



**UNITED METHODIST COMMITTEE ON  
RELIEF OF THE GENERAL BOARD OF  
GLOBAL MINISTRIES OF THE  
UNITED METHODIST CHURCH  
AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES**

***As of and for the Years Ended December 31, 2016  
and 2015***

***And Report of Independent Auditor***

**UNITED METHODIST COMMITTEE ON RELIEF OF  
THE GENERAL BOARD OF GLOBAL MINISTRIES OF  
THE UNITED METHODIST CHURCH AND AFFILIATES**  
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## Report of Independent Auditor

The Board of Directors of the  
United Methodist Committee on Relief of the  
General Board of Global Ministries of  
The United Methodist Church

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 the accompanying consolidated financial statements of the United Methodist Committee on Relief of the General Board of Global Ministries of the United Methodist Church and affiliates (collectively "UMCOR") (a non-profit organization), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of a certain division, UMCOR at Sager Brown, whose statements reflect total assets of \$1,770,709 and \$2,134,247 as of December 31, 2016 and 2015, respectively and total support and revenues of \$2,260,803 and \$2,685,046 for the years then ended, respectively. These statements were audited by other auditors, whose reports has 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, 2016 and 2015, and the changes 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.

### **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, schedule of relief project expenses – detail, and schedule of functional expenses 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 Audit Standards**

In accordance with Government Auditing Standards, we have also issued our report dated July 6, 2017, 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  
July 6, 2017

**UNITED METHODIST COMMITTEE ON RELIEF OF  
THE GENERAL BOARD OF GLOBAL MINISTRIES OF  
THE UNITED METHODIST CHURCH AND AFFILIATES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2016 AND 2015

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 11,047,735	\$ 9,500,319
Investments	78,739,396	79,271,108
Investments in securities of United Methodist Development Fund	1,736,126	1,736,115
Receivables:		
Advance Special Gifts	6,715,043	6,269,202
One Great Hour of Sharing	171,503	231,149
Accrued receivables	778,271	2,240,524
Grants and contracts	1,363,923	1,419,915
Other	2,597,975	2,306,724
Due from General Board of Global Ministries and related entities	437,998	369,239
Inventory and other assets	119,757	20,711
Buildings and equipment, net	2,616,490	2,257,467
Endowment funds held by the General Board of Global Ministries	1,550,558	1,444,065
Perpetual trusts held by others	1,789,711	1,739,146
<b>Total Assets</b>	<b>\$ 109,664,486</b>	<b>\$ 108,805,684</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Due to General Board of Global Ministries and related entities	\$ 62,564	\$ 179,984
Accounts payable and accrued expenses	5,374,128	13,562,654
Accounts held on behalf of others	1,341,096	1,535,183
Deferred revenue and amounts held under grants and contracts	1,310,632	338,125
<b>Total Liabilities</b>	<b>8,088,420</b>	<b>15,615,946</b>
Net Assets		
Unrestricted:		
Undesignated	36,426,651	31,499,350
Designated for Sager Brown	1,748,456	2,108,197
Designated for National Justice for Our Neighbors	215,722	96,187
Other designated	662,675	624,385
Total Unrestricted Net Assets	39,053,504	34,328,119
Temporarily restricted net assets	58,340,198	54,836,313
Permanently restricted net assets	4,182,364	4,025,306
<b>Total Net Assets</b>	<b>101,576,066</b>	<b>93,189,738</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 109,664,486</b>	<b>\$ 108,805,684</b>

**UNITED METHODIST COMMITTEE ON RELIEF OF  
THE GENERAL BOARD OF GLOBAL MINISTRIES OF  
THE UNITED METHODIST CHURCH AND AFFILIATES  
CONSOLIDATED STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2016

