

**UNITED METHODIST COMMITTEE ON  
RELIEF OF GLOBAL MINISTRIES, INC.  
AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS,  
SUPPLEMENTAL SCHEDULES, AND SINGLE  
AUDIT

*As of and for the Years Ended December 31, 2018  
and 2017*

*And Report of Independent Auditor*

**UNITED METHODIST COMMITTEE ON RELIEF OF  
GLOBAL MINISTRIES, INC. AND AFFILIATES  
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## Report of Independent Auditor

The Board of Directors of  
United Methodist Committee on Relief  
of Global Ministries, Inc.

The Audit Committee of the  
General Board of Global Ministries of  
The United Methodist Church, Inc.

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

We have audited the accompanying consolidated financial statements of United Methodist Committee on Relief of Global Ministries, Inc. and affiliates (collectively "UMCOR") (a non-profit organization), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of a certain division, UMCOR at Sager Brown, whose statements reflect total assets of \$2,090,304 and \$1,929,733 as of December 31, 2018 and 2017, respectively, and total support and revenues of \$2,456,027 and \$3,111,129 for the years then ended, respectively. These statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for UMCOR at Sager Brown, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of UMCOR at Sager Brown were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of UMCOR as of December 31, 2018 and 2017, and the changes in its net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Supplementary and Other Information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of computation of the indirect cost rate, schedule of relief project expenses, and schedule of relief project expenses – detail are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. This information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the other supplemental schedules are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2019, on our consideration of UMCOR's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UMCOR's internal control over financial reporting and compliance.



Atlanta, Georgia  
June 25, 2019

**UNITED METHODIST COMMITTEE ON RELIEF OF  
GLOBAL MINISTRIES, INC. AND AFFILIATES**  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,254,161	\$ 8,601,518
Investments	93,024,690	107,476,557
Investments in securities of United Methodist Development Fund	1,736,126	1,736,126
Receivables:		
Advance Special Gifts	8,679,575	15,642,687
Grants and contracts	718,278	617,364
Other	4,313,969	3,319,455
Due from General Board of Global Ministries of The United Methodist Church, Inc.	139,358	73,128
Inventory and other assets	1,038,154	23,317
Buildings and equipment, net	2,481,781	2,627,895
Endowment funds held by General Board of Global Ministries of The United Methodist Church, Inc.	1,511,228	1,722,159
Perpetual trusts held by others	1,325,071	1,404,701
<b>Total Assets</b>	<b>\$ 122,222,391</b>	<b>\$ 143,244,907</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Due to General Board of Global Ministries of The United Methodist Church, Inc.	\$ 1,726,063	\$ 1,364,867
Accounts payable and accrued expenses	4,966,337	4,574,372
Funds held for others	2,484,298	1,902,544
Deferred revenue and amounts held under grants and contracts	1,718,251	747,407
<b>Total Liabilities</b>	<b>10,894,949</b>	<b>8,589,190</b>
Net Assets:		
Without Donor Restrictions:		
Invested in buildings and equipment	2,481,781	2,627,895
UMCOR at Sager Brown	2,078,838	1,819,655
National Justice for Our Neighbors, Inc.	236,109	203,628
Undesignated	32,491,507	43,309,291
Total Without Donor Restrictions	37,288,235	47,960,469
With Donor Restrictions:		
Subject to purpose restrictions	70,150,552	82,505,448
Endowments and other perpetual gifts	3,888,655	4,189,800
Total With Donor Restrictions	74,039,207	86,695,248
<b>Total Net Assets</b>	<b>111,327,442</b>	<b>134,655,717</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 122,222,391</b>	<b>\$ 143,244,907</b>

**UNITED METHODIST COMMITTEE ON RELIEF OF  
GLOBAL MINISTRIES, INC. AND AFFILIATES  
CONSOLIDATED STATEMENTS OF ACTIVITIES**

*YEARS ENDED DECEMBER 31, 2018 AND 2017*

	2018			2017		
	Without Donor	With Donor	Total	Without Donor	With Donor	Total
	Restrictions	Restrictions		Restrictions	Restrictions	
Operating Revenues:						
Advance special gifts	\$ 10,468,675	\$ 20,118,943	\$ 30,587,618	\$ 9,758,052	\$ 44,389,483	\$ 54,147,535
Special Sunday Offerings	2,619,722	-	2,619,722	2,185,363	-	2,185,363
Allocation from World Service Fund	-	68,796	68,796	-	68,334	68,334
Grants and contracts	10,443,862	2,000	10,445,862	6,890,022	149,312	7,039,334
Gifts and bequests	1,680,137	-	1,680,137	1,253,161	-	1,253,161
Imagine No Malaria	-	4,600,000	4,600,000	-	-	-
Sager Brown program income	1,092,975	-	1,092,975	1,266,578	-	1,266,578
Other income, net	1,430,835	-	1,430,835	664,690	-	664,690
Net assets released from restrictions	36,500,753	(36,500,753)	-	22,402,054	(22,402,054)	-
Total Operating Revenues	64,236,959	(11,711,014)	52,525,945	44,419,920	22,205,075	66,624,995
Expenses:						
Program Services:						
Specialized ministries	12,956,267	-	12,956,267	7,593,706	-	7,593,706
Advance projects	32,318,757	-	32,318,757	19,363,115	-	19,363,115
Relief projects	13,062,355	-	13,062,355	8,465,136	-	8,465,136
Health programs	7,608,574	-	7,608,574	4,222,914	-	4,222,914
Total Program Services	65,945,953	-	65,945,953	39,644,871	-	39,644,871
Supporting Services:						
Management and general	4,451,770	-	4,451,770	4,850,059	-	4,850,059
Fundraising	798,406	-	798,406	682,722	-	682,722
Total Supporting Services	5,250,176	-	5,250,176	5,532,781	-	5,532,781
Total Expenses	71,196,129	-	71,196,129	45,177,652	-	45,177,652
Changes in net assets from operating activities	(6,959,170)	(11,711,014)	(18,670,184)	(757,732)	22,205,075	21,447,343
Nonoperating activities:						
Investment return, net	(3,713,064)	(865,397)	(4,578,461)	9,664,697	2,352,621	12,017,318
Net loss on perpetual trusts	-	(79,630)	(79,630)	-	(385,010)	(385,010)
Total Nonoperating Activities	(3,713,064)	(945,027)	(4,658,091)	9,664,697	1,967,611	11,632,308
Changes in net assets	(10,672,234)	(12,656,041)	(23,328,275)	8,906,965	24,172,686	33,079,651
Net assets, beginning of year	47,960,469	86,695,248	134,655,717	39,053,504	62,522,562	101,576,066
Net assets, end of year	\$ 37,288,235	\$ 74,039,207	\$ 111,327,442	\$ 47,960,469	\$ 86,695,248	\$ 134,655,717

