

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

**COMBINED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2010 AND 2009

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

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Independent Auditors' Report

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 combined statements of financial position of United Methodist Committee on Relief of the General Board of Global Ministries of The United Methodist Church and affiliate (collectively "UMCOR") (a non-profit organization) as of December 31, 2010 and 2009, and the related combined statements of activities, and cash flows for the years then ended. These combined financial statements are the responsibility of UMCOR's management. Our responsibility is to express an opinion on these combined financial statements based on our audits. We did not audit the financial statements of a wholly-owned subsidiary, Aregak Universal Credit Organizational cjsc, and a certain division, UMCOR at Sager Brown, whose statements reflect total assets constituting \$30,227,147 and \$31,443,984 and total revenues constituting \$9,123,255 and \$7,525,968 of the related combined totals for 2010 and 2009, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for such subsidiary and division, is based solely on the reports of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the combined financial statements referred to above present fairly, in all material respects, the financial position of United Methodist Committee on Relief of the General Board of Global Ministries of The United Methodist Church and affiliate as of December 31, 2010 and 2009, and the combined changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on UMCOR's basic combined financial statements. The supplementary Schedule of Relief Projects Expenses on page 22 is presented for the purpose of additional analysis and is not a required part of the basic combined financial statements. This information is the responsibility of UMCOR's management. Such information has been subjected to the auditing procedures applied in the audits of the basic combined financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic combined financial statements taken as a whole.

Crosslin + Associates, P.C.

May 27, 2011
Nashville, Tennessee

**UNITED METHODIST COMMITTEE ON RELIEF OF
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Combined Statements of Financial Position

December 31, 2010 and 2009

Assets

	2010	2009
Cash and cash equivalents (Note 3 and 6)	\$ 44,776,916	\$38,970,640
Investments (Note 4)	46,586,933	25,319,878
Investments in debt securities of United Methodist Development Fund (Note 5)	1,734,187	1,744,621
Receivables:		
Advanced Special Gifts	5,148,408	2,335,821
One Great Hour of Sharing	184,909	174,340
Accrued interest	452,560	371,314
Grants and contracts	1,087,193	2,849,817
Other	1,061,725	1,485,460
Program loans, net (Note 2)	22,646,430	20,917,181
Due from General Board of Global Ministries and related entities (Note 3)	407,352	343,910
Inventory and other assets (Note 9)	837,551	1,897,962
Buildings and equipment, net (Note 7)	2,932,321	1,517,391
Perpetual trusts held by others	588,027	566,458
Total assets	\$128,444,512	\$98,494,793

Liabilities and Net Assets

Liabilities:		
Due to General Board of Global Ministries and related entities (Note 3)	\$ 150,606	\$ 219,975
Accounts payable and accrued expenses	3,121,433	3,264,217
Borrowings for program loans (Note 6)	2,897,260	9,446,432
Accounts held on behalf of others	17,569,595	16,871,058
Deferred revenue and amounts held under grants and contracts (Note 9)	5,652,414	9,932,861
Total liabilities	29,391,308	39,734,543
Net assets (Notes 8 and 13):		
Unrestricted		
Undesignated	16,813,256	16,616,485
Designated for Aregak	9,463,800	5,793,315
Designated for Sager Brown	2,529,566	2,164,819
Other Designated	1,022,161	2,281,181
Total unrestricted	29,828,783	26,855,800
Temporarily restricted	67,727,340	30,428,938
Permanently restricted	1,497,081	1,475,512
Total net assets	99,053,204	58,760,250
Total liabilities and net assets	\$128,444,512	\$98,494,793

See accompanying notes to combined financial statements.

**UNITED METHODIST COMMITTEE ON RELIEF OF
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THE UNITED METHODIST CHURCH AND AFFILIATE**

