,407
Telephone and web service	5,075	2,730	8,645	1,817	2,275	159,695	180,237
Postage, shipping, and freight	699	14	2,183	189	555	2,173	5,813
Insurance	-	-	-	-	-	171,869	171,869
Depreciation	-	8,190	-	-	-	11,757	19,947
Promotional and informational material	252	6,541	-	-	103	21,394	28,290
Software	-	-	-	-	-	231,264	231,264
Miscellaneous	5,490	-	5,501	5,952	762	36,676	54,381
Total Operating Expenses	$ 7,451,262	$ 4,088,436	$ 11,664,115	$ 2,384,969	$ 609,222	$ 4,481,235	$ 30,679,239

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

GENERAL BOARD OF HIGHER EDUCATION AND MINISTRY OF THE UNITED METHODIST CHURCH
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	$ 12,656,066	$ 17,718,642
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	18,147	19,947
Realized and unrealized gains on sale of investments	(26,119,527)	(17,546,459)
Gifts restricted for long-term investment	(25,609)	(26,100)
Changes in operating assets and liabilities:		
Due from GCFA Cash Balance Pool	8,802,631	1,324,728
Accounts receivable	393	1,480
Due from related organizations	1,347,958	747,553
Other assets	67,932	149,625
Funds held by outside trustees for the benefit of GBHEM	218,126	45,026
Accounts payable and accrued liabilities	(106,201)	(628,326)
Due to related organizations	32,900	(2,316,991)
Custodial funds payable	(86,004,256)	3,835,377
Net cash flows from operating activities	(89,111,440)	3,324,502
Cash flows from investing activities:		
Purchases of investments	(158,583,199)	(97,338,050)
Sales and maturities of investments	247,669,530	93,987,464
Net cash flows from investing activities	89,086,331	(3,350,586)
Cash flows from financing activities:		
Proceeds from gifts restricted for long-term investment	25,609	26,100
Net cash flows from financing activities	25,609	26,100
Net change in cash and cash equivalents	500	16
Cash and cash equivalents, beginning of year	250	234
Cash and cash equivalents, end of year	$ 750	$ 250

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

Note 1—Organization and nature of operations

The General Board of Higher Education and Ministry of The United Methodist Church ("GBHEM") was created to assist in preparing persons to fulfill their ministry, ordained and lay, and to provide general oversight and care for institutions of higher education, including schools, colleges, universities, and theological seminaries of The United Methodist Church.

GBHEM appoints and/or ratifies members of the Boards of Directors for several entities, including The United Methodist Higher Education Foundation, Africa University, Inc. Tennessee, and American University. However, because GBHEM has no economic interest in any of these entities, the financial statements of GBHEM do not include the financial position or changes in net assets of these entities.

Funding for GBHEM's operations is principally provided by allocations received from the General Funds of The United Methodist Church (the "Church") (distributed through its General Conference) based on a four-year budget developed from projections of expected program costs. The allocation accounts for 72% and 77% of GBHEM's total operating revenue in 2025 and 2024, respectively. GBHEM's continued existence is dependent upon the Church's future support. The Church's future support is dependent upon contributions from its congregations (i.e., congregational participation in the apportionment covenant).

The World Service Fund (the "Fund") is the basic benevolence fund of the Church. The Fund solicits and receives contributions from United Methodist churches and makes annual allocations to support the activities of various church agencies (including GBHEM) in accordance with the donors' intent. Such amounts are recognized as revenue in the period the allocation is made, which generally corresponds with the period the donations are made.

The Ministerial Education Fund ("MEF") is an apportioned fund with the purpose to enable the Church to unify and expand its program of financial support for the recruitment and education of ordained and diaconal ministers. Funds shall go directly for programs and services in theological education, the enlistment and continuing education of ordained and diaconal ministers, and courses of study. GBHEM receives 75% of the total MEF money raised in each annual conference.

The Black College Fund is an apportioned fund administered by GBHEM. The purpose of the fund is to provide financial support for current operating budgets and capital improvements of the black colleges related administratively to the Church.

The Commission on Central Conference Theological Education and The Young Clergy Initiative Fund are funds recognized as net assets with donor restrictions when received and released from restriction when used.

Sundays with General Church offerings are observed on a church wide basis. The General Council on Finance and Administration ("GCFA"), in consultation with the Connectional Table and the Council of Bishops, makes recommendations to the General Conference regarding these special offerings. Remitted funds are transferred by GCFA to the administering agencies.

The financial statements have been prepared on the accrual basis of accounting. GBHEM's significant accounting policies are described below.

Basis of Presentation – For reporting purposes, GBHEM's financial statements have been prepared to focus on the organization as a whole and classify balances and transactions into two net asset categories based on the existence or absence of donor-imposed restrictions.