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating Revenue:				
General Funds of the United Methodist Church:				
Advance Special Gifts	\$ 7,102,107	\$ 13,456,072	\$ -	\$ 20,558,179
One Great Hour of Sharing	2,441,361	-	-	2,441,361
World Service Allocation	-	64,209	-	64,209
Grants and contracts	9,250,931	-	-	9,250,931
Gifts and bequests	4,703,680	-	-	4,703,680
Imagine no Malaria	-	7,179,651	-	7,179,651
Sager Brown program income	854,643	-	-	854,643
Other income	487,541	-	-	487,541
	<u>24,840,263</u>	<u>20,699,932</u>	<u>-</u>	<u>45,540,195</u>
Net assets released from restrictions	19,573,409	(19,573,409)	-	-
Total Operating Revenue	<u>44,413,672</u>	<u>1,126,523</u>	<u>-</u>	<u>45,540,195</u>
Operating Expenses:				
Program Services:				
Special ministries	9,421,307	-	-	9,421,307
Advance special projects	18,246,408	-	-	18,246,408
Relief projects grant funds	9,976,960	-	-	9,976,960
Health programs	2,552,860	-	-	2,552,860
Total Program Services	<u>40,197,535</u>	<u>-</u>	<u>-</u>	<u>40,197,535</u>
Supporting Services:				
Management and general	3,901,538	-	-	3,901,538
Fundraising	524,150	-	-	524,150
Total Supporting Services	<u>4,425,688</u>	<u>-</u>	<u>-</u>	<u>4,425,688</u>
Total Operating Expenses	<u>44,623,223</u>	<u>-</u>	<u>-</u>	<u>44,623,223</u>
Changes in net assets from operating activities	<u>(209,551)</u>	<u>1,126,523</u>	<u>-</u>	<u>916,972</u>
Nonoperating activities:				
Appreciation in fair value of investments, net	4,962,049	1,006,238	-	5,968,287
Appreciation in fair value of perpetual trusts, net	-	-	157,058	157,058
Other	(27,113)	100,812	-	73,699
Total Nonoperating Activities	<u>4,934,936</u>	<u>1,107,050</u>	<u>157,058</u>	<u>6,199,044</u>
Changes in net assets	4,725,385	2,233,573	157,058	7,116,016
Transfer of assets from General Board of Global Ministries (Note 3)	-	1,270,312	-	1,270,312
Net assets, beginning of year	34,328,119	54,836,313	4,025,306	93,189,738
Net assets, end of year	<u>\$ 39,053,504</u>	<u>\$ 58,340,198</u>	<u>\$ 4,182,364</u>	<u>\$ 101,576,066</u>

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

**UNITED METHODIST COMMITTEE ON RELIEF OF  
THE GENERAL BOARD OF GLOBAL MINISTRIES OF  
THE UNITED METHODIST CHURCH AND AFFILIATES  
CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)**

YEAR ENDED DECEMBER 31, 2015

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating Revenue:				
General Funds of the United Methodist Church:				
Advance Special Gifts	\$ 6,004,046	\$ 11,272,392	\$ -	\$ 17,276,438
One Great Hour of Sharing	2,681,017	-	-	2,681,017
World Service Allocation	-	61,853	-	61,853
Donated commodities	207,651	-	-	207,651
Grants and contracts	6,436,812	-	-	6,436,812
Gifts and bequests	2,102,741	175,920	-	2,278,661
Imagine no Malaria	-	5,477,150	-	5,477,150
Sager Brown program income	1,108,159	-	-	1,108,159
Aregak program income	9,146,741	-	-	9,146,741
Other income	1,216,187	-	-	1,216,187
	<u>28,903,354</u>	<u>16,987,315</u>	<u>-</u>	<u>45,890,669</u>
Net assets released from restrictions	<u>28,021,304</u>	<u>(28,021,304)</u>	<u>-</u>	<u>-</u>
Total Operating Revenue	<u>56,924,658</u>	<u>(11,033,989)</u>	<u>-</u>	<u>45,890,669</u>
Operating Expenses:				
Program Services:				
Special ministries	7,890,441	-	-	7,890,441
Advance special projects	25,078,223	-	-	25,078,223
Relief projects grant funds	8,337,097	-	-	8,337,097
Health programs	3,593,322	-	-	3,593,322
Aregak program	6,460,645	-	-	6,460,645
Total Program Services	<u>51,359,728</u>	<u>-</u>	<u>-</u>	<u>51,359,728</u>
Supporting Services:				
Management and general	3,600,884	-	-	3,600,884
Fundraising	553,706	-	-	553,706
Total Supporting Services	<u>4,154,590</u>	<u>-</u>	<u>-</u>	<u>4,154,590</u>
Total Operating Expenses	<u>55,514,318</u>	<u>-</u>	<u>-</u>	<u>55,514,318</u>
Changes in net assets from operating activities	<u>1,410,340</u>	<u>(11,033,989)</u>	<u>-</u>	<u>(9,623,649)</u>
Nonoperating activities:				
Depreciation in fair value of investments, net	(1,799,377)	(361,941)	-	(2,161,318)
Depreciation in fair value of perpetual trusts, net	-	-	(119,219)	(119,219)
Endowment contributions	-	-	603,594	603,594
Other	1,282,559	-	-	1,282,559
Total Nonoperating Activities	<u>(516,818)</u>	<u>(361,941)</u>	<u>484,375</u>	<u>(394,384)</u>
Changes in net assets	893,522	(11,395,930)	484,375	(10,018,033)
Transfer of net assets of Aregak (Note 14)	(33,872,535)	-	-	(33,872,535)
Net assets, beginning of year	<u>67,307,132</u>	<u>66,232,243</u>	<u>3,540,931</u>	<u>137,080,306</u>
Net assets, end of year	<u>\$ 34,328,119</u>	<u>\$ 54,836,313</u>	<u>\$ 4,025,306</u>	<u>\$ 93,189,738</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements. 5

