

**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, 2024 and 2023

And Report of Independent Auditor

**GENERAL BOARD OF HIGHER EDUCATION AND MINISTRY OF
THE UNITED METHODIST CHURCH**
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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, 2024 and 2023, and the statements of activities, functional expenses, and cash flows for the years then ended, and the 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, 2024 and 2023, 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 of 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 24, 2025

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

DECEMBER 31, 2024 AND 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 250	\$ 234
Due from General Council on Finance and Administration ("GCFA")		
Cash Balance Pool ("CBP")	19,061,781	20,386,509
Accounts receivable, net	393	1,873
Investments	310,233,129	289,336,084
Due from related organizations	7,810,063	8,557,616
Other assets	786,054	935,679
Property and equipment, net	56,099	76,046
Funds held by outside trustees for the beneficial interests of GBHEM	6,045,454	6,090,480
Total Assets	\$ 343,993,223	\$ 325,384,521
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 5,436,590	\$ 6,064,916
Due to related organizations	732,277	3,049,268
Custodial funds payable	109,500,535	105,665,158
Total Liabilities	115,669,402	114,779,342
Net Assets:		
Without Donor Restrictions:		
Invested in property and equipment	56,099	76,046
Board-designated	48,709,235	44,490,527
Undesignated	18,456,897	15,608,283
Total Without Donor Restrictions	67,222,231	60,174,856
With Donor Restrictions:		
Subject to purpose restrictions	95,686,969	88,622,851
Endowments	65,414,621	61,807,472
Total With Donor Restrictions	161,101,590	150,430,323
Total Net Assets	228,323,821	210,605,179
Total Liabilities and Net Assets	\$ 343,993,223	\$ 325,384,521

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, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue:						
General Church Funds:						
World Service Fund allocation	\$ 4,084,239	\$ -	\$ 4,084,239	\$ 4,580,645	\$ -	\$ 4,580,645
Ministerial Education Fund	-	11,859,692	11,859,692	-	13,217,971	13,217,971
Black College Fund	-	6,736,717	6,736,717	-	7,727,361	7,727,361
HANA Scholarships	-	-	-	104,150	-	104,150
Young Clergy Initiative	-	1,054,311	1,054,311	-	1,209,340	1,209,340
Central Conference Theological Education	-	1,516,467	1,516,467	-	1,739,452	1,739,452
Special Offerings:						
Student Day	-	167,074	167,074	-	160,148	160,148
World Communion-Ethnic Minority Scholarships	-	102,774	102,774	-	128,037	128,037
World Communion-In-Service	-	44,046	44,046	-	54,873	54,873
Native American Awareness	-	97,921	97,921	-	98,167	98,167
Total General Church Funds	4,084,239	21,579,002	25,663,241	4,684,795	24,335,349	29,020,144
Investment return from Cash Balance Pool, net	399,898	326,267	726,165	252,492	225,943	478,435
Investment return from Invested Fund draw for operatio	1,009,537	3,270,934	4,280,471	1,010,850	3,463,161	4,474,011
Contributions and grants	46,883	1,517,631	1,564,514	355,514	1,283,786	1,639,300
Benefit trust distribution	818,150	-	818,150	862,274	-	862,274
Services received from GCFA	43,120	-	43,120	40,633	-	40,633
Other income	102,681	-	102,681	-	-	-
Net assets released from restrictions	24,445,441	(24,445,441)	-	27,991,100	(27,991,100)	-
Total Operating Revenue	30,949,949	2,248,393	33,198,342	35,197,658	1,317,139	36,514,797
Operating Expenses:						
Program Services:						
Division of Higher Education	7,451,262	-	7,451,262	8,296,820	-	8,296,820
Office of Loans and Scholarships	4,088,436	-	4,088,436	4,523,342	-	4,523,342
Division of Ordained Ministry	11,664,115	-	11,664,115	14,652,887	-	14,652,887
Special Initiatives	2,384,969	-	2,384,969	2,744,794	-	2,744,794
General Board	609,222	-	609,222	599,047	-	599,047
Total Program Services	26,198,004	-	26,198,004	30,816,890	-	30,816,890
Management and General	4,481,235	-	4,481,235	4,077,298	-	4,077,298
Total Operating Expenses	30,679,239	-	30,679,239	34,894,188	-	34,894,188
Change in Net Assets from Operations	270,710	2,248,393	2,519,103	303,470	1,317,139	1,620,609
Nonoperating Revenue (Expenses):						
Investment return, net	6,774,682	8,407,371	15,182,053	9,640,120	12,511,216	22,151,336
Change in value of funds held by outside trustees	-	(45,026)	(45,026)	-	32,089	32,089
Gifts held in perpetuity	1,983	60,529	62,512	-	84,402	84,402
Total Nonoperating Revenue (Expenses)	6,776,665	8,422,874	15,199,539	9,640,120	12,627,707	22,267,827
Change in net assets	7,047,375	10,671,267	17,718,642	9,943,590	13,944,846	23,888,436
Net assets, beginning of year	60,174,856	150,430,323	210,605,179	50,231,266	136,485,477	186,716,743
Net assets, end of year	\$ 67,222,231	\$ 161,101,590	\$ 228,323,821	\$ 60,174,856	\$ 150,430,323	\$ 210,605,179