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

**UNITED METHODIST COMMITTEE ON RELIEF OF  
GLOBAL MINISTRIES, INC. AND AFFILIATES**  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services					Supporting Services			Total
	Specialized	Advance	Relief	Health	Total	Management	Total		
	Ministries	Projects	Projects	Programs	Programs	and General	Fundraising	Supporting	
Grants/contributions and other direct programs	\$ 7,358,500	\$ 32,318,757	\$ 2,873,431	\$ 5,085,269	\$ 47,635,957	\$ -	\$ -	\$ -	\$ 47,635,957
Salaries and wages	1,750,994	-	5,506,220	803,229	8,060,443	171,973	-	171,973	8,232,416
Services rendered by other agencies	2,840,128	-	-	1,223,448	4,063,576	3,277,438	798,406	4,075,844	8,139,420
Fringe benefits	593,461	-	1,563,179	253,061	2,409,701	105,635	-	105,635	2,515,336
In-kind commodity distribution	-	-	980,587	-	980,587	-	-	-	980,587
Rent and maintenance	26,372	-	419,891	118,617	564,880	174,942	-	174,942	739,822
Travel - staff	205,363	-	339,112	96,469	640,944	24,758	-	24,758	665,702
Equipment maintenance	5,926	-	489,478	-	495,404	14,941	-	14,941	510,345
Office supplies	1,604	-	256,860	-	258,464	57,425	-	57,425	315,889
Consultant fees	26,250	-	211,410	28,282	265,942	42,070	-	42,070	308,012
Insurance	72,768	-	239	-	73,007	122,618	-	122,618	195,625
Telephone	4,821	-	132,983	-	137,804	31,634	-	31,634	169,438
Depreciation	-	-	52,136	-	52,136	107,029	-	107,029	159,165
Data processing rental and service	-	-	1,425	-	1,425	124,270	-	124,270	125,695
Utilities	16,707	-	67,872	-	84,579	-	-	-	84,579
Printing and duplication	-	-	20,325	-	20,325	29,163	-	29,163	49,488
Meetings	42,851	-	-	100	42,951	4,585	-	4,585	47,536
Audit and legal fees	-	-	18,681	-	18,681	10,200	-	10,200	28,881
Promotional and informational materials	3,736	-	-	-	3,736	21,352	-	21,352	25,088
Postage and freight	-	-	3,358	-	3,358	16,046	-	16,046	19,404
Miscellaneous	6,786	-	125,168	99	132,053	115,691	-	115,691	247,744
<b>Total Expenses</b>	<b>\$ 12,956,267</b>	<b>\$ 32,318,757</b>	<b>\$ 13,062,355</b>	<b>\$ 7,608,574</b>	<b>\$ 65,945,953</b>	<b>\$ 4,451,770</b>	<b>\$ 798,406</b>	<b>\$ 5,250,176</b>	<b>\$ 71,196,129</b>

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

**UNITED METHODIST COMMITTEE ON RELIEF OF  
GLOBAL MINISTRIES, INC. AND AFFILIATES  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2017

	Program Services					Supporting Services			
	Specialized	Advance	Relief	Health	Total	Management	Total		Total
	Ministries	Projects	Projects	Programs	Programs	and General	Fundraising	Supporting	
Grants/contributions and other direct programs	\$ 1,799,287	\$ 19,363,115	\$ 3,361,442	\$ 3,170,042	\$ 27,693,886	\$ -	\$ -	\$ -	\$ 27,693,886
Services rendered by other agencies	2,477,694	-	-	-	2,477,694	3,296,521	671,472	3,967,993	6,445,687
Salaries and wages	1,817,333	-	2,860,448	715,239	5,393,020	210,059	-	210,059	5,603,079
Fringe benefits	579,024	-	750,137	237,307	1,566,468	106,101	-	106,101	1,672,569
Rent and maintenance	304,576	-	384,800	-	689,376	168,198	-	168,198	857,574
Travel - staff	117,073	-	185,683	78,946	381,702	56,334	-	56,334	438,036
Equipment maintenance	34,182	-	355,107	-	389,289	14,989	-	14,989	404,278
Data processing rental and service	-	-	-	-	-	364,920	-	364,920	364,920
Depreciation	67,679	-	-	-	67,679	159,165	-	159,165	226,844
Meetings	173,280	-	-	-	173,280	539	-	539	173,819
Insurance	79,921	-	-	-	79,921	90,139	-	90,139	170,060
Utilities	92,248	-	72,221	-	164,469	-	-	-	164,469
Telephone	6,622	-	116,332	-	122,954	35,362	-	35,362	158,316
Office supplies	10,258	-	72,881	40	83,179	49,065	-	49,065	132,244
In-kind commodity distribution	-	-	115,738	-	115,738	-	-	-	115,738
Consultant fees	7,511	-	23,924	21,229	52,664	46,474	11,250	57,724	110,388
Moving	-	-	-	-	-	95,180	-	95,180	95,180
Audit and legal fees	17,580	-	25,737	-	43,317	-	-	-	43,317
Promotional and informational materials	294	-	-	-	294	25,437	-	25,437	25,731
Postage and freight	-	-	4,164	-	4,164	20,594	-	20,594	24,758
Printing and duplication	-	-	1,847	-	1,847	18,575	-	18,575	20,422
Miscellaneous	9,144	-	134,675	111	143,930	92,407	-	92,407	236,337
<b>Total Expenses</b>	<b>\$ 7,593,706</b>	<b>\$ 19,363,115</b>	<b>\$ 8,465,136</b>	<b>\$ 4,222,914</b>	<b>\$ 39,644,871</b>	<b>\$ 4,850,059</b>	<b>\$ 682,722</b>	<b>\$ 5,532,781</b>	<b>\$ 45,177,652</b>