**UNITED METHODIST COMMITTEE ON RELIEF OF  
THE GENERAL BOARD OF GLOBAL MINISTRIES OF  
THE UNITED METHODIST CHURCH AND AFFILIATES  
CONSOLIDATED STATEMENTS OF CASH FLOWS**

*YEARS ENDED DECEMBER 31, 2016 AND 2015*

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 7,116,016	\$ (10,018,033)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Transfer of assets from General Board of Global Ministries	1,270,312	-
Net depreciation (appreciation) in fair value of investments	(5,968,287)	2,161,318
Net depreciation (appreciation) in fair value of perpetual trusts	(157,058)	119,219
Depreciation	149,746	303,457
Donated commodities	-	207,651
Changes in operating assets and liabilities:		
Receivables	840,799	1,359,151
Due to/from General Board of Global Ministries	(186,179)	(243,916)
Inventory and other assets	(99,046)	21,668
Endowment funds held by Global Ministries	-	(224,718)
Perpetual trusts held by others	-	(378,876)
Accounts payable and accrued expenses	(8,188,526)	1,331,812
Accounts held on behalf of others	(194,087)	(1,423,341)
Deferred revenue and amounts held under grants and contracts	972,507	(2,876,231)
Net cash flows from operating activities	<u>(4,443,803)</u>	<u>(9,660,839)</u>
<b>Cash flows from investing activities:</b>		
Purchases of building and equipment	(508,769)	(157,549)
Purchases of investments	(14,300,000)	(6,000,000)
Proceeds from sales of investments	20,799,988	19,863,501
Change in Aregak program loans receivable	-	(1,710,017)
Net cash flows from investing activities	<u>5,991,219</u>	<u>11,995,935</u>
<b>Cash flows from financing activities:</b>		
Repayments on borrowings for program loans	-	(434,372)
Net cash from financing activities	<u>-</u>	<u>(434,372)</u>
Net change in cash and cash equivalents	1,547,416	1,900,724
Cash and cash equivalents, beginning of year	9,500,319	7,599,595
Cash and cash equivalents, end of year	<u>\$ 11,047,735</u>	<u>\$ 9,500,319</u>
<b>Supplemental disclosure of noncash activities:</b>		
Transfer out of net assets of Aregak (Note 4)	<u>\$ -</u>	<u>\$ 33,872,535</u>

**UNITED METHODIST COMMITTEE ON RELIEF OF  
THE GENERAL BOARD OF GLOBAL MINISTRIES OF  
THE UNITED METHODIST CHURCH AND AFFILIATES**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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

United Methodist Committee on Relief of the General Board of Global Ministries of the United Methodist Church (“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 (“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 (“Global Ministries”) organized UMCOR at Sager Brown as a material relief program of UMCOR. The purpose of UMCOR at 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. UMCOR at 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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

UMCOR considers the net change in fair value of financial instruments, endowment contributions, and perpetual trust contributions to be nonoperating activities.

*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* – All investments in debt and equity securities with a readily determinable market value are reported at fair value with gains and losses included in the statements of activities based on quotations obtained from national securities exchanges. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated in the values of investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in UMCOR’s consolidated financial statements.

**UNITED METHODIST COMMITTEE ON RELIEF OF  
THE GENERAL BOARD OF GLOBAL MINISTRIES OF  
THE UNITED METHODIST CHURCH AND AFFILIATES**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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

*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.

*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 interest in these trusts is recognized as an asset and as a permanently restricted contribution 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 in permanently restricted net assets in the statements of activities as designated by the donor.

*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.

*Net Assets* – Unrestricted net assets represent resources over which the board of directors has full discretion with respect to use. Temporarily restricted net assets represent resources, which have been time- and/or purpose-restricted by the specific donor. Permanently restricted net assets represent contributions and other gifts which require that the corpus be maintained intact and that only the income be used as specified by the donor.

When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Expenses are reported as decreases in unrestricted net assets. New York State law (substantially in conformity with the Uniform Management of Institutional Funds Act) authorizes expenditures of appreciation (both realized and unrealized) in the value of endowment funds subject to a standard of business care and prudence. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by donors or State law.

**UNITED METHODIST COMMITTEE ON RELIEF OF  
THE GENERAL BOARD OF GLOBAL MINISTRIES OF  
THE UNITED METHODIST CHURCH AND AFFILIATES**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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

*Revenue Recognition* – Revenue from exchange transactions, investment activities, and other non-contribution related revenue are recognized as earned. Contributions are recognized as revenue when received and are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

*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.

*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, 2016 and 2015.

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.

*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 General Board of Global Ministries of the United Methodist Church ("Global Ministries").

Cash and cash equivalents at December 31, 2016 and 2015 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 and program loans, net of allowances.