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
Special initiatives 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	<u>\$ 7,451,262</u>	<u>\$ 4,088,436</u>	<u>\$ 11,664,115</u>	<u>\$ 2,384,969</u>	<u>\$ 609,222</u>	<u>\$ 4,481,235</u>	<u>\$ 30,679,239</u>

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, 2023

	Program Services					Supporting Services	Total
	Division of Higher Education	Office of Loans and Scholarships	Division of Ordained Ministry	Special Initiatives	General Board	Management and General	
Distributions to historically black colleges and universities	\$ 7,395,702	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,395,702
Distributions to theological schools	-	-	9,913,478	-	-	-	9,913,478
Special initiatives and other distributions	306,324	-	2,848	1,695,231	-	-	2,004,403
Scholarships	169,190	3,685,620	954,680	-	83,996	-	4,893,486
Events, training, and other program expenditures	90,610	2,000	1,569,259	1,029,616	370,599	17,859	3,079,943
Salaries and wages	217,338	343,760	1,505,096	-	14,005	1,868,235	3,948,434
Employee benefits	47,568	99,931	372,315	500	3,205	706,375	1,229,894
Administration provided by GCFA	-	-	-	-	-	40,633	40,633
Rent and occupancy	-	-	-	-	-	133,925	133,925
Travel and meetings	60,242	11,292	205,947	569	59,922	168,429	506,401
Professional fees	7,000	348,870	109,874	11,743	65,760	530,243	1,073,490
Supplies	-	502	1,145	70	121	58,663	60,501
Telephone and web service	1,400	4,550	14,596	-	910	127,394	148,850
Postage, shipping, and freight	623	4,988	2,453	-	-	1,066	9,130
Insurance	-	-	-	-	-	167,218	167,218
Depreciation	-	8,190	-	-	-	10,429	18,619
Promotional and informational material	258	13,465	79	-	-	1,368	15,170
Software	-	-	-	-	-	219,045	219,045
Miscellaneous	565	174	1,117	7,065	529	26,416	35,866
Total Operating Expenses	<u>\$ 8,296,820</u>	<u>\$ 4,523,342</u>	<u>\$ 14,652,887</u>	<u>\$ 2,744,794</u>	<u>\$ 599,047</u>	<u>\$ 4,077,298</u>	<u>\$ 34,894,188</u>