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



**UNITED METHODIST COMMITTEE ON RELIEF OF  
GLOBAL MINISTRIES, INC. AND AFFILIATES  
CONSOLIDATED STATEMENTS OF CASH FLOWS**

*YEARS ENDED DECEMBER 31, 2018 AND 2017*

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (23,328,275)	\$ 33,079,651
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Net depreciation (appreciation) in fair value of investments	4,578,461	(12,017,318)
Net depreciation in fair value of perpetual trusts	79,630	385,010
Depreciation	229,426	226,844
Changes in operating assets and liabilities:		
Receivables	5,867,684	(7,952,791)
Due to/from General Board of Global Ministries of The United Methodist Church, Inc.	294,966	1,667,173
Inventory and other assets	(1,014,837)	96,440
Accounts payable and accrued expenses	391,965	(799,756)
Accounts held on behalf of others	581,754	561,448
Deferred revenue and amounts held under grants and contracts	970,844	(563,225)
Net cash flows from operating activities	<u>(11,348,382)</u>	<u>14,683,476</u>
<b>Cash flows from investing activities:</b>		
Purchases of building and equipment	(83,312)	(238,249)
Purchases of investments	(18,810,182)	(24,201,254)
Proceeds from sales of investments	28,894,519	7,309,810
Net cash flows from investing activities	<u>10,001,025</u>	<u>(17,129,693)</u>
Net change in cash and cash equivalents	(1,347,357)	(2,446,217)
Cash and cash equivalents, beginning of year	8,601,518	11,047,735
Cash and cash equivalents, end of year	<u>\$ 7,254,161</u>	<u>\$ 8,601,518</u>

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

**UNITED METHODIST COMMITTEE ON RELIEF OF  
GLOBAL MINISTRIES, INC. AND AFFILIATES**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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**Note 1—Nature of the organization and principles of consolidation**

During the year ended December 31, 2018, United Methodist Committee on Relief of the General Board of Global Ministries of The United Methodist Church, a New York Corporation changed its name to United Methodist Committee on Relief of Global Ministries, Inc. a Domestic Nonprofit Corporation in State of Georgia. United Methodist Committee on Relief of Global Ministries, Inc. (“UMCOR”), a tax-exempt, not-for-profit organization, was established by the General Conference of The United Methodist Church to provide assistance to persons in need through programs of relief, rehabilitation, service to refugees, and renewal of life.

The consolidated financial statements of UMCOR include the accounts of UMCOR and its wholly-owned subsidiary, National Justice for Our Neighbors, Inc. (“NJFON”). NJFON is a tax-exempt, not-for-profit organization which was established to administer immigration programs. UMCOR provides NJFON shared services.

In January 1998, UMCOR and the General Board of Global Ministries of The United Methodist Church, Inc. (“Global Ministries”) organized UMCOR at Sager Brown (“Sager Brown”) as a material relief program of UMCOR. The purpose of Sager Brown is to operate the facilities of Sager Brown and the UMCOR depot in support of worldwide ministries, as well as continued development of community ministries. Sager Brown operates as a division of UMCOR and is supported primarily through funding by UMCOR and revenues generated from ministries carried out related to volunteer depot staffing and disaster relief projects.

**Note 2—Summary of significant accounting policies**

*Basis of Presentation* – The consolidated financial statements of UMCOR have been prepared on the accrual basis of accounting and are presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”). UMCOR is required to report information regarding its consolidated financial position and activities according to two classes of net assets based on the evidence or absence of donor-imposed restrictions. Accordingly, the net assets of UMCOR and changes therein are classified and reported as follows:

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

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

*UMCOR at Sager Brown* – Represents the net assets of UMCOR at Sager Brown.

*National Justice for Our Neighbors, Inc.* – Represents the net assets of NJFON.

*Undesignated* – Represents the cumulative net assets without donor restrictions excluding those net assets invested in buildings and equipment, net assets of UMCOR at Sager Brown and NJFON, and designated for specific activities by the board of directors.

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

**UNITED METHODIST COMMITTEE ON RELIEF OF  
GLOBAL MINISTRIES, INC. AND AFFILIATES**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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**Note 2—Summary of significant accounting policies (continued)**

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

*Cash and Cash Equivalents* – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less that are readily convertible to known amounts of cash, except for short-term investments held by UMCOR’s investment managers as part of a long-term strategy. UMCOR places its cash and cash equivalents with high credit quality financial institutions whose credit ratings are monitored by management to minimize credit risk.

*Investments* – Investments are carried at fair value as follows:

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

*Investments Valued at Net Asset Value per Share* – UMCOR has placed funds for investment with Wespath Benefits and Investments (“Wespath”). Wespath has established, for accounting purposes, an initial unit value for an accounting unit of the participants’ accounts based on the participants’ net assets divided by the unit value. At all times, the total value of the participants’ net assets, divided by the total of all participants’ units, will equal the unit value. The unit value of the net assets is determined on each business day.

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

*Buildings and Equipment* – Buildings and equipment are recorded at the cost of acquisition if purchased or at fair value at the date of gift. It is UMCOR’s policy to capitalize expenditures for equipment in excess of \$2,500; purchases which do not exceed this amount, as well as routine repairs and maintenance, are expensed as incurred. Buildings and equipment are depreciated as follows:

Office equipment	5 - 12 years
Vehicles	5 - 10 years
Buildings	25 years
Leasehold improvements	10 - 20 years

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

**UNITED METHODIST COMMITTEE ON RELIEF OF  
GLOBAL MINISTRIES, INC. AND AFFILIATES**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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**Note 2—Summary of significant accounting policies (continued)**

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

*Revenue Recognition* – Revenue from exchange transactions, investment activities, and other non-contribution related revenue are recognized as earned. Contributions are recognized as revenue when received. Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions.