**UNITED METHODIST COMMITTEE ON RELIEF OF  
THE GENERAL BOARD OF GLOBAL MINISTRIES OF  
THE UNITED METHODIST CHURCH AND AFFILIATES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*DECEMBER 31, 2016 AND 2015*

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

*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 Methodists Development Fund, receivables, perpetual trusts held by others, accounts payable and accrued expenses, and borrowings for program loans. The recorded values of cash equivalents, receivables, accounts payable, and accrued expenses approximate their fair values based on their short-term nature. The estimated fair values of program loans and borrowings for program loans approximates their carrying values as the respective interest rates approximate market rates. Investments, investments in debt securities, and perpetual trusts held by other are recorded at fair value.

*Use of Estimates* – The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America 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.

*New Accounting Pronouncements* – On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 provides for a variety of changes to the presentation of the financial statements of not-for-profit entities, including changing from three classes of net assets to two classes of net assets, enhancing disclosure requirements related to liquidity concerns and endowment management, a requirement to present expenses classified by both their nature and their function and other changes to presentation and disclosure. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, and early adoption is permitted. UMCOR is presently evaluating the impact of ASU 2016-14 on its financial statements.

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**Note 3—Transactions with related entities**

UMCOR serves as the Health and Relief Unit of Global Ministries. During the years ended December 31, 2016 and 2015, UMCOR reimbursed Global Ministries for certain administrative services provided by its financial services division in the amounts of \$4,372,732 and \$4,359,124, respectively. These amounts are included in special ministries and management and general expenses in the accompanying consolidated statements of activities. During the year ended December 31, 2016, UMCOR also made a \$3,000,000 contribution to Global Ministries towards the construction and rehabilitation costs of the new headquarters in Atlanta, Georgia.

At December 31, 2016 and 2015, net amounts due from Global Ministries and its divisions totaled \$375,434 and \$189,255, respectively.

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. One Great Hour of Sharing is an annual special offering for relief programs. Advance Special Gifts and One Great Hour of Sharing offerings are passed to UMCOR through the GCFA from the General Funds of the United Methodist Church.

Amounts received from the other United Methodist churches and agencies accounted for 51% and 44% of UMCOR’s total operating revenue in 2016 and 2015, respectively. The Church’s support of UMCOR is dependent upon contributions from its congregations (i.e., congregational participation in the apportionment covenant).

UMCOR transferred \$106,493 and \$224,721 of permanently restricted endowed funds for management to Global Ministries, during the years ended December 31, 2016 and 2015.

During 2016, UMCOR received a transfer of assets \$1,270,312 from Global Ministries relating the transfer of administration over the Special Program on Substance Abuse and Related Violence (SPSARV).

**Note 4—Note Receivable**

On November 1, 2014, UMCOR entered into a note receivable with Church World Service, Inc. The note had an outstanding balance of \$1,182,106 and \$1,568,397 as of December 31, 2016 and 2015, respectively. The note receivable is unsecured and bears interest at a rate of 4% per annum. Interest earned on the note receivable was \$55,705 and \$70,827 for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016, the annual repayment amounts under this note receivable are as follows:

<u>Year Ending December 31,</u>	
2017	\$ 402,030
2018	418,409
2019	361,667
Total	<u>\$ 1,182,106</u>

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**Note 5—Investments in securities of United Methodist Development Fund**

Investments in the United Methodist Development Fund (the "Development Fund") totaled \$1,736,126 and \$1,736,115 at December 31, 2016 and 2015, respectively, and include four-year term notes bearing interest at rates ranging from 1.75% to 6.00% per annum, payable semiannually on June 30 and December 31.

Investments in the Development Fund are carried at cost in the accompanying consolidated financial statements. Since no public market exists (or is expected to develop) for the Development Fund'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.

The principal amount of the notes is repaid at the maturity date; however, in accordance with the provisions of the notes, the Development Fund reserves the right to repay the principal amount in five annual installments beginning 30 days after the maturity date. The Development Fund 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 6—Investments**

At December 31, 2016 and 2015, the cost and fair value of investments are as follows:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Short-term securities	\$ 100,521	\$ 100,512	\$ 100,512	\$ 100,512
Wespath Multiple Asset Funds	44,696,803	53,326,109	47,627,472	53,317,823
Fixed Income Funds	23,901,688	25,312,775	25,647,367	25,852,773
Total investments	<u>\$ 68,699,012</u>	<u>\$ 78,739,396</u>	<u>\$ 73,375,351</u>	<u>\$ 79,271,108</u>
			<b>2016</b>	<b>2015</b>
Net appreciation (depreciation) of investments:				
Realized gains on sales of investments			\$ 2,003,655	\$ 1,474,028
Unrealized (losses) gains on investments			3,964,632	(3,558,048)
Net appreciation (depreciation) in fair value of investments			<u>5,968,287</u>	<u>(2,084,020)</u>
Total return on investments			5,968,287	(2,084,020)
Investment management expenses			-	(77,298)
Return on investments, net			<u>\$ 5,968,287</u>	<u>\$ (2,161,318)</u>