Note 2—Summary of significant accounting policies

Accordingly, the net assets of GBHEM 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 objective of GBHEM. These net assets may be used at the discretion of GBHEM's management and Board of Directors. GBHEM has chosen to provide further classification information about net assets without donor restrictions on the statements of financial position. The subclassifications are as follows:

Invested in Property and Equipment – Represents net assets invested in property and equipment, net of accumulated depreciation.

Board-Designated – Comprised of funds set aside by the Board of Directors to be used for specific activities within general guidelines established by GBHEM. There were $52,680,000 and $48,709,235 board-designated endowments for the years ended December 31, 2025 and 2024, respectively.

Undesignated – Represents the cumulative net assets without donor restrictions excluding those net assets invested in property and equipment and board-designated.

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 GBHEM or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

GBHEM has chosen to provide further classification information about net assets with donor restrictions in the footnotes to the statements of financial position. The subclassifications are as follows:

Restricted for Loans and Scholarships – Comprised of funds received from donors, either directly or through fundraising efforts of the Church, and unspent income earned, restricted for loans and scholarship awards to United Methodist students.

Restricted for Support of Historical Black Colleges and Universities – Comprised of funds received from donors, either directly or through fundraising efforts of Church, and unspent income earned, restricted primarily for support of historical black colleges and universities.

Restricted for Support of Ministerial Purposes – Comprised of funds received from donors, either directly or through fundraising efforts of the Church, and unspent income earned, restricted primarily for support of ministerial programs.

Restricted for Support of Special Initiatives – Comprised of World Service Funds specifically set aside for Central Conference Theological Education ("CCTE") and Young Clergy Initiative ("YCI"), and unspent income earned. The CCTE Fund shall be used in central conferences outside the United States and administered by GBHEM. The YCI Funds are to be used to focus on encouraging young adults who wish to respond to the call to ordained ministry. YCI funds are administered by GBHEM.

Restricted for Other Program Purposes – Comprised of funds received from donors, either directly or through fundraising efforts of the Church, and unspent income earned, restricted primarily for capital grants and improvements.

Note 2—Summary of significant accounting policies (continued)

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets with donor restrictions based on explicit donor stipulation or by law, or if no such restriction exists, as net assets without donor restrictions. Expirations of temporary restrictions on net assets are reported as released from net assets with donor restrictions to net assets without donor restrictions.

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. Contributions of assets other than cash are recorded at their estimated fair value.

Investment returns from invested fund draw for operations represents the approved draw of earnings (5.0% in 2025 and 2024) from the investment portfolio managed by Ellwood and Associates plus additional funds approved by the Board of Directors for special initiatives and are reported within operating income on the statement of activities.

Services Received from Personnel of an Affiliate – Services received from personnel of GCFA for which GCFA does not charge GBHEM has been measured at the cost recognized by GCFA in providing those services. The revenue and expense relating to those services received are presented in the related party Note 10 and totaled $44,438 and $43,120 for the years ended December 31, 2025 and 2024, respectively.

Use of Estimates – To prepare these financial statements in conformity with accounting principles generally accepted in the United States of America, management of GBHEM has made certain estimates and assumptions relating to the reporting of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Due from GCFA Cash Balance Pool – The amounts presented as due from GCFA Cash Balance Pool ("CBP") in the accompanying financial statements represent GBHEM's portion of the CBP portfolio managed by GCFA on behalf of certain agencies and related organizations of The United Methodist Church. The amount due from this fund effectively represents the amount of cash deposits that are available to GBHEM to be disbursed out of GCFA's centralized cash management system. Since these deposits are legally invested in GCFA's name and not in a separate demand account in GBHEM's name, they are not classified as cash and cash equivalents but rather are considered an amount due from GCFA. The CBP includes funds invested in demand deposits, corporate bonds, taxable municipal bonds, mutual funds, and notes from other United Methodist organizations. Distributions of the investment return on the CBP are characterized as interest income and are based on GCFA's policy in the following steps:

1. The net pool return for the month to be paid by GCFA to the beneficiary agencies is the one-month U.S. Treasury Bill Rate prevailing as of the 3:00 p.m. close of the first business day of the month plus a spread between 35 to 50 basis points. GCFA can modify the spread at its discretion, in which case the CBP beneficiaries will be notified of the new spread prior to the end of the prior month. This spread can be either an addition or subtraction from the one-month U.S. Treasury Bill Rate. In months when the return of the CBP is less than 50 basis points, the payout to the CBP beneficiaries will be set at 50 basis points. In months when the return of the CBP is more than 50 basis points, the payout to the CBP Beneficiaries shall not exceed the return of the CBP.

2. The net pool return will be earned on all monies deposited up to the individual agency limit of 1.5 times the average cash pool balance for the previous two years. Above this limit, the agency will earn a net portfolio return of one-month U.S. Treasury Bill Rate minus 15 basis points.