*Grants and Contracts* – UMCOR receives funding under grants and contracts principally from institutional donors, for direct and indirect program costs. If grants and contracts are deemed to be exchange transactions, revenue is recognized as expenses are incurred. Grants and contracts receivable represent amounts due from funding organizations for reimbursable expenses incurred. Deferred revenue and amounts held under grants and contracts represent cash received in advance of incurring the related expenses, as well as donated commodities held in inventory.

*Donated Commodities* – Donated commodities, which principally represent materials donated to UMCOR's relief projects generally through other not-for-profit organizations, are recorded at fair value upon receipt in the accompanying consolidated statements of financial position as inventory and deferred revenue under grants and contracts and are included in donated commodities revenue and relief projects expenses in the accompanying consolidated statements of activities upon distribution.

*Functional Expenses* – The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses.

*Income Taxes* – UMCOR is covered under the General Council on Finance and Administration of The United Methodist Church ("GCFA") group determination letter from the Internal Revenue Service indicating that it is a nonprofit corporation and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. UMCOR had no unrelated business income during the years ended December 31, 2018 and 2017.

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

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**Note 2—Summary of significant accounting policies (continued)**

*Concentrations of Credit Risk* – Financial instruments which potentially subject UMCOR to concentrations of credit risk consist principally of cash and cash equivalents and investments held by UMCOR and Global Ministries. Cash and cash equivalents at December 31, 2018 and 2017 include cash, demand deposits, and short-term investments at financial institutions which management believes are high quality institutions. The cash and cash equivalents possess credit risk to the extent they exceed federally insured limits. UMCOR from time to time may have amounts on deposit in excess of the insured limits. The exposure to concentrations of credit risk relative to securities is dependent on UMCOR's investment objectives and policies. Credit risk also extends to uncollateralized receivables.

*Fair Value of Financial Instruments* – UMCOR follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures*, which establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about the use of fair value measures. Assets recorded at fair value in the consolidated statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by ASC 820, 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 UMCOR's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

UMCOR's financial instruments consist of cash equivalents, investments, investments in securities of The United Methodist Development Fund (“UMDF”), receivables, perpetual trusts held by others, and accounts payable and accrued expenses. The recorded values of cash equivalents, receivables, and accounts payable and accrued expenses, approximate their fair values based on their short-term nature. Investments, investments-in-debt securities, and perpetual trusts held by others are recorded at fair value.

*Use of Estimates* – The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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**Note 2—Summary of significant accounting policies (continued)**

*New Accounting Pronouncement* – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 will eliminate transaction and industry-specific revenue recognition guidance under current GAAP and replace it with a principle-based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. The ASU also will require additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for the year ending December 31, 2019. Early application is not permitted. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. Management is currently evaluating the impact of this standard on UMCOR's financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in ASU 2018-08 provide guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction, determining whether a contribution is conditional, and modifies the simultaneous release option currently in GAAP, which allows a not-for-profit organization to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. This election may now be made for all restricted contributions that were initially classified as conditional without having to elect it for all other restricted contributions and investment returns. ASU 2018-08 is effective for the year ending December 31, 2019. Management is currently evaluating the impact of this standard on UMCOR's financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classifications affecting the pattern of expense recognition in the consolidated statements of activities. ASU 2016-02 is effective for the year ending December 31, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. Management is currently evaluating the impact of this standard on UMCOR's financial statements.

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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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 7,254,161	\$ 8,601,518
Investments	93,024,690	107,476,557
Investments in securities of United Methodist Development Fund	1,736,126	1,736,126
Receivables	13,711,822	19,579,506
Due from Global Ministries	139,358	73,128
Endowment funds held by Global Ministries	<u>1,511,228</u>	<u>1,722,159</u>
Total financial assets	<u>117,377,385</u>	<u>139,188,994</u>
Less amounts not available to be used for general expenditures within one year:		
Funds held for others	2,484,298	1,902,544
Subject to donor purpose restrictions	70,150,552	82,505,448
Long-term portion of note receivable	-	361,667
Endowments	<u>2,563,584</u>	<u>2,785,099</u>
Financial assets not available to be used within one year	<u>75,198,434</u>	<u>87,554,758</u>
Financial assets available to meet general expenditures within one year	<u>\$ 42,178,951</u>	<u>\$ 51,634,236</u>

UMCOR is substantially supported by restricted and unrestricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, UMCOR must maintain sufficient resources to meet those responsibilities to its donors. All UMCOR endowments are donor-restricted endowments, therefore, income from endowments are not available for general expenditure. As part of UMCOR's liquidity-management plan, it structures its financial assets to be available as its obligations come due. UMCOR does not consider funds held for others as available for general expenditures and has, therefore, excluded such funds from financial assets available to meet general expenditures within one year.

**Note 4—Transactions with related entities**

UMCOR reimburses Global Ministries for shared costs for support of certain programs and administrative and management services. During the years ended December 31, 2018 and 2017, UMCOR reimbursed Global Ministries \$7,524,373 and \$5,137,438, respectively, for these costs. These amounts are included in program services and management and general expenses in the accompanying consolidated statements of activities.

During 2018 and 2017, UMCOR contributed \$418,123 and \$828,219, respectively, to Global Ministries towards the construction and rehabilitation costs of the new headquarters in Atlanta, Georgia. These amounts are included in specialized ministries expenses in the accompanying consolidated statements of activities. UMCOR shares office space with Global Ministries.

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**Note 4—Transactions with related entities (continued)**

During 2018 and 2017, Global Ministries managed assets of \$1,511,228 and \$1,722,159, respectively, relating to UMCOR's endowment funds.