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**Note 7—Buildings and equipment**

Buildings and equipment consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Equipment	\$ 974,836	\$ 1,226,313
Buildings and land	3,193,268	1,453,954
Leasehold improvements	992,009	986,899
Construction in progress	447,000	1,362,789
	<u>5,607,113</u>	<u>5,029,955</u>
Less accumulated depreciation	<u>(2,990,623)</u>	<u>(2,772,488)</u>
Total buildings and equipment, net	<u>\$ 2,616,490</u>	<u>\$ 2,257,467</u>

**Note 8—Temporarily restricted and permanently restricted net assets**

Temporarily restricted net assets were available for the following purposes at December 31:

	<u>2016</u>	<u>2015</u>
Harry R. Kendall Fund - health, housing, and training grants	\$ 12,120,265	\$ 11,173,050
Haiti Emergency	5,979,651	8,108,388
United Methodist Global AIDS Fund	132,278	67,984
Hope for the Children of Africa	94,655	94,655
Material Resource Ministry	630,850	352,036
USA National Disaster Fund	6,938,225	4,920,443
Disaster Response International	3,191,885	2,794,446
World Hunger/Poverty	824,407	502,368
Japan Emergency	177,753	313,012
Hurricane 2012	954,815	1,664,815
Philippines Emergency	3,798,863	4,732,330
Other Advance projects and funds	23,496,551	20,112,786
Total temporarily restricted net assets	<u>\$ 58,340,198</u>	<u>\$ 54,836,313</u>

Permanently restricted net assets as of December 31, 2016 and 2015 were \$4,182,364 and \$4,025,306, respectively, related to endowments for which the earnings are primarily used for hunger relief.

Net assets of \$19,573,409 and \$28,021,304, for the years ended December 31, 2016 and 2015, respectively, were released from donor restrictions by incurring costs and expenses satisfying the restricted purposes or by the occurrence of other events specified by donors. The purpose restrictions accomplished were for program services.

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**Note 9—Employee benefits**

*Retirement Benefits* – Full-time laypersons and clergy employed by UMCOR participate in the Retirement Plan for General Agencies (RPGA). This defined contribution plan is administered by Wespath Benefits and Investments (“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 contribution to their United Methodist Personal Investment Plan (UMPIP). Total contributions made by UMCOR for both components during 2016 and 2015 were \$238,560 and \$257,323, respectively.

*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 \$91,600,000 and \$104,744,000 and the Plan's unfunded expected postretirement benefit obligation was approximately \$127,500,000 and \$145,163,500 as of December 31, 2016 and 2015, 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 \$413,574 and \$377,604 for the years ended December 31, 2016 and 2015, respectively.

**Note 10—Lease commitments**

UMCOR has noncancelable operating leases for its West Coast office and depot, which expire through 2017. NJFON has a noncancelable lease, which expires March 31, 2018. The future minimum rental payments under these operating leases are as follows for years ending December 31:

<u>Year Ending December 31,</u>	
2017	\$ 133,431
2018	13,270
Total	<u>\$ 146,701</u>

UMCOR shares office space with Global Ministries. Total rent expense incurred by UMCOR totaled \$811,443 and \$225,340 for the years ended December 31, 2016 and 2015, respectively.

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**Note 11—Endowment**

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

Endowment net asset composition by type of fund as of December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 200,025	\$ -	\$ 842,095	\$ 1,042,120
Perpetual trusts held by others	-	-	3,340,269	3,340,269
Total funds	<u>\$ 200,025</u>	<u>\$ -</u>	<u>\$ 4,182,364</u>	<u>\$ 4,382,389</u>

Changes in endowment net assets for the year ended December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2016	\$ 184,011	\$ -	\$ 4,025,306	\$ 4,209,317
Investment return:				
Investment income	3,139	-	-	3,139
Net appreciation (realized and unrealized)	51,183	-	157,058	208,241
Total investment return	54,322	-	157,058	211,380
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure and other	(38,308)	-	-	(38,308)
Endowment net assets, December 31, 2016	<u>\$ 200,025</u>	<u>\$ -</u>	<u>\$ 4,182,364</u>	<u>\$ 4,382,389</u>

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**Note 11—Endowment (continued)**

Endowment net asset composition by type of fund as of December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 184,011	\$ -	\$ 842,095	\$ 1,026,106
Perpetual trusts held by others	-	-	3,183,211	3,183,211
Total funds	<u>\$ 184,011</u>	<u>\$ -</u>	<u>\$ 4,025,306</u>	<u>\$ 4,209,317</u>