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, 2024 AND 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 17,718,642	\$ 23,888,436
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	19,947	18,619
Realized and unrealized gains on sale of investments	(17,546,459)	(24,261,680)
Gifts restricted for long-term investment	(26,100)	(84,402)
Changes in operating assets and liabilities:		
Due from GCFA Cash Balance Pool	1,324,728	(8,270,885)
Accounts receivable	1,480	879,477
Due from related organizations	747,553	2,748,713
Other assets	149,625	(2,919)
Funds held by outside trustees for the benefit of GBHEM	45,026	(32,089)
Accounts payable and accrued liabilities	(628,326)	(789,929)
Due to related organizations	(2,316,991)	2,962,955
Custodial funds payable	3,835,377	(6,934,639)
Net cash flows from operating activities	<u>3,324,502</u>	<u>(9,878,343)</u>
Cash flows from investing activities:		
Purchases of investments	(97,338,050)	(146,329,735)
Sales and maturities of investments	93,987,464	156,123,660
Net cash flows from investing activities	<u>(3,350,586)</u>	<u>9,793,925</u>
Cash flows from financing activities:		
Proceeds from gifts restricted for long-term investment	26,100	84,402
Net cash flows from financing activities	<u>26,100</u>	<u>84,402</u>
Net change in cash and cash equivalents	16	(16)
Cash and cash equivalents, beginning of year	234	250
Cash and cash equivalents, end of year	<u>\$ 250</u>	<u>\$ 234</u>

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**
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

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 77% and 79% of GBHEM’s total operating revenue in 2024 and 2023, 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.

**GENERAL BOARD OF HIGHER EDUCATION AND MINISTRY OF
THE UNITED METHODIST CHURCH**
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

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 \$48,709,235 and \$44,490,527 of board-designated endowments for the years ended December 31, 2024 and 2023, 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.

**GENERAL BOARD OF HIGHER EDUCATION AND MINISTRY OF
THE UNITED METHODIST CHURCH**
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

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 2024 and 2023) 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 \$43,120 and \$40,633 for the years ended December 31, 2024 and 2023, 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.

**GENERAL BOARD OF HIGHER EDUCATION AND MINISTRY OF
THE UNITED METHODIST CHURCH**
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

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, 2024 and 2023 was 4.42% and 3.83%, 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, 2024 and 2023 were as follows:

	2024	2023
Texas Methodist Foundation loan fund	15.3%	14.4%
Mutual funds	33.0%	35.4%
Short-term collateralized loan fund	0.4%	0.2%
Fixed income	4.4%	5.5%
Corporate bonds	43.6%	42.2%
Cash	3.3%	2.3%
	<u>100.0%</u>	<u>100.0%</u>

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, 2024 and 2023.

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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.

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Note 3—Liquidity and availability of resources

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

	2024	2023
Financial assets at year-end:		
Cash and cash equivalents	\$ 250	\$ 234
Due from GCFA CBP	19,061,781	20,386,509
Accounts receivable, net	393	1,873
Investments	310,233,129	289,336,084
Due from related organizations	7,810,063	8,557,616
Funds held by outside trustees for the benefit of GBHEM	6,045,454	6,090,480
Total financial assets	<u>343,151,070</u>	<u>324,372,796</u>
Less amounts not available to be used for general expenditures within one year:		
Custodial funds payable	109,500,535	105,665,158
Purpose restrictions	95,686,969	88,622,851
Endowment funds held in perpetuity and accumulated earnings	65,414,621	61,807,472
Financial assets not available to be used within one year	<u>270,602,125</u>	<u>256,095,481</u>
Financial assets available to meet general expenditures within one year	<u>\$ 72,548,945</u>	<u>\$ 68,277,315</u>

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 \$48,709,235 and \$44,490,527 as of December 31, 2024 and 2023, 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.

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Note 4—Investments

Investments at December 31 consist of the following:

	2024		2023	
	Fair Value	Cost	Fair Value	Cost
Cash, pending investment	\$ 17,821,304	\$ 17,821,304	\$ 18,076,965	\$ 18,076,965
Common and preferred stock	89,242,483	62,712,516	77,541,100	53,860,245
Equity mutual funds	66,490,475	60,857,525	62,158,161	58,325,733
Exchange Traded Funds	359,853	362,567	-	-
U.S. government agency securities	28,297,204	29,064,470	15,519,364	15,624,769
U.S. government bonds	15,366,346	15,677,222	24,435,755	25,090,072
Other fixed income	721,823	744,150	695,213	744,150
Corporate bonds	16,919,223	17,773,690	19,264,850	20,449,598
U.S. Equity Index Fund - I (Wespath)	35,345,500	14,153,695	34,702,933	17,213,752
Multiple Asset Fund - I (Wespath)	17,423,387	16,500,000	16,213,870	16,500,000
Real estate	22,245,531	22,245,532	20,727,873	20,727,873
	<u>\$ 310,233,129</u>	<u>\$ 257,912,671</u>	<u>\$ 289,336,084</u>	<u>\$ 246,613,157</u>