Note 2—Summary of significant accounting policies (continued)

When an agency has surplus funds, they are invested by GCFA in the CBP. GCFA allocates interest earned to the agencies invested in the pool based upon their pro rata share of the pool on a monthly basis. The overall return for the CBP for the years ended December 31, 2025 and 2024 was 4.02% and 4.42%, respectively. The overall rate of return for each agency may vary due to fluctuating balances throughout the year and the timing of investment gains and losses.

While interest income can be earned based on the performance of the pooled investment funds, GBHEM believes there is little to no risk exposure to losses due to the relationship with GCFA and policy under which the pooled funds are invested. GCFA is the owner of the residual risk of the investment portfolio. The operating cash requirements of the general agencies are centrally managed by GCFA.

The allocation of funds in CBP as of December 31 were as follows:

	2025	2024
Texas Methodist Foundation loan fund	15.7%	15.3%
Mutual funds	24.7%	33.0%
Short-term collateralized loan fund	0.0%	0.4%
Fixed income	5.0%	4.4%
Corporate bonds	47.8%	43.6%
Alternative investments	4.9%	0.0%
Cash	1.9%	3.3%
	100.0%	100.0%

Investments – Investments consist of common stock, U.S. government agency securities, bonds, and other investments. Investments held individually and as part of GBHEM's general investment pool are valued at fair value as determined by the custodian. The fair value of publicly traded securities is determined based on quoted market prices. The fair value of other alternative investments and investments held by a custodian are determined by net asset value. Investment return consists of interest and dividends and realized and unrealized gains and losses, reported net of investment expenses.

Property and Equipment – Property and equipment is recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the fixed assets, which range from 3 to 6 years. GBHEM capitalizes assets with a cost greater than $5,000.

Income Taxes – GBHEM is covered under GCFA's 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 ("IRC"). GBHEM is also exempt from filing a form 990 due to its affiliation with a religious organization as described in Section 509(a) of the IRC. GBHEM had no significant unrelated business income during the years ended December 31, 2025 and 2024.

Note 2—Summary of significant accounting policies (continued)

GBHEM 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 GBHEM include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, the GBHEM has determined that such tax positions do not result in an uncertainty requiring recognition.

Functional Classification of Expenses – The costs of providing the various programs and other activities of GBHEM have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Direct identifiable expenses are charged to programs and supporting services.

Financial Instruments – Assets recorded at fair value in the 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 the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Note 3—Liquidity and availability of resources

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

	2025	2024
Financial assets at year-end:		
Cash and cash equivalents	$ 750	$ 250
Due from GCFA CBP	10,259,150	19,061,781
Accounts receivable	-	393
Investment, at fair value	247,266,505	310,233,129
Due from related organizations	6,462,105	7,810,063
Funds held by outside trustees for the benefit of GBHEM	5,827,328	6,045,454
Total financial assets	269,815,838	343,151,070
Less amounts not available to be used for general expenditures within one year:		
Custodial funds payable	23,496,279	109,500,535
Purpose restrictions	91,690,570	95,686,969
Endowment funds held in perpetuity and accumulated earnings	70,994,911	65,414,621
Financial assets not available to be used within one year	186,181,760	270,602,125
Financial assets available to meet general expenditures within one year	$ 83,634,078	$ 72,548,945

GBHEM considers general expenditures to include program expenses, supporting services, and any commitments or liabilities to be paid in the subsequent year. As part of GBHEM's liquidity management plan, it structures its financial assets to be available as its obligations come due. Cash in excess of daily requirements are invested in GCFA's cash balance pool. This fund established by the Board of Directors may be drawn upon, if necessary, to meet unexpected liquidity needs. In addition, the GBHEM's Board of Directors has designated a portion of its liquid financial assets, resulting from operations and not related to donor restrictions, to its operating reserve quasi endowment and building proceeds fund, which was $52,680,000 and $48,709,235 as of December 31, 2025 and 2024, respectively.

Assets held as a custodian for other organizations and assets limited to use for purpose restrictions, which are more fully described in Notes 7, 11, and 12, are not available for general expenditure within the next year.