Changes in endowment net assets for the year ended December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2015	<u>\$ 559,288</u>	<u>\$ -</u>	<u>\$ 3,540,931</u>	<u>\$ 4,100,219</u>
Investment return:				
Investment income	-	-	-	-
Net depreciation (realized and unrealized)	<u>(50,709)</u>	<u>-</u>	<u>(119,219)</u>	<u>(169,928)</u>
Total investment return	<u>(50,709)</u>	<u>-</u>	<u>(119,219)</u>	<u>(169,928)</u>
Contributions	<u>-</u>	<u>-</u>	<u>603,594</u>	<u>603,594</u>
Appropriation of endowment assets for expenditure and other	-	-	-	-
Adjustments	<u>(324,568)</u>	<u>-</u>	<u>-</u>	<u>(324,568)</u>
Endowment net assets, December 31, 2015	<u>\$ 184,011</u>	<u>\$ -</u>	<u>\$ 4,025,306</u>	<u>\$ 4,209,317</u>

*Funds with Deficiencies* – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the applicable state law requires UMCOR to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2016 and 2015.

*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 - 8 percent annually. Actual returns in any given year may vary from this amount.

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**Note 11—Endowment (continued)**

*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* – UMCOR has no formal 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 - 3 percent 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 12—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.

*Investments in Securities of the United Methodist Development Fund* – Investments in the Development Fund are carried at cost in the accompanying consolidated financial statements (see Note 5).

The following table summarizes required fair value disclosures and measurements at December 31, 2016 and 2015 for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

	Fair Value Measurements at Reporting Date Using			
	Assets 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, 2016</b>				
Assets:				
Investments:				
Wespath Multiple asset funds *	\$ 53,326,109	\$ -	\$ -	\$ -
Wespath Fixed income funds *	25,312,775	-	-	-
Total Investments	<u>\$ 78,638,884</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Perpetual trusts held by others	<u>\$ 1,789,711</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,789,711</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.

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**Note 12—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, 2015</b>				
Assets:				
Investments:				
Wespath Multiple asset funds *	\$ 53,317,823	\$ -	\$ -	\$ -
Wespath Fixed income funds *	25,852,773	-	-	-
Total Investments	<u>\$ 79,170,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Perpetual trusts held by others	<u>\$ 1,739,146</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,739,146</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 2016 and 2015 for assets measured at fair value based on significant unobservable information:

	<b>Perpetual Trusts Held by Others</b>
Balance, January 1, 2015	\$ 1,479,489
Contributions	378,876
Net depreciation in fair value	(119,219)
Balance, December 31, 2015	<u>1,739,146</u>
Net appreciation in fair value	50,565
Balance, December 31, 2016	<u>\$ 1,789,711</u>

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*DECEMBER 31, 2016 AND 2015*

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**Note 13—Commitments**

UMCOR has granted conditional support to related and unrelated organizations through 2019. The aggregate commitment under these agreements is approximately \$5,911,000 at December 31, 2016.

**Note 14—Transfer of Net Assets of Aregak**

In October 2015, UMCOR's Board of Directors approved the transfer of the net assets of Aregak to the UMCOR Armenia Foundation (the "Foundation"). On November 30, 2015, UMCOR received approval from the Central Bank of Armenia to transfer its shares of Aregak common stock to the Foundation. On December 1, 2015, UMCOR transferred all shares of Aregak to the Foundation and upon the transfer the Foundation became the sole owner of Aregak. The net assets of Aregak on November 30, 2015 transferred to the Foundation were \$33,872,535.

As UMCOR has no controlling financial or economic interest in the Foundation and does not have the ability to directly or indirectly control the direction of management and the policies of the Foundation, the accounts of the Foundation are not included in the consolidated financial statements of UMCOR.

**Note 15—Subsequent events**

Management has evaluated subsequent events through July 6, 2017, 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, 2016

Relief Projects Indirect Costs:	
Salaries and wages	\$ 720,812
General Ministries/Support Services:	
Financial services	402,955
Computer services	64,083
Fringe benefits	260,635
Consultant fees	76,386
Rent and utilities	60,795
Insurance expense	42,305
Travel	37,115
Membership/meeting expense	26,408
Depreciation expense	25,279
Legal fees	21,921
Audit fees	12,642
Telephone	11,865
Miscellaneous	8,663
Office expense	5,691
Equipment - repair/replace	2,726
Total Relief Projects Indirect Costs	<u>\$ 1,780,281</u>
Relief Projects Direct Costs:	
Relief projects expense	\$ 15,536,156
Add other allocable costs	127,288
Less non-allocable costs *	<u>(1,525,481)</u>
Total Allocable Direct Costs	<u>\$ 14,137,963</u>
Indirect Cost Rate	<u>12.59%</u>

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

**UNITED METHODIST COMMITTEE ON RELIEF OF  
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SCHEDULE OF RELIEF PROJECT EXPENSES**