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 \$200,732,594 and \$184,300,770 for the years ended December 31, 2024 and 2023, respectively, was as follows:

	2024	2023
Investment return:		
Investment income	<u>\$ 3,264,691</u>	<u>\$ 3,426,079</u>
Gains on investments:		
Realized gains on sales of investments	11,324,346	3,310,877
Unrealized gains on investments	<u>6,222,113</u>	<u>20,950,803</u>
Gains on investments	17,546,459	24,261,680
Less investment management expenses	<u>(1,147,339)</u>	<u>(1,062,412)</u>
Investment return, net	19,663,811	26,625,347
Investment return from invested fund draw for operations:		
Adjustment for investment income paid to beneficiaries	(201,287)	-
Adjustment for investment income transferred to operations	<u>(4,280,471)</u>	<u>(4,474,011)</u>
Nonoperating investment return, net	<u>\$ 15,182,053</u>	<u>\$ 22,151,336</u>

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Note 5—Property and equipment, net

Property and equipment at December 31, 2024 and 2023 consists of the following:

	2024	2023
Computer equipment	\$ 22,395	\$ 22,395
Furniture and fixtures	169,725	169,725
	192,120	192,120
Less accumulated depreciation	(136,021)	(116,074)
Total property and equipment, net	<u>\$ 56,099</u>	<u>\$ 76,046</u>

Depreciation expense related to property and equipment for the years ended December 31, 2024 and 2023 was \$19,947 and \$18,619, 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 2024 and 2023 were \$426,325 and \$410,657, 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 \$2,250 annually and \$2,000 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 \$405,110 and \$440,072 in 2024 and 2023, respectively, and the cost of benefits for retired employees was \$111,266 and \$118,007 in 2024 and 2023, respectively, exclusive of reimbursement from the General Agency Benefit Trust (“Benefit Trust”).

The Plan’s unfunded accumulated postretirement benefit obligation was approximately \$26,250,000 and \$26,626,000 and the Plan’s unfunded expected postretirement benefit obligation was approximately \$35,502,000 and \$36,004,000 as of December 31, 2024 and 2023, respectively.

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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 \$154,822,000 and \$156,194,000 as of December 31, 2024 and 2023, respectively. The total amount available for reimbursement in 2024 and 2023 was \$11,947,000 and \$11,887,000, respectively, of which GBHEM's share was \$818,150 and \$862,274, 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, 2024 and 2023, custodial funds payable totaled \$109,500,535 and \$105,665,158, respectively.

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.

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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, 2024 and 2023, GBHEM had the following transactions with GCFA and other related parties:

	2024	2023
Statements of Financial Position:		
Due from GCFA Cash Balance Pool	\$ 19,061,781	\$ 20,386,509
Due from related organizations - World Service Fund Allocation receivable	7,560,698	8,326,276
Due from related organizations - other	249,365	231,340
Investments held in Wespath	52,768,887	50,916,803
Funds held by UMC Board of Trustees for the benefit of the GBHEM	5,118,560	5,198,239
Due (to) from related organizations - Africa University Inc., Tennessee	-	(3,000,104)
Due to related organizations - other	732,277	6,049,372
Custodial funds payable - Africa University, Inc., Tennessee	90,045,852	86,950,528
Statements of Activities:		
Revenue:		
General church funds	25,663,241	29,020,144
Interest income from GCFA	726,165	478,435
Investment return from Wespath	9,602,085	11,048,738
Change in value of funds held by outside trustees - Board of Trustees	45,026	32,089
Benefit trust distribution	818,150	862,274
Services received from GCFA	43,120	40,633
Reimbursement from GBGM - Other income	102,681	-
Expenses:		
Administration provided by GCFA	43,120	40,633
Administration services paid to other agencies	278,070	-
Employee benefits - group insurance expense	516,376	558,080

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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, 2024 and 2023 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			
		Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024	Amounts Measured at Fair Value			
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 (Wespath) *	35,345,500			
Multiple Asset Fund - I (Wespath) *	17,423,387			
Real Estate:				
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 the net asset value ("NAV") per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