Note 4—Investments

Investments at December 31 consist of the following:

	2025		2024	
	Fair Value	Cost	Fair Value	Cost
Cash, pending investment	$ 4,064,006	$ 4,064,006	$ 17,821,304	$ 17,821,304
Common and preferred stock	43,937,461	35,904,835	89,242,483	62,712,516
Equity mutual funds	30,255,564	21,793,954	66,490,475	60,857,525
Exchange traded funds	-	-	359,853	362,567
U.S. government agency securities	21,786,697	21,406,173	28,297,204	29,064,470
U.S. government bonds	11,766,769	11,381,288	15,366,346	15,677,222
Other fixed income	-	-	721,823	744,150
Corporate bonds	12,017,547	12,081,715	16,919,223	17,773,690
U.S. Equity Index Fund - I (Wespath)	28,636,677	9,827,901	35,345,500	14,153,695
Social Values Choice Equity (Wespath)	28,986,632	27,500,000	-	-
Intl Equity Index Fund (Wespath)	23,895,124	23,000,000	-	-
Multiple Asset Fund - I (Wespath)	19,953,218	16,500,000	17,423,387	16,500,000
Real estate	21,966,810	21,966,810	22,245,531	22,245,532
	$ 247,266,505	$ 205,426,682	$ 310,233,129	$ 257,912,671

Investments include funds held and invested on behalf of other organizations as well as GBHEM funds (see Note 7).

Return on GBHEM's portion of the total investments of $223,770,266 and $200,732,594 for the years ended December 31, respectively, was as follows:

	2025	2024
Investment return:		
Investment income	$ 3,580,652	$ 3,264,691
Gains on investments:		
Realized gains on sales of investments	27,043,553	11,324,346
Unrealized gains (losses) on investments	(924,026)	6,222,113
Gains on investments	26,119,527	17,546,459
Less investment management expenses	(1,186,594)	(1,147,339)
Investment return, net	28,513,585	19,663,811
Investment return from invested fund draw for operations:		
Adjustment for investment income paid to beneficiaries	(496,644)	(201,287)
Adjustment for investment income transferred to operations	(4,050,085)	(4,280,471)
Nonoperating investment return, net	$ 23,966,856	$ 15,182,053

Note 5—Property and equipment, net

Property and equipment at December 31, consists of the following:

	2025	2024
Computer equipment	$ 22,395	$ 22,395
Furniture and fixtures	169,725	169,725
	192,120	192,120
Less accumulated depreciation	(154,168)	(136,021)
Total property and equipment, net	$ 37,952	$ 56,099

Depreciation expense related to property and equipment for the years ended December 31, 2025 and 2024 was $18,147 and $19,947, respectively.

Note 6—Employee benefits

Retirement Benefits – Full-time laypersons and clergy employed by GBHEM participate in the Retirement Plan for General Agencies. This defined contribution plan is administered by the Wespath Benefits and Investments (“Wespath”). GBHEM makes bi-weekly contributions to each eligible employee’s account held by Wespath based on 8% of annual employee compensation. Additionally, GBHEM matches up to 2% of each employee’s annual compensation to their United Methodist Personal Investment Plan (UMPIP). Total contributions made by GBHEM for both components during 2025 and 2024 were $363,298 and $426,325, respectively.

Healthcare and Life Insurance Benefits – The General Agencies of The United Methodist Church Benefit Plan (the “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, Plan amendments were made to change the retiree benefits offered and increase the related premiums paid by retirees.

GBHEM 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 Plan. Retirees who are Medicare eligible, and who elect to enroll, are eligible for a Health Reimbursement Account up to $2,500 annually and $2,100 annually for their spouse, if applicable. Unused reimbursement funds continue to rollover to subsequent years until death of the retiree or their spouse, whichever is later.

All of GBHEM’s active employees are covered by the Plan. The cost of benefits is recognized as an expense as premiums are paid. The total cost of benefits for active employees was $418,866 and $405,110 in 2025 and 2024, respectively, and the cost of benefits for retired employees was $97,647 and $111,266 in 2025 and 2024, respectively, exclusive of reimbursement from the General Agency Benefit Trust (“Benefit Trust”).

The Plan’s unfunded accumulated postretirement benefit obligation was approximately $29,044,000 and $26,250,000 and the Plan’s unfunded expected postretirement benefit obligation was approximately $39,768,000 and $35,502,000 as of December 31, 2025 and 2024, respectively.

Note 6—Employee benefits (continued)

Wespath has transferred certain excess pension assets to the Benefit Trust established by the 1996 General Conference. Annually, the Benefit Trust allows a stated percentage, not to exceed 6% of the fair market 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 employee benefits. In December of 2022, the Benefit Trust agreement was amended to increase the annual distribution rate to a percentage not to exceed 8% beginning with Benefit Trust distributions on or after January 2023. Subsequent to year-end, in May of 2023, the agreement was amended to change the fair value measurement date from December 31st of the prior year to June 30th of the previous year starting on June 1, 2023. The fair value of the Benefit Trust's assets (not Plan assets) for which GCFA is the beneficiary was approximately $181,927,000 and $154,822,000 as of December 31, 2025 and 2024, respectively. The total amount available for reimbursement in 2025 and 2024 was $15,568,000 and $11,947,000, respectively, of which GBHEM's share was $1,007,902 and $818,150, respectively.