*YEAR ENDED DECEMBER 31, 2016*

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<b>Grantor</b>	
UMCOR	\$ 6,094,925
Department for International Development (DFID)	2,090,253
U.S. Office of Foreign Disaster Assistance	2,054,318
World Food Programme	1,367,189
United Nations Development Program	1,286,839
Population Services International	659,814
World Bank	528,107
SANRU Program	474,344
United Nations High Commissioner for Refugees	243,201
In-Kind Commodity	190,302
U.S. Agency for International Development	171,030
United Nations International Children's Emergency Fund	152,076
ZOA Sudan	139,417
Food Resource Bank	82,035
Food & Agricultural Organization of United Nations	5,810
U.S. Department of State	<u>(3,504)</u>
Total Grant Funded Expenses	15,536,156
Less grant expenses funded by UMCOR	<u>(5,559,196)</u>
<b>Total Relief Projects Expenses</b>	<u><u>\$ 9,976,960</u></u>

**UNITED METHODIST COMMITTEE ON RELIEF OF  
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SCHEDULE OF RELIEF PROJECT EXPENSES – DETAIL**

*YEAR ENDED DECEMBER 31, 2016*

<b>Grantor</b>	<b>DRC</b>	<b>Sudan</b>	<b>South Sudan</b>	<b>Zimbabwe</b>	<b>Armenia</b>	<b>Georgia</b>	<b>Haiti</b>	<b>Sri Lanka</b>	<b>HQ/Others</b>	<b>Total (USD)</b>
UMCOR	\$ 256,003	\$ 461,448	\$ 568,663	\$ 342,672	\$ 4,335	\$ -	\$ 4,682,118	\$ 23	\$ (220,337)	\$ 6,094,925
Department for International Development (DFID)	-	1,495,066	595,187	-	-	-	-	-	-	2,090,253
U.S. Office of Foreign Disaster Assistance	-	2,054,318	-	-	-	-	-	-	-	2,054,318
World Food Program	29,054	-	-	1,338,134	-	-	-	-	-	1,367,188
United Nations Development Program	-	1,237,077	-	49,762	-	-	-	-	-	1,286,839
Population Services International	659,814	-	-	-	-	-	-	-	-	659,814
World Bank	-	-	528,107	-	-	-	-	-	-	528,107
SANRU Program	474,344	-	-	-	-	-	-	-	-	474,344
United Nations High Commissioner for Refugees	-	-	243,201	-	-	-	-	-	-	243,201
In-Kind Commodity	-	-	151,872	484	-	-	37,946	-	-	190,302
U.S. Agency for International Development	-	-	-	-	25,830	-	145,201	-	-	171,031
United Nations International Children's Emergency Fund	-	121,231	30,845	-	-	-	-	-	-	152,076
ZOA Sudan	-	139,417	-	-	-	-	-	-	-	139,417
Food Resource Bank	82,035	-	-	-	-	-	-	-	-	82,035
Food & Agricultural Organization of United Nations	-	-	5,810	-	-	-	-	-	-	5,810
U.S. Department of State	-	-	-	-	(1,059)	(2,445)	-	-	-	(3,504)
<b>Total Grant Funded Expenses</b>	<b>\$ 1,501,250</b>	<b>\$ 5,508,557</b>	<b>\$ 2,123,685</b>	<b>\$ 1,731,052</b>	<b>\$ 29,106</b>	<b>\$ (2,445)</b>	<b>\$ 4,865,265</b>	<b>\$ 23</b>	<b>\$ (220,337)</b>	<b>15,536,156</b>
Less grant expenses funded by UMCOR										(5,559,196)
<b>Total Relief Project Expenses</b>										<b>\$ 9,976,960</b>

**UNITED METHODIST COMMITTEE ON RELIEF OF  
THE GENERAL BOARD OF GLOBAL MINISTRIES OF  
THE UNITED METHODIST CHURCH AND AFFILIATES  
SCHEDULE OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2016