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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			
	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)
December 31, 2023				
Funds held by outside trustees for the benefit of GBHEM:	\$ 6,090,480	\$ -	\$ -	\$ 6,090,480
Investments:				
Cash pending investments	\$ 18,076,965	\$ 18,076,965	\$ -	\$ -
Common and preferred stock	77,541,100	77,541,100	-	-
Equity mutual funds	62,158,161	62,158,161	-	-
U.S. government agency securities	15,519,364	15,519,364	-	-
U.S. government bonds	24,435,755	24,435,755	-	-
Other fixed income	695,213	695,213	-	-
Corporate bonds	19,264,850	-	19,264,850	-
	<u>217,691,408</u>	<u>\$ 198,426,558</u>	<u>\$ 19,264,850</u>	<u>\$ -</u>
Investments reported at net asset value:				
U.S. Equity Index Fund - I (Wespath) *	34,702,933			
Multiple Asset Fund - I (Wespath) *	16,213,870			
Real Estate:				
TA Associates *	-			
Rockwood *	1,282,556			
Harrison Street *	8,362,765			
Stonelake *	6,452,047			
Griffis Residential *	4,630,505			
Total investments	<u>\$ 289,336,084</u>			

* 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.

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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, 2024:

	Fair Value	Unfunded Commitments	Redemption Frequency ^(h)	Redemption Notice Period
U.S. Equity Index Fund - I (Wespath) ^(a)	\$ 35,345,500	\$ -	daily	daily
Multiple Asset Fund - I (Wespath) ^(b)	17,423,387	-	daily	daily
Real Estate:				
Rockwood ^(c)	933,133	55,168	variable	variable
Harrison Street ^(d)	7,536,897	1,954,241	variable	variable
Stonelake ^(e)	9,120,191	3,140,000	variable	14 days
Griffis Residential ^(f)	4,104,240	2,320,000	variable	variable
StepStone ^(g)	551,070	2,448,930	variable	variable
	<u>\$ 75,014,418</u>			

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

(b) 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).

(c) 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.

(d) 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.

(e) 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.

(f) Griffis Residential is a real estate manager focused only on investing in apartment homes in thriving areas throughout Colorado, Texas, California, Oregon, and Washington.

(g) 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.

(h) Redemption frequency indicates how often GBHEM may redeem investments during the year.

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Note 10—Fair value of financial instruments (continued)

The following is a reconciliation of activity for 2024 and 2023 for assets measured at fair value based on significant unobservable information:

	2024	2023
Balance, beginning of year	\$ 6,090,480	\$ 6,058,391
Change in fair value	701,870	881,421
Sales and redemptions	(746,896)	(849,332)
Balance, end of year	<u>\$ 6,045,454</u>	<u>\$ 6,090,480</u>

Note 11—Net assets with donor restrictions

Net assets with donor restrictions at December 31, 2024 and 2023 have been restricted by the donors for the following purpose restrictions:

	2024	2023
Subject to purpose restrictions:		
Loans and scholarships	\$ 62,099,811	\$ 57,727,713
Historical black colleges and universities	13,191,940	12,276,035
Ministerial purposes	10,775,757	10,003,888
Young clergy initiative	2,806,909	5,093,623
Central conference on theological education	6,095,219	2,841,831
Other program purposes	717,333	679,761
Total subject to purpose restrictions	<u>95,686,969</u>	<u>88,622,851</u>
Endowments:		
Accumulated earnings on GBHEM's endowment fund	46,533,259	42,970,628
GBHEM endowment fund held in perpetuity	18,881,362	18,836,844
Total endowments	<u>65,414,621</u>	<u>61,807,472</u>
Total net assets with donor restrictions	<u>\$ 161,101,590</u>	<u>\$ 150,430,323</u>

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, 2024 and 2023 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified.