Note 7—Custodial funds payable

GBHEM holds funds in trust for others, representing investment amounts owned by various individuals, colleges and universities, and other affiliated entities of The United Methodist Church, but administered by GBHEM either separately or as a part of the general investment pool. GBHEM's responsibilities for these funds are custodial in nature and consist of establishing and monitoring investment policies for these deposits and distributing the income earned or the principal at withdrawal in accordance with the depositor's instructions. At December 31, 2025 and 2024, custodial funds payable totaled $23,496,279 and $109,500,535, respectively. The decrease during 2025 is due to the withdrawal of Africa University funds from the GBHEM General Investment Pool.

Note 8—Real property held for the benefit of others

GBHEM holds legal title to certain real property in a fiduciary capacity without responsibility for capital expenditures or operating expenses. This property is used by several historically black educational institutions affiliated with the Church. As these properties are not owned by GBHEM for its own benefit but are held as an accommodation to the institutions involved, they have been omitted from the financial statements.

Note 9—Related party transactions

GBHEM receives the majority of its revenue through apportionments from the General Funds of The United Methodist Church, which are administered by GCFA. In addition, GCFA provides various services to GBHEM, including general ledger processing and maintenance, cash management, and group insurance plan administration. As of and for the years ended December 31, 2025 and 2024, GBHEM had the following transactions with GCFA and other related parties:

	2025	2024
Statements of financial position:		
Due from GCFA Cash Balance Pool	$ 10,259,150	$ 19,061,781
Due from related organizations - World Service Fund Allocation receivable	5,855,463	7,560,698
Due from related organizations - other	606,642	249,365
Investments held in Wespath	101,471,651	52,768,887
Funds held by UMC Board of Trustees for the benefit of the GBHEM	4,819,470	5,118,560
Due to related organizations - other	765,177	732,277
Custodial funds payable - Africa University, Inc., Tennessee	4,484,508	90,045,852
Statements of activities:		
Revenue:		
General church funds	17,607,614	25,663,241
Interest income from GCFA	498,175	726,165
Investment return from Wespath	9,283,550	9,602,085
Change in value of funds held by outside trustees - Board of Trustees	(218,126)	(45,026)
Benefit trust distribution	1,007,902	818,150
Services received from GCFA	44,438	43,120
Reimbursement from GBGM - other income	301,534	102,681
Expenses:		
Administration provided by GCFA	44,438	43,120
Administration services paid to other agencies	745,195	278,070
Employee benefits - group insurance expense	516,513	516,376

Note 10—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 GBHEM's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at December 31, 2025 and 2024 for assets and liabilities measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

	Fair Value Measurements at Reporting Date Using			
December 31, 2025	Amounts Measured at Fair Value	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Funds held by outside trustees for the benefit of GBHEM:	$ 5,827,328	$ -	$ -	$ 5,827,328
Investments:				
Cash pending investments	$ 4,064,006	$ 4,064,006	$ -	$ -
Common and preferred stock	43,937,461	43,937,461	-	-
Equity mutual funds	30,255,564	30,255,564	-	-
U.S. government agency securities	21,786,697	21,786,697	-	-
U.S. government bonds	11,766,769	11,766,769	-	-
Corporate bonds	12,017,547	-	12,017,547	-
	123,828,044	$ 111,810,497	$ 12,017,547	$ -
Investments reported at net asset value:				
U.S. Equity Index Fund – I Series (Wespath) *	28,636,677			
Social Values Choice Equity Fund – I Series (Wespath) *	28,986,632			
International Equity Index Fund – I Series (Wespath) *	23,895,124			
Multiple Asset Fund – I Series (Wespath) *	19,953,218			
Real Estate:				
Rockwood *	570,549			
Harrison Street *	6,634,159			
Stonelake *	7,504,660			
Griffis Residential *	5,692,545			
Step Stone *	1,564,897			
Total investments	$ 247,266,505			

* In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value ("NAV") per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

Note 10—Fair value of financial instruments (continued)

The fair value amounts presented in the following table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

		Fair Value Measurements at Reporting Date Using		
December 31, 2024	**Amounts Measured at Fair Value**	**Quoted Prices in Active Markets for Identical Instruments (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Funds held by outside trustees for the benefit of GBHEM:	$ 6,045,454	$ -	$ -	$ 6,045,454
Investments:				
Cash pending investments	$ 17,821,304	$ 17,821,304	$ -	$ -
Common and preferred stock	89,242,483	89,242,483	-	-
Equity mutual funds	66,490,475	66,490,475	-	-
Exchange traded funds	359,853	359,853		
U.S. government agency securities	28,297,204	28,297,204	-	-
U.S. government bonds	15,366,346	15,366,346	-	-
Other fixed income	721,823	721,823	-	-
Corporate bonds	16,919,223	-	16,919,223	-
	235,218,711	$ 218,299,488	$ 16,919,223	$ -
Investments reported at net asset value:				
U.S. Equity Index Fund – I Series (Wespath) *	35,345,500			
Multiple Asset Fund – I Series (Wespath) *	17,423,387			
Real Estate:				
TA Associates *	-			
Rockwood *	933,133			
Harrison Street *	7,536,897			
Stonelake *	9,120,191			
Griffis Residential *	4,104,240			
Step Stone	551,070			
Total investments	$ 310,233,129			

* In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using NAV 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 statements of financial position.