	Management & General	Fund Raising	Programs				Total Programs	Total
			Specialized Ministries	Advance Projects	Relief Projects	Health Programs		
Expenses:								
Grants/contributions and other direct programs	\$ 192,721	\$ -	\$ 1,231,246	\$ 18,246,408	\$ 2,740,796	\$ 1,537,008	\$ 23,755,458	\$ 23,948,179
Services rendered by other agencies	2,140,192	509,150	4,923,415	-	-	-	4,923,415	7,572,757
Salaries and wages	427,973	-	1,685,809	-	3,996,884	709,965	6,392,658	6,820,631
Fringe benefits	122,469	-	508,140	-	970,028	222,451	1,700,619	1,823,088
Rent	211,715	-	151,933	-	447,795	-	599,728	811,443
Equipment maintenance	17,632	-	-	-	705,152	-	705,152	722,784
Travel - staff	21,358	-	260,694	-	202,660	55,599	518,953	540,311
Miscellaneous	9,628	-	157,646	-	158,642	2,963	319,251	328,879
Utilities	-	-	176,842	-	93,770	-	270,612	270,612
In-kind commodity distribution	-	-	-	-	246,206	-	246,206	246,206
Office supplies	48,688	-	49,864	-	139,549	-	189,413	238,101
Telephone	74,142	-	4,993	-	152,339	-	157,332	231,474
Moving expenses	226,707	-	-	-	2,930	-	2,930	229,637
Audit and legal fees	45,674	-	87,664	-	40,018	-	127,682	173,356
Meeting expense	26,685	-	108,428	-	34,654	-	143,082	169,767
Consultant fees	86,089	15,000	-	-	30,118	24,874	54,992	156,081
Depreciation expense	149,746	-	-	-	-	-	-	149,746
All other insurance	25,456	-	72,651	-	1,670	-	74,321	99,777
Promotional and informational materials	44,964	-	1,694	-	-	-	1,694	46,658
Postage and freight	12,293	-	288	-	9,345	-	9,633	21,926
Data processing rental and service	16,749	-	-	-	-	-	-	16,749
Printing and duplication	657	-	-	-	4,404	-	4,404	5,061
<b>Total Expenses</b>	<b>\$ 3,901,538</b>	<b>\$ 524,150</b>	<b>\$ 9,421,307</b>	<b>\$ 18,246,408</b>	<b>\$ 9,976,960</b>	<b>\$ 2,552,860</b>	<b>\$ 40,197,535</b>	<b>\$ 44,623,223</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 the  
United Methodist Committee on Relief of the  
General Board of Global Ministries of  
The United Methodist Church

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 the United Methodist Committee on Relief of General Board of Global Ministries of the United Methodist Church and affiliates (collectively "UMCOR") (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 6, 2017. 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.

A handwritten signature in cursive script that reads "Cheryl Bekart LLP".

Atlanta, Georgia  
July 6, 2017

## **Report of Independent Auditor on Compliance for Each Major Program and on Internal Control Over Compliance**

The Board of Directors of the  
United Methodist Committee on Relief of the  
General Board of Global Ministries of  
The United Methodist Church

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 the General Board of Global Ministries of the United Methodist Church 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, 2016. 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 the requirements of laws, regulations, contracts, and grants 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, 2016.

## **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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

A handwritten signature in cursive script that reads "Cherry Bekaert LLP".

Atlanta, Georgia  
July 6, 2017

**UNITED METHODIST COMMITTEE ON RELIEF OF  
THE GENERAL BOARD OF GLOBAL MINISTRIES OF  
THE UNITED METHODIST CHURCH AND AFFILIATES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*YEAR ENDED DECEMBER 31, 2016*

<b>Federal/Grantor program title/Internal Grant title</b>	<b>Federal CFDA No.</b>	<b>Award No.</b>	<b>Amount Passed Through to Subrecipient</b>	<b>Federal Expenditures</b>
<b><u>US Agency for International Development</u></b>				
Provision of Integrated Services around New Settlement (PISANS) Program	98.XXX	AID-521-A-13-00006	\$ -	\$ 145,201
Food Accessibility for Vulnerable Children and Adults in Armenia (FAVCAA) Program	98.008	AID-FFP-G-14-00054	-	25,830
USAID Foreign Assistance for Programs Overseas:				
Promoting Access to Basic Services for New IDP's in East Darfur State	98.001	AID-OFDA-G-15-00093	35,959	2,017,162
Promoting Sustainable Access to Basic Services and Economic Opportunities for IDPs, Returnees and Conflict-Affected Population in South and East Darfur States (Sudan)	98.001	AID-OFDA-G-13-00159	-	37,156
		Subtotal	35,959	2,054,318
<b>Sub-total US Agency for International Development</b>			<b>35,959</b>	<b>2,225,349</b>
<b><u>US Department of State</u></b>				
EUR/ACE Humanitarian Assistance Program Medical Commodities Distribution Project	19.123	S-LMAQM-13-GR-1023	-	(3,504)
<b>Sub-total US Department of State</b>			<b>-</b>	<b>(3,504)</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 35,959</b>	<b>\$ 2,221,845</b>

**UNITED METHODIST COMMITTEE ON RELIEF OF  
THE GENERAL BOARD OF GLOBAL MINISTRIES OF  
THE UNITED METHODIST CHURCH AND AFFILIATES**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DECEMBER 31, 2016

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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 the General Board of Global Ministries of the United Methodist Church ("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 percent 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 the unrestricted net assets class 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, 2016 reconcile to the Schedule as follows:

Relief project expenses per financial statements	\$ 9,976,960
Less amounts pertaining to non-federal awards	<u>7,755,115</u>
Total expenditures of federal awards	<u><u>\$ 2,221,845</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 5—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  
THE GENERAL BOARD OF GLOBAL MINISTRIES OF  
THE UNITED METHODIST CHURCH AND AFFILIATES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*YEAR ENDED DECEMBER 31, 2016*

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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: **None reported**
- 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:

<u>Major Programs</u>	<u>CFDA Number</u>
USAID Foreign Assistance for Programs Overseas	98.001

- 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

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

None