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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

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Note 12—Endowment (continued)

As of December 31, 2024 and 2023, GBHEM had the following endowment net asset composition by type of fund:

December 31, 2024			
	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	\$ -	\$ 18,881,362	\$ 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	<u>\$ 48,709,235</u>	<u>\$ 65,414,621</u>	<u>\$ 114,123,856</u>
December 31, 2023			
	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	\$ -	\$ 18,836,844	\$ 18,836,844
Accumulated investment gains	-	42,970,628	42,970,628
Board-designated quasi endowment	44,490,527	-	44,490,527
Endowment net assets, December 31, 2023	<u>\$ 44,490,527</u>	<u>\$ 61,807,472</u>	<u>\$ 106,297,999</u>

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, 2024 and 2023, 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 2024 and 2023). 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.

**GENERAL BOARD OF HIGHER EDUCATION AND MINISTRY OF
THE UNITED METHODIST CHURCH**
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

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, 2024 and 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2022	\$ 39,196,789	\$ 55,859,651	\$ 95,056,440
Investment return, net	6,220,988	7,796,021	14,017,009
Contributions and designations	-	84,402	84,402
Appropriation of endowment assets for expenditure pursuant to spending-rate policy	(927,250)	(1,932,602)	(2,859,852)
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	<u>\$ 48,709,235</u>	<u>\$ 65,414,621</u>	<u>\$ 114,123,856</u>

Note 13—Subsequent events

Management has evaluated subsequent events through July 24, 2025, 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**
DISTRIBUTIONS TO HISTORICALLY BLACK COLLEGES AND
UNIVERSITIES AND THEOLOGICAL SCHOOLS

SCHEDULE 1

YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Distributions to Historically Black Colleges and Universities:		
Bennett College	\$ 515,366	\$ 470,615
Bethune-Cookman College	607,345	949,595
Claflin College	543,454	666,498
Clark Atlanta University	695,690	765,523
Dillard University	490,001	699,459
Huston-Tillotson College	476,992	590,274
Meharry Medical College	474,752	525,783
Paine College	826,179	474,466
Philander Smith College	457,927	1,022,258
Rust College	414,032	468,624
Wiley College	449,318	762,607
Total Distributions to Historically Black Colleges and Universities	<u>\$ 5,951,056</u>	<u>\$ 7,395,702</u>

Distribution of residual capital funds of \$505,000 and \$1,165,000 in 2024 and 2023, respectively, were included in the above totals.

	2024	2023
Distributions to Theological Schools:		
Boston School of Theology	\$ 460,958.00	\$ 512,191
Drew University, the Theological School	536,066	596,081
Duke University, the Divinity School	1,412,139	1,574,592
Emory University, Candler School of Theology	1,055,269	1,175,993
Gammon Theological Seminary	329,039	367,513
Garrett Evangelical Theological Seminary	754,776	840,364
Iliff School of Theology	491,044	545,795
Methodist Theological School of Ohio	623,664	696,587
Southern Methodist University, Perkins School of Theology	833,491	928,283
St. Paul School of Theology	601,774	672,138
School of Theology at Claremont	382,800	424,894
United Theological Seminary	699,709	781,524
Wesley Theological Seminary	714,033	797,523
Total Distributions to Theological Schools	<u>8,894,762</u>	<u>9,913,478</u>
Total Distributions to Historically Black Colleges and Universities and Theological Schools	<u>\$ 14,845,818</u>	<u>\$ 17,309,180</u>

**GENERAL BOARD OF HIGHER EDUCATION AND MINISTRY OF
THE UNITED METHODIST CHURCH**
SCHEDULES OF INVESTMENTS AT FAIR VALUE FOR
FUNDS HELD FOR OTHERS