Note 10—Fair value of financial instruments (continued)

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

Investments and Funds Held by Outside Trustees for the Benefit of GBHEM – 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 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, 2025:

	Fair Value	Unfunded Commitments	Redemption Frequency [j]	Redemption Notice Period
U.S. Equity Index Fund – I Series (Wespath) *	$ 28,636,677	$ -	daily	daily
Social Values Choice Equity Fund – I Series (Wespath) *	28,986,632	-	daily	daily
International Equity Index Fund – I Series (Wespath) *	23,895,124	-	daily	daily
Multiple Asset Fund – I Series (Wespath) *	19,953,218	-	daily	daily
Real Estate:				
Rockwood [e]	570,549	55,168	variable	variable
Harrison Street [f]	6,634,159	773,177	variable	variable
Stonelake [g]	7,504,660	2,250,000	variable	14 days
Griffis Residential [h]	5,692,545	560,000	variable	variable
StepStone [i]	1,564,897	1,550,391	variable	variable
	$ 123,438,461			

[a] U.S. Equity Index Fund – I Series (USEIF-I) invests and reinvests in a portfolio of common stocks as represented by the Russell 3000® index.

[b] Social Values Choice Equity Fund – I Series invest in equities of US and non-US domiciled publicly owned companies with highly rated sustainable environmental, social, and governance practices.

[c] International Equity Index Fund – I Series (IEIF-I) invest in a passively managed portfolio of publicly traded, non US based equity securities in the MSCI World US Indes. Most assets are invested in equities and equity index funds.

[d] The objective of the Wespath's Multiple Asset Fund - I Series is to maximize 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).

[e] Rockwood is a real estate manager that acquires, develops, finances, operates, and sells property in major metropolitan areas of the U.S. and focuses on value-add real estate investments. They pursue assets that have lower and higher risk/return policies.

[f] Harrison Street is an opportunistic real estate manager that focuses on niche real estate strategies in the U.S. Return is from capital appreciation typically sold once completed and leased. Investment typically has a theme, usually based on anomalies within a local market's supply and demand. This reduces the impact of returns of the real estate cycle.

[g] Stonelake is an opportunistic real estate manager focused only on investing in properties in Texas. The fund will invest in different sectors of the Texas real estate market which includes industrial, office, multi-family, and retail.

Note 10—Fair value of financial instruments (continued)

(h) Griffis Residential is a real estate manager focused only on investing in apartment homes in thriving areas throughout Colorado, Texas, California, Oregon, and Washington.
(i) StepStone is a real estate manager focused on General Partner led secondary real estate investing. The unique approach emphasizes close partnerships with General Partners, unearthing distinctive investment opportunities that combine the benefits of direct investments with the versatility of secondaries.
(j) Redemption frequency indicates how often GBHEM may redeem investments during the year.

The following is a reconciliation of activity for 2025 and 2024 for assets measured at fair value based on significant unobservable information (Level 3):

	2025	2024
Balance, beginning of year	$ 6,045,454	$ 6,090,480
Change in fair value	642,206	701,870
Sales and redemptions	(860,332)	(746,896)
Balance, end of year	$ 5,827,328	$ 6,045,454

Note 11—Net assets with donor restrictions

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

	2025	2024
Subject to purpose restrictions:		
Loans and scholarships	$ 66,652,311	$ 62,099,811
Historical black colleges and universities	11,366,046	13,191,940
Ministerial purposes	4,730,716	10,775,757
Young clergy initiative	6,084,429	6,095,219
Central conference on theological education	2,329,081	2,806,909
Other program purposes	527,987	717,333
Total subject to purpose restrictions	91,690,570	95,686,969
Endowments:		
Accumulated earnings on GBHEM's endowment fund	52,308,856	46,533,259
GBHEM endowment fund held in perpetuity	18,686,055	18,881,362
Total endowments	70,994,911	65,414,621
Total net assets with donor restrictions	$ 162,685,481	$ 161,101,590

The amounts used as revolving loan fund were intended to be continually loaned to students and not released from restriction; however, the amounts are classified as net assets with donor restrictions because they are expendable.

Net assets with donor restrictions for the years ended December 31, 2025 and 2024 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified.