During 2018 and 2017, Global Ministries allocated \$407,974 and \$415,051, respectively, of its annual General Agency Benefit Trust allocation to UMCOR. This allocation is recorded in the statements of activities as other income.

The Advance for Christ and His Church is an official program of The United Methodist Church (the "Church") through which support may be designated for projects approved by the Advance Committee of Global Ministries. An Advance Special Gift is a contribution made by an individual, local church, organization, district, or conference to a project authorized by the Advance Committee.

Special Sunday Offerings is an annual special offering for relief programs. Advance Special Gifts and UMCOR Sunday Offerings are passed to UMCOR through the GCFA from the General Funds of The United Methodist Church.

During 2018, UMCOR received \$4,600,000 from The United Methodist Communications of The United Methodist Church and Subsidiaries relating to designated funds for the Health Program on Imagine No Malaria.

Amounts received from the other United Methodist churches and agencies accounted for 72% and 85% of UMCOR's total operating revenue in 2018 and 2017, respectively. The Church's support of UMCOR is dependent upon contributions from its congregations (i.e., congregational participation in the apportionment covenant).

**Note 5—Note receivable**

On November 1, 2014, UMCOR entered into a note receivable with Church World Service, Inc. The note had an outstanding balance of \$361,667 and \$780,076 as of December 31, 2018 and 2017, respectively, and are included in other receivables on the consolidated statements of financial position. The note receivable is unsecured and bears interest at a rate of 4% per annum. Interest earned on the note receivable was \$23,587 and \$39,967 for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018, the annual repayment amount under this note receivable is:

**Year Ending December 31,**

2019

\$ 361,667

**Note 6—Investments in securities of United Methodist Development Fund**

Investments in UMDF totaled \$1,736,126 at December 31, 2018 and 2017, and include three to four-year term notes bearing interest at rates ranging from 1.75% to 3.00% per annum, with interest payable semiannually on June 30 and December 31.

Investments in UMDF are carried at cost in the accompanying consolidated financial statements. Since no public market exists (or is expected to develop) for UMDF's investment obligations, an estimate of fair value is not practicable to obtain. However, because of the relatively short duration of the obligations and annual reset of rates for new obligations, fair value is not believed to be significantly different than carrying value.



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**Note 6—Investments in securities of United Methodist Development Fund (continued)**

The principal amount of the notes is repaid at the maturity date; however, in accordance with the provisions of the notes, UMDF reserves the right to repay the principal amount in five, annual installments beginning 30 days after the maturity date. UMDF may pay up to a 1.50% premium on the face amount of the notes to recall the notes after 30 days written notice to the investor.

**Note 7—Investments**

At December 31, 2018 and 2017, the cost and fair value of investments are as follows:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Multiple Asset Fund - Wespath	\$ 62,208,189	\$ 51,863,036	\$ 73,211,931	\$ 55,563,763
Fixed Income Fund - Wespath	30,714,005	28,863,399	34,163,360	31,235,400
Other securities	102,496	102,496	101,266	101,266
Total investments	<u>\$ 93,024,690</u>	<u>\$ 80,828,931</u>	<u>\$ 107,476,557</u>	<u>\$ 86,900,429</u>
			<b>2018</b>	<b>2017</b>
Investment return:				
Realized gains on sales of investments			\$ 3,827,272	\$ 1,391,007
Unrealized gains (losses) on investments			(8,405,733)	10,626,311
Investment return, net			<u>\$ (4,578,461)</u>	<u>\$ 12,017,318</u>

**Note 8—Buildings and equipment**

Buildings and equipment consist of the following at December 31:

	2018	2017
Equipment	\$ 3,382,873	\$ 3,347,143
Buildings and land	1,343,269	1,356,657
Leasehold improvements	1,186,469	1,141,560
	<u>5,912,611</u>	<u>5,845,360</u>
Less accumulated depreciation	<u>(3,430,830)</u>	<u>(3,217,465)</u>
Total buildings and equipment, net	<u>\$ 2,481,781</u>	<u>\$ 2,627,895</u>

Depreciation expense totaled \$229,426 and \$226,844 in 2018 and 2017, respectively.

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**Note 9—Net assets with donor restrictions**

Net assets with donor restrictions at December 31, 2018 and 2017 have been restricted by the donors for the following purpose restrictions:

	<u>2018</u>	<u>2017</u>
Subject to purpose restriction:		
USA National Disaster Fund	\$ 26,938,065	\$ 37,542,157
Other Advance projects and funds	22,944,781	19,978,065
Harry R. Kendall Fund - health, housing, and training grants	13,034,253	14,164,682
Haiti Emergency	3,461,134	4,437,871
Philippines Emergency	3,197,841	3,503,922
Disaster Response International	574,478	2,878,751
Total subject to purpose restriction	<u>70,150,552</u>	<u>82,505,448</u>
Endowments and perpetual trusts:		
Perpetual trusts	1,325,071	1,404,701
Endowments		
Subject to appropriation only	<u>2,563,584</u>	<u>2,785,099</u>
Total endowments and perpetual trusts	<u>3,888,655</u>	<u>4,189,800</u>
Total net assets with donor restrictions	<u>\$ 74,039,207</u>	<u>\$ 86,695,248</u>

Net assets with donor restrictions for the years ended December 31, 2018 and 2017 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2018</u>	<u>2017</u>
Satisfaction of purpose restriction	<u>\$ 36,500,753</u>	<u>\$ 22,402,054</u>

**Note 10—Employee benefits**

*Retirement Benefits* – Full-time laypersons and clergy employed by UMCOR participate in the Retirement Plan for General Agencies. This defined contribution plan is administered by Wespath.

UMCOR makes semi-monthly contributions to each eligible employee's account held by Wespath based on 8% of annual employee compensation. Additionally, UMCOR matches up to 2% of each employee's compensation to their United Methodist Personal Investment Plan. Total contributions made by UMCOR for both components during 2018 and 2017 were \$306,226 and \$233,067, respectively.