SCHEDULE 2

DECEMBER 31, 2024 AND 2023

	2024	2023
AFRICA UNIVERSITY	\$ 90,045,852	\$ 86,950,528
ARTHUR A. HENRY SCHOLARSHIP FUND-PHILANDER SMITH	2,143	2,037
ATKINS-DILLARD MALLALIEU FUND	349,408	332,095
AUSTIN COLLEGE	92,141	87,575
BALTIMORE CONF. - FRANCIS ASBURY	295,947	281,283
BALTIMORE CONF. - SOPHIA DIETSCH	320,355	304,481
BALTIMORE CONFERENCE SCHOLARSHIP	81,687	77,639
BALTIMORE WASHINGTON CONF	-	6,311
BIBLE & RELIGIOUS EDUCATION FUND	1,138,095	1,081,701
CENTENARY COLLEGE OF LOUISIANA	158,593	150,734
DAISY PEARSON FUND-CLAFLIN COLLEGE	201,012	191,051
EARLHAM COLLEGE	98,269	93,400
ECMT FUNDS PAYABLE	-	24,586
FACULTY ENRICHMENT FUND-PHILANDER SMITH	155,671	147,957
FLORENCE CLEAVER SCHOLARSHIP-PHILANDER SMITH	5,353	5,088
FORD FOUNDATION FUND-CLAFLIN COLLEGE	827,626	786,617
GAMMON BUILDING FUND	5,534,085	5,259,861
GAMMON CRUSADE FUND	3,570,877	3,393,934
GAMMON SALARIES & PENSIONS	106,704	101,417
GAMMON THEOLOGICAL SEMINARY-GEN FD	574,602	546,129
GARRETT TRUST SCHOLARSHIP FUND	1,438,948	1,356,240
GENERAL ENDOWMENT FUND-CLAFLIN COLLEGE	381,039	361,920
HARRIS MEMORIAL COLLEGE ENDOWMENT	135,736	122,835
HENDRIX COLLEGE	152,295	144,749
IAMSCU FUND	-	328,581
LON MORRIS COLLEGE	159,687	151,774
LUBBOCK CHRISTIAN COLLEGE	92,152	87,585
LUBBOCK METHODIST HOSPITAL	135,457	128,744
M. W. DUNLAP TRUST-PHILANDER SMITH	10,105	9,604
MARIE L. HUTH SCHOLARSHIP-PHILANDER SMITH	12,499	11,880
MAVEETY SCHOLARSHIP FUND	190,615	181,169
MT. VERNON PLACE LOAN FUND	537,943	501,111

**GENERAL BOARD OF HIGHER EDUCATION AND MINISTRY OF
THE UNITED METHODIST CHURCH**
SCHEDULES OF INVESTMENTS AT FAIR VALUE FOR
FUNDS HELD FOR OTHERS (CONTINUED)

SCHEDULE 2

DECEMBER 31, 2024 AND 2023

	2024	2023
NASCUMC INVESTED FUND	\$ 419,506	\$ 379,633
NASCUMC OPERATING FUND	-	270,366
NEBRASKA WESLEYAN	152,309	144,761
NELSON-HARRIS SCHOLARSHIP-PHILANDER SMITH	18,809	17,877
NORTHWEST TEXAS CONFERENCE	96,231	91,463
OKLAHOMA CITY UNIVERSITY	185,771	176,566
READER'S DIGEST SCHOLARSHIP-PHILANDER SMITH	7,917	7,524
SOUTH CENTRAL JURIS. CONF.	140,169	133,224
SOUTHERN METHODIST UNIVERSITY	12,457	11,839
SOUTHWESTERN COLLEGE	166,054	157,825
SOUTHWESTERN UNIVERSITY	287,991	273,721
SPECHT FUND	29,450	27,991
ST. PAUL SCHOOL OF THEOLOGY	99,355	94,432
STANTON ESTATE-CLAFLIN COLLEGE	16,725	15,896
STUDENT EMERGENCY LOAN FUND-PHILANDER SMITH	3,379	3,211
SUMMER SCHOLARSHIP ENDOWMENT-PHILANDER SMITH	80,375	76,392
TEXAS WESLEYAN COLLEGE	358,334	340,578
UNION COLLEGE	95,760	91,015
UNIV OF KANSAS - ENGLE FUND	73,507	69,865
UNIV OF WISC - LEAVITT FUND	42,805	40,684
WESLEY THEOLOGICAL SEMINARY	91,830	87,280
WEST TEXAS STATE UNIVERSITY	192,505	182,965
WILLSON LECTURESHIP FUND (DM/GBHEM)	216,878	196,264
	<u>109,593,013</u>	<u>106,101,988</u>
Losses incurred but not yet allocated fo funds held for others	<u>(92,478)</u>	<u>(436,830)</u>
	<u><u>\$ 109,500,535</u></u>	<u><u>\$ 105,665,158</u></u>