Note 12—Endowment

GBHEM's endowment consists of individual funds established for a variety of purposes restricted by donors. Additionally, GBHEM's Board of Directors has established a quasi-endowment operating reserve to ensure long-term financial sustainability of GBHEM and position them to respond to varying economic conditions and changes affecting GBHEM financial position and the ability of GBHEM to continuously carry out its mission by holding assets in place to be used to fund the ongoing budget of GBHEM.

The Board of Directors of GBHEM has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift date of the donor restricted

endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, GBHEM classifies as donor-restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by GBHEM in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with applicable state laws, GBHEM considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of GBHEM
- The investment policies of GBHEM

Note 12—Endowment (continued)

As of December 31, GBHEM had the following endowment net asset composition by type of fund:

	December 31, 2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 18,686,055	$ 18,686,055
Accumulated investment gains	-	52,308,856	52,308,856
Board-designated quasi endowment	52,680,000	-	52,680,000
Endowment net assets, December 31, 2025	$ 52,680,000	$ 70,994,911	$ 123,674,911

	December 31, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 18,881,362	$ 18,881,362
Accumulated investment gains	-	46,533,259	46,533,259
Board-designated quasi endowment	48,709,235	-	48,709,235
Endowment net assets, December 31, 2024	$ 48,709,235	$ 65,414,621	$ 114,123,856

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). GBHEM has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2025 and 2024, GBHEM had no underwater endowments.

Investment and Spending Policies – GBHEM has a policy of drawing up to an appropriation percentage for distribution annually of the previous 12 rolling quarter's average quarter-end market values (5% in 2025 and 2024). In establishing this policy, GBHEM considered the long-term expected return on endowment assets. Accordingly, over the long term, GBHEM expects the current spending policy to allow its endowment to produce current income within the total return strategy.

Return Objectives and Risk Parameters – GBHEM has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to GBHEM's 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 GBHEM must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Executive Committee of the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that provide for the preservation of capital and income for support of programs while assuming a moderate level of investment risk. GBHEM expects its endowment funds, over time, to produce current income within the total return strategy. Actual returns may vary.

Note 12—Endowment (continued)

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, GBHEM 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). GBHEM 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.

Changes in endowment net assets for the years ended December 31 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2023	$ 44,490,527	$ 61,807,472	$ 106,297,999
Investment return, net	4,664,173	5,803,924	10,468,097
Contributions and designations	350	47,519	47,869
Appropriation of endowment assets for expenditure pursuant to spending-rate policy	(445,815)	(2,244,294)	(2,690,109)
Endowment net assets, December 31, 2024	48,709,235	65,414,621	114,123,856
Investment return, net	3,970,765	7,874,556	11,845,321
Contributions and designations	-	(142,386)	(142,386)
Appropriation of endowment assets for expenditure pursuant to spending-rate policy	-	(2,151,880)	(2,151,880)
Endowment net assets, December 31, 2025	$ 52,680,000	$ 70,994,911	$ 123,674,911

Note 13—Subsequent events

Management has evaluated subsequent events through July 20, 2026, the date the financial statements were available for issuance. Management has determined that there are no subsequent events requiring disclosure.

SUPPLEMENTARY INFORMATION

GENERAL BOARD OF HIGHER EDUCATION AND MINISTRY OF THE UNITED METHODIST CHURCH SCHEDULE 1
DISTRIBUTIONS TO HISTORICALLY BLACK COLLEGES AND UNIVERSITIES AND THEOLOGICAL SCHOOLS

YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Distributions to Historically Black Colleges and Universities:		
Bennett College	$ 571,512	$ 515,366
Bethune-Cookman College	707,748	607,345
Claflin College	917,412	543,454
Clark Atlanta University	770,454	695,690
Dillard University	624,479	490,001
Huston-Tillotson College	615,247	476,992
Meharry Medical College	613,661	474,752
Paine College	575,638	826,179
Philander Smith College	602,226	457,927
Rust College	890,121	414,032
Wiley College	595,607	449,318
Total Distributions to Historically Black Colleges and Universities	$ 7,484,105	$ 5,951,056

Distribution of residual capital funds of $3,435,000 and $505,000 in 2025 and 2024, respectively, were included in the above totals.