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**Note 10—Employee benefits (continued)**

*Health, Life, and Other Employee Benefits* – UMCOR provides health, life, and other employee benefits for its active employees and health, dental, and life benefits to retirees through a group plan which qualifies for treatment as a multi-employer plan under ASC 715, *Compensation-Retirement Benefits*. Substantially all retired employees are eligible to participate in the plan if they have attained normal retirement age while in the employ of UMCOR.

The General Agencies of The United Methodist Church Benefit Plan (the “Plan”) provides medical, dental, life, and long-term and short-term disability defined benefits to participants of the General Agencies. The Plan's unfunded accumulated postretirement benefit obligation was approximately \$94,500,000 and \$98,600,000 and the Plan's unfunded expected postretirement benefit obligation was approximately \$131,500,000 and \$148,700,000 as of December 31, 2018 and 2017, respectively.

All of UMCOR's active employees are covered by the Plan. The cost of the benefit is recognized as expense as premiums are paid. The total cost of benefits for active employees was \$470,262 and \$475,636 for the years ended December 31, 2018 and 2017, respectively.

**Note 11—Lease commitments**

UMCOR has noncancelable operating leases for its west coast office and depot, which expires in 2020. NJFON has a cancelable lease, which renews on a quarterly basis. The future minimum rental payments under these operating leases are as follows for years ending December 31:

**Years Ending December 31,**

2019	\$ 95,880
2020	<u>97,800</u>
Total	<u><u>\$ 193,680</u></u>

Rent expense incurred by UMCOR totaled \$144,989 and \$156,664 for the years ended December 31, 2018 and 2017, respectively.

**Note 12—Endowments**

UMCOR's endowment consists of approximately 28 individual funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

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

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**Note 12—Endowments (continued)**

As of December 31, 2018 and 2017, UMCOR had the following endowment net asset composition:

	<b>December 31, 2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 2,316,275	\$ 2,316,275
Accumulated investment earnings	-	247,309	247,309
Endowment net assets	<u>\$ -</u>	<u>\$ 2,563,584</u>	<u>\$ 2,563,584</u>

  

	<b>December 31, 2017</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 2,316,275	\$ 2,316,275
Accumulated investment earnings	-	468,824	468,824
Endowment net assets	<u>\$ -</u>	<u>\$ 2,785,099</u>	<u>\$ 2,785,099</u>

Changes in endowment net assets for the years ended December 31, 2018 and 2017 are as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, December 31, 2016	\$ 121,988	\$ 2,392,653	\$ 2,514,641
Investment return, net	-	274,043	274,043
Appropriation of endowment assets for expenditure pursuant to spending-rate policy	-	(3,585)	(3,585)
Transfer of accumulated earnings	(121,988)	121,988	-
Endowment net assets, December 31, 2017	-	2,785,099	2,785,099
Investment return, net	-	(221,515)	(221,515)
Endowment net assets, December 31, 2018	<u>\$ -</u>	<u>\$ 2,563,584</u>	<u>\$ 2,563,584</u>

*Underwater Endowment Funds* – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the applicable state law requires UMCOR to retain as a fund of perpetual duration. UMCOR has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no underwater endowments as of December 31, 2018 and 2017.

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**Note 12—Endowments (continued)**

*Return Objectives and Risk Parameters* – UMCOR has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that UMCOR must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index and the Merrill Lynch 1-3 year Treasury Index while assuming a moderate level of investment risk. UMCOR expects its endowment funds, over time, to provide an average rate of return of between 6% to 8% annually. Actual returns in any given year may vary from this amount.

*Strategies Employed for Achieving Objectives* – To satisfy its long-term rate-of-return objectives, UMCOR 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). UMCOR targets a diversified asset allocation that places a greater emphasis on fixed-income based investments to achieve its long-term return objectives within prudent risk constraints.

*Spending Policy and How the Investment Objectives Relate to Spending Policy* –Distributions are made at the discretion of the Board of Directors when determining the annual budget. UMCOR considers the long-term expected return on its endowment. Accordingly, over the long term, UMCOR expects the current spending policy to allow its endowment to grow at an average of 1% to 3% annually. This is consistent with UMCOR's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**Note 13—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 UMCOR's assessment of available market information and appropriate valuation methodologies.

The following table summarizes required fair value disclosures and measurements at December 31, 2018 and 2017 for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

	<b>Fair Value Measurements at Reporting Date Using</b>			
	<b>Assets Measured at Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>December 31, 2018</b>				
Assets:				
Investments:				
Multiple Asset Fund - Wespath *	\$ 62,208,189	\$ -	\$ -	\$ -
Fixed Income Fund - Wespath *	30,714,005	-	-	-
Total Investments	<u>\$ 92,922,194</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Perpetual trusts held by others	<u>\$ 1,325,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,325,071</u>

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**Note 13—Fair value of financial instruments (continued)**

	Fair Value Measurements at Reporting Date Using			
	Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2017</b>				
Assets:				
Investments:				
Multiple Asset Fund - Wespath *	\$ 73,211,931	\$ -	\$ -	\$ -
Fixed Income Fund - Wespath *	34,163,360	-	-	-
Total Investments	<u>\$ 107,375,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Perpetual trusts held by others	<u>\$ 1,404,701</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,404,701</u>

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

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

*Perpetual Trusts Held by Others* – Fair value is based on the fair value of the underlying investments. Because timing of realization is an unobservable input, the fair value is determined using primarily Level 3 inputs.

The following is a reconciliation of activity for 2018 and 2017 for assets measured at fair value based on significant unobservable information:

	<b>Perpetual Trusts Held by Others</b>
Balance, January 1, 2017	\$ 1,789,711
Net depreciation in fair value	(385,010)
Balance, December 31, 2017	1,404,701
Net depreciation in fair value	(79,630)
Balance, December 31, 2018	<u>\$ 1,325,071</u>

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**Note 15—Commitments**

UMCOR has granted conditional support to related and unrelated organizations through 2020. The aggregate commitment under these agreements is approximately \$44,000,030 at December 31, 2018.