	2025	2024
Distributions to Theological Schools:		
Boston School of Theology	$ 737,434	$ 460,958
Drew University, the Theological School	862,392	536,066
Duke University, the Divinity School	1,404,872	1,412,139
Emory University, Candler School of Theology	1,281,254	1,055,269
Gammon Theological Seminary	636,745	329,039
Garrett Evangelical Theological Seminary	942,196	754,776
Iliff School of Theology	622,672	491,044
Methodist Theological School of Ohio	900,739	623,664
Southern Methodist University, Perkins School of Theology	961,651	833,491
St. Paul School of Theology	811,418	601,774
School of Theology at Claremont	669,454	382,800
United Theological Seminary	700,557	699,709
Wesley Theological Seminary	884,110	714,033
Total Distributions to Theological Schools	11,415,494	8,894,762
Total Distributions to Historically Black Colleges and Universities and Theological Schools	$ 18,899,599	$ 14,845,818

GENERAL BOARD OF HIGHER EDUCATION AND MINISTRY OF THE UNITED METHODIST CHURCH SCHEDULE 2

SCHEDULES OF INVESTMENTS AT FAIR VALUE FOR FUNDS HELD FOR OTHERS

DECEMBER 31, 2025 AND 2024

	2025	2024
AFRICA UNIVERSITY	$ 4,484,508	$ 90,045,852
ARTHUR A. HENRY SCHOLARSHIP FUND-PHILANDER SMITH	2,324	2,143
ATKINS-DILLARD MALLALIEU FUND	378,832	349,408
AUSTIN COLLEGE	99,901	92,141
BALTIMORE CONF. - FRANCIS ASBURY	320,870	295,947
BALTIMORE CONF. - SOPHIA DIETSCH	347,334	320,355
BALTIMORE CONFERENCE SCHOLARSHIP	88,566	81,687
BIBLE & RELIGIOUS EDUCATION FUND	1,233,938	1,138,095
CENTENARY COLLEGE OF LOUISIANA	171,949	158,593
DAISY PEARSON FUND-CLAFLIN COLLEGE	217,939	201,012
EARLHAM COLLEGE	106,545	98,269
FACULTY ENRICHMENT FUND-PHILANDER SMITH	168,781	155,671
FLORENCE CLEAVER SCHOLARSHIP-PHILANDER SMITH	5,804	5,353
FORD FOUNDATION FUND-CLAFLIN COLLEGE	897,324	827,626
GAMMON BUILDING FUND	3,756,374	5,534,085
GAMMON CRUSADE FUND	3,871,592	3,570,877
GAMMON SALARIES & PENSIONS	115,689	106,704
GAMMON THEOLOGICAL SEMINARY-GEN FD	622,990	574,602
GARRETT TRUST SCHOLARSHIP FUND	1,573,194	1,438,948
GENERAL ENDOWMENT FUND-CLAFLIN COLLEGE	413,127	381,039
HARRIS MEMORIAL COLLEGE ENDOWMENT	154,209	135,736
HENDRIX COLLEGE	165,121	152,295
LON MORRIS COLLEGE	173,134	159,687
LUBBOCK CHRISTIAN COLLEGE	99,912	92,152
LUBBOCK METHODIST HOSPITAL	146,863	135,457
M. W. DUNLAP TRUST-PHILANDER SMITH	10,956	10,105
MARIE L. HUTH SCHOLARSHIP-PHILANDER SMITH	13,552	12,499
MAVEETY SCHOLARSHIP FUND	206,667	190,615
MT. VERNON PLACE LOAN FUND	588,015	537,943
NASCUMC INVESTED FUND	476,598	419,506
NEBRASKA WESLEYAN	165,135	152,309
NELSON-HARRIS SCHOLARSHIP-PHILANDER SMITH	20,392	18,809
NORTHWEST TEXAS CONFERENCE	104,334	96,231
OKLAHOMA CITY UNIVERSITY	201,415	185,771
READER'S DIGEST SCHOLARSHIP-PHILANDER SMITH	8,583	7,917
SOUTH CENTRAL JURIS. CONF.	151,973	140,169
SOUTHERN METHODIST UNIVERSITY	13,506	12,457
SOUTHWESTERN UNIVERSITY	312,244	287,991

SCHEDULES OF INVESTMENTS AT FAIR VALUE FOR FUNDS HELD FOR OTHERS (CONTINUED)

DECEMBER 31, 2025 AND 2024

	2025	2024
SPECHT FUND	31,930	29,450
ST. PAUL SCHOOL OF THEOLOGY	107,722	99,355
STANTON ESTATE-CLAFLIN COLLEGE	18,133	16,725
STUDENT EMERGENCY LOAN FUND-PHILANDER SMITH	3,663	3,379
SUMMER SCHOLARSHIP ENDOWMENT-PHILANDER SMITH	87,143	80,375
TEXAS WESLEYAN COLLEGE	388,510	358,334
UNION COLLEGE	103,825	95,760
UNIV OF KANSAS - ENGLE FUND	79,696	73,507
UNIV OF WISC - LEAVITT FUND	46,410	42,805
WESLEY THEOLOGICAL SEMINARY	99,563	91,830
WEST TEXAS STATE UNIVERSITY	208,716	192,505
WILLSON LECTURESHIP FUND (DM/GBHEM)	235,142	216,878
	23,480,681	109,593,013
Gains (losses) incurred but not yet allocated to funds held for others	15,598	(92,478)
	$ 23,496,279	$ 109,500,535