**Note 16—Subsequent events**

Management has evaluated subsequent events through June 25, 2019, the date the consolidated financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.

## **SUPPLEMENTAL SCHEDULES**



**UNITED METHODIST COMMITTEE ON RELIEF OF  
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SCHEDULE OF COMPUTATION OF THE INDIRECT COST RATE

YEAR ENDED DECEMBER 31, 2018

Relief Projects Indirect Costs:	
Support services provided by Global Ministries	\$ 690,776
Salaries and wages	495,040
Fringe benefits	149,051
Staff recruitment and training	3,436
Rent and utilities	45,086
Telephone	3,388
Postage and freight	4,011
Printing and duplication	7,291
Office supplies	5,768
Depreciation expense	52,136
Insurance expense	48,483
Audit fees	34,632
Legal fees	23,299
Consultant fees	26,570
Membership/meeting expense	38,049
Travel	14,588
Miscellaneous	6,971
Total Relief Projects Indirect Costs	<u>\$ 1,648,575</u>
Relief Projects Direct Costs:	
Relief projects expense	\$ 13,065,526
Add other allocable costs	199,602
Less non-allocable costs *	<u>(1,182,351)</u>
Total Allocable Direct Costs	<u>\$ 12,082,777</u>
Indirect Cost Rate	<u>13.64%</u>

\* Includes donated commodities, capital expenditures, and pass-through funds.

**UNITED METHODIST COMMITTEE ON RELIEF OF  
GLOBAL MINISTRIES, INC. AND AFFILIATES  
SCHEDULE OF RELIEF PROJECT EXPENSES**

*YEAR ENDED DECEMBER 31, 2018*

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<u>Grantor</u>	
US Agency for International Development	\$ 1,585,258
Civil Society Facility	131,736
Department for International Development (DFID)	1,101,364
European Union	70,361
Federal Emergency Management Agency (FEMA)	3,825,065
Food & Agricultural Organization of United Nations	202,233
Food Resource Bank	14,169
In-Kind Commodity	980,587
SANRU Program	93,945
UMCOR	1,639,077
United Nations International Children's Emergency Fund	834,008
United Nations Development Program	278,010
United Nations High Commissioner for Refugees	1,129,257
World Bank	304,177
World Food Programme	730,862
ZOA Sudan	145,417
	<hr/>
Total Grant Funded Expenses	13,065,526
Less grant expenses funded by UMCOR	3,171
	<hr/>
Total Relief Projects Expenses	<u><u>\$ 13,062,355</u></u>

**UNITED METHODIST COMMITTEE ON RELIEF OF  
GLOBAL MINISTRIES, INC. AND AFFILIATES**  
SCHEDULE OF RELIEF PROJECT EXPENSES – DETAIL

YEAR ENDED DECEMBER 31, 2018

<b>Grantor</b>	<b>DRC</b>	<b>Sudan</b>	<b>South Sudan</b>	<b>Zimbabwe</b>	<b>HQ/Others</b>	<b>Total (USD)</b>
US Agency for International Development	\$ -	\$ 1,585,258	\$ -	\$ -	\$ -	\$ 1,585,258
Civil Society Facility	-	-	131,736	-	-	131,736
Department for International Development (DFID)	-	794,940	306,424	-	-	1,101,364
European Union	-	-	70,361	-	-	70,361
Federal Emergency Management Agency (FEMA)	-	-	-	-	3,825,065	3,825,065
Food & Agricultural Organization of United Nations	-	-	202,233	-	-	202,233
Food Resource Bank	14,169	-	-	-	-	14,169
In-Kind Commodity	-	-	980,587	-	-	980,587
SANRU Program	93,945	-	-	-	-	93,945
UMCOR	489,040	287,278	559,662	669,858	(366,761)	1,639,077
United Nations International Children's Emergency Fund	193,146	640,862	-	-	-	834,008
United Nations Development Program	-	16,159	-	261,851	-	278,010
United Nations High Commissioner for Refugees	-	276,640	852,617	-	-	1,129,257
World Bank	-	-	304,177	-	-	304,177
World Food Programme	-	-	-	730,862	-	730,862
ZOA Sudan	-	145,417	-	-	-	145,417
<b>Total Grant Funded Expenses</b>	<b>\$ 790,300</b>	<b>\$ 3,746,554</b>	<b>\$ 3,407,797</b>	<b>\$ 1,662,571</b>	<b>\$ 3,458,304</b>	<b>13,065,526</b>
Less grant expenses funded by UMCOR						3,171
<b>Total Relief Project Expenses</b>						<b>\$ 13,062,355</b>

## **SINGLE AUDIT**

**Report of Independent Auditor on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

The Board of Directors of  
United Methodist Committee on Relief  
of Global Ministries, Inc.

The Audit Committee of the  
General Board of Global Ministries of  
The United Methodist Church

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of United Methodist Committee on Relief of Global Ministries, Inc. and affiliates (collectively "UMCOR") (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 25, 2019. Our report includes reference to other auditors who audited the financial statements of a certain division, UMCOR at Sager Brown, as described in our report on UMCOR's consolidated financial statements. The financial statements of UMCOR at Sager Brown were not audited in accordance with *Government Audit Standards*.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered UMCOR's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of UMCOR's internal control. Accordingly, we do not express an opinion on the effectiveness of the UMCOR's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether UMCOR's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UMCOR's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UMCOR's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cherry Bekart LLP*

Atlanta, Georgia  
June 25, 2019

## **Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

The Board of Directors of  
United Methodist Committee on Relief  
of Global Ministries, Inc.

The Audit Committee of the  
General Board of Global Ministries of  
The United Methodist Church

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

### **Report on Compliance for Each Major Federal Program**

We have audited United Methodist Committee of Relief of Global Ministries, Inc. and affiliate's (collectively "UMCOR") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of UMCOR's major federal programs for the year ended December 31, 2018. UMCOR's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of UMCOR's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about UMCOR's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of UMCOR's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, UMCOR complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

## **Report on Internal Control over Compliance**

Management of UMCOR is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered UMCOR's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of UMCOR's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item Finding 2018-001 that we consider to be a significant deficiency.

UMCOR's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. UMCOR's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Atlanta, Georgia  
June 25, 2019



**UNITED METHODIST COMMITTEE ON RELIEF OF  
GLOBAL MINISTRIES, INC. AND AFFILIATES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

DECEMBER 31, 2018

<u>Federal/Grantor Program Title</u>	<u>Federal CFDA No.</u>	<u>Award No.</u>	<u>Pass-through Entity Identifying Number</u>	<u>Amounts Passed Through to Subrecipient</u>	<u>Federal Expenditures</u>
<b><u>US Agency for International Development</u></b>					
<i>Direct Programs:</i>					
Responding to Critical Needs of Vulnerable IDPs and Conflict-Affected Communities in East Darfur State	98.001	AID-OFDA-G-17-00090		\$ -	\$ 1,134,520
Life-Saving Emergency Response to Vulnerable IDPs and Conflict	98.001	720FDA18GR00156		-	450,738
<b>Subtotal US Agency for International Development</b>				<b>-</b>	<b>1,585,258</b>
<b><u>Federal Emergency Management Agency</u></b>					
<i>Pass-Through from National Voluntary Organizations</i>					
<i>Active in Disaster:</i>					
Disaster Case Management	97.088	FEMA-DR-4332-TX	PASS - NVOAD	3,599,533	3,825,065
<b>Subtotal Federal Agency Management Agency</b>				<b>3,599,533</b>	<b>3,825,065</b>
<b>Total Expenditures of Federal Awards</b>				<b>\$ 3,599,533</b>	<b>\$ 5,410,323</b>

**UNITED METHODIST COMMITTEE ON RELIEF OF  
GLOBAL MINISTRIES, INC. AND AFFILIATES**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DECEMBER 31, 2018

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**Note 1—Basis of presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity (including indirect cost recovery amounts) of United Methodist Committee on Relief of Global Ministries, Inc. ("UMCOR"), including federal awards passed through other agencies, and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, certain amounts presented in the Schedule may differ from amounts presented in, or used in the presentation of, UMCOR's consolidated financial statements.

*Indirect Cost Rate* – UMCOR has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 2—Reconciliation to consolidated financial statements**

Federal awards, including indirect cost recovery, are reported as revenue in net assets without donor restriction when the related direct costs are incurred. The amounts reported as relief projects' expenses in the consolidated statement of activities for the year ended December 31, 2018 reconcile to the Schedule as follows:

Program Services per financial statements	\$ 65,945,953
Less amounts pertaining to non-federal awards	<u>60,535,630</u>
Total expenditures of federal awards	<u><u>\$ 5,410,323</u></u>

**Note 3—Catalog of Federal Domestic Assistance ("CFDA") numbers**

CFDA numbers that are available for each federal award program are indicated on the supplemental schedule of expenditures of federal awards.

**Note 4—Contingencies**

These award programs are subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, although UMCOR expects such amounts, if any, to be immaterial.

**UNITED METHODIST COMMITTEE ON RELIEF OF  
GLOBAL MINISTRIES, INC. AND AFFILIATES**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DECEMBER 31, 2018

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**I. Summary of Auditor's Results**

- a) The type of report issued on the consolidated financial statements: **Unmodified**
- b) Internal control over financial reporting:  
Material weaknesses identified: **No**  
Significant deficiencies identified that are not considered to be material weaknesses: **None reported**
- c) Noncompliance which is material to the consolidated financial statements: **No**
- d) Internal control over major programs:  
Material weaknesses identified: **No**  
Significant deficiencies identified that are not considered to be material weaknesses: **Yes**
- e) The type of report issued on compliance for major programs: **Unmodified**
- f) Any audit findings which are required to be reported under 2 CFR section 200.516(a): **No**
- g) Identification of major programs:

**Major Programs**

**CFDA Number**

Disaster Case Management

97.088

- h) Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**
- i) Auditee qualified as a low-risk auditee: **Yes**

**II. Financial Statement Findings**

None

**UNITED METHODIST COMMITTEE ON RELIEF OF  
GLOBAL MINISTRIES, INC. AND AFFILIATES  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*DECEMBER 31, 2018*

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**III. Federal Award Findings and Questioned Costs**

**Finding #:** 2018-001 Lack of documentation for verification of subrecipient monitoring activities  
**Federal Agencies:** Federal Emergency Management Agency  
**Federal Program:** Disaster Case Management Services  
**CFDA:** 97.088

***Statement of Condition***

Documentation was not maintained to evidence UMCOR's compliance with federal regulations related to certain subrecipient monitoring activities.

***Criteria***

As defined in 2 CFR section 200.331 a pass-through entity must (following is not a complete listing):

- Provide required information includes all requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award and any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency;
- Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring;
- Consider imposing specific subaward conditions upon a subrecipient if appropriate; and
- Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

***Cause***

Management of UMCOR did not maintain adequate evidence of subrecipient monitoring activities that are required for documentary purposes.

***Effect***

Subrecipients expenditures may not be in compliance with federal or grant award provisions.

***Recommendation***

UMCOR should document its methodology for the evaluation of subrecipients' risk of non-compliance and other subrecipient monitoring activities. Documentation should be maintained to evidence compliance with the Uniform Grant Guidance requirements for subrecipient monitoring activities.

***Management Response***

See attached management's response.

***Corrective Action Plan***

See attached management's corrective action plan.

## **MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN**

### **2018-001 Lack of documentation for verification of subrecipient monitoring activities**

Management of UMCOR believes adequate subrecipient monitoring systems are in place but may not always be evidenced by documentation. We will review our processes and systems to identify opportunities to enhance our documentary evidence.

Contact Person: Javed Sheikh, Finance Director

Telephone Number: 404-460-7276