Combined Statement of Activities

Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenues:				
General Funds of The United Methodist Church (Note 3):				
Advance Special Gifts	\$ 4,917,300	\$ 50,925,770	\$ -	\$ 55,843,070
One Great Hour of Sharing	2,386,389	-	-	2,386,389
World Service Allocation	-	65,121	-	65,121
Donated commodities (Note 9)	8,204,490	-	-	8,204,490
Grants and contracts	12,298,675	-	-	12,298,675
Gifts and bequests	1,203,707	795,710	-	1,999,417
United Methodist Women's gift	169,415	210,485	-	379,900
Interest and dividends, net of investment fees	599,965	311,866	-	911,831
Sager-Brown income	1,438,261	-	-	1,438,261
Aregak program income	7,684,994	-	-	7,684,994
Other income	<u>75,431</u>	<u>-</u>	<u>-</u>	<u>75,431</u>
	38,978,627	52,308,952	-	91,287,579
Net assets released from restrictions	<u>15,483,208</u>	<u>(15,483,208)</u>	<u>-</u>	<u>-</u>
Total operating revenue	<u>54,461,835</u>	<u>36,825,744</u>	<u>-</u>	<u>91,287,579</u>
Operating expenses:				
Program services:				
Special ministries	5,500,460	-	-	5,500,460
Advance special projects	13,449,262	-	-	13,449,262
Relief projects (grant funds)	20,180,066	-	-	20,180,066
Health programs	2,601,985	-	-	2,601,985
Aregak program	<u>4,014,509</u>	<u>-</u>	<u>-</u>	<u>4,014,509</u>
Total program services	<u>45,746,282</u>	<u>-</u>	<u>-</u>	<u>45,746,282</u>
Supporting services:				
Management and general	4,820,475	-	-	4,820,475
Fundraising	<u>938,646</u>	<u>-</u>	<u>-</u>	<u>938,646</u>
Total supporting services	<u>5,759,121</u>	<u>-</u>	<u>-</u>	<u>5,759,121</u>
Total operating expenses	<u>51,505,403</u>	<u>-</u>	<u>-</u>	<u>51,505,403</u>
Increase in net assets from operations	2,956,432	36,825,744	-	39,782,176
Nonoperating activities:				
Net appreciation in fair value of investments (Note 4)	16,551	472,658	-	489,209
Net appreciation in fair value of perpetual trusts	<u>-</u>	<u>-</u>	<u>21,569</u>	<u>21,569</u>
Increase in net assets	2,972,983	37,298,402	21,569	40,292,954
Net assets at beginning of year	<u>26,855,800</u>	<u>30,428,938</u>	<u>1,475,512</u>	<u>58,760,250</u>
Net assets at end of year	<u>\$29,828,783</u>	<u>\$ 67,727,340</u>	<u>\$1,497,081</u>	<u>\$ 99,053,204</u>

See accompanying notes to combined financial statements.

**UNITED METHODIST COMMITTEE ON RELIEF OF
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Combined Statement of Activities

Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenues:				
General Funds of The United				
Methodist Church (Note 3):				
Advance Special Gifts	\$ 4,448,748	\$ 6,191,642	\$ -	\$ 10,640,390
One Great Hour of Sharing	2,649,165	-	-	2,649,165
World Service Allocation	-	64,211	-	64,211
Donated commodities (Note 9)	14,335,596	-	-	14,335,596
Grants and contracts	12,613,001	-	-	12,613,001
Gifts and bequests	1,260,081	403,322	-	1,663,403
United Methodist Women's gift	188,809	58,657	-	247,466
Interest and dividends, net of investment fees	966,399	283,040	-	1,249,439
Sager-Brown income	672,780	-	-	672,780
Aregak program income	6,856,188	-	-	6,856,188
Other income	127,443	-	-	127,443
	<u>44,118,210</u>	<u>7,000,872</u>	<u>-</u>	<u>51,119,082</u>
Net assets released from restrictions	<u>19,801,093</u>	<u>(19,801,093)</u>	<u>-</u>	<u>-</u>
Total operating revenue	<u>63,919,303</u>	<u>(12,800,221)</u>	<u>-</u>	<u>51,119,082</u>
Operating expenses:				
Program services:				
Special ministries	5,670,389	-	-	5,670,389
Advance special projects	16,784,634	-	-	16,784,634
Relief projects (grant funds)	26,712,794	-	-	26,712,794
Health programs	3,589,592	-	-	3,589,592
Aregak program	3,840,000	-	-	3,840,000
Total program services	<u>56,597,409</u>	<u>-</u>	<u>-</u>	<u>56,597,409</u>
Supporting services:				
Management and general	4,865,223	-	-	4,865,223
Fundraising	842,643	-	-	842,643
Total supporting services	<u>5,707,866</u>	<u>-</u>	<u>-</u>	<u>5,707,866</u>
Total operating expenses	<u>62,305,275</u>	<u>-</u>	<u>-</u>	<u>62,305,275</u>
Increase (decrease) in net assets from operations	1,614,028	(12,800,221)	-	(11,186,193)
Nonoperating activities:				
Net appreciation in fair value of investments (Note 4)	798,576	1,014,928	-	1,813,504
Net appreciation in fair value of perpetual trusts	-	-	51,248	51,248
Other	<u>-</u>	<u>-</u>	<u>(114,020)</u>	<u>(114,020)</u>
Increase (decrease) in net assets	2,412,604	(11,785,293)	(62,772)	(9,435,461)
Net assets at beginning of year	<u>24,443,196</u>	<u>42,214,231</u>	<u>1,538,284</u>	<u>68,195,711</u>
Net assets at end of year	<u>\$26,855,800</u>	<u>\$ 30,428,938</u>	<u>\$ 1,475,512</u>	<u>\$ 58,760,250</u>

See accompanying notes to combined financial statements.

**UNITED METHODIST COMMITTEE ON RELIEF OF
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Combined Statements of Cash Flows

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 40,292,954	\$(9,435,461)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Net appreciation in fair value of investments	(489,209)	(1,813,504)
Depreciation	247,627	303,870
Donated commodities	(8,204,490)	(14,335,596)
Changes in operating assets and liabilities:		
Increase in receivables	(718,043)	(73,136)
(Increase) decrease in due to/from GBGM	(132,811)	198,752
Decrease in inventory and other assets	9,264,901	15,116,049
Increase in perpetual trusts held by others	(21,569)	(51,248)
Decrease in accounts payable and accrued expenses	(142,784)	(2,096,148)
Increase (decrease) in amounts held on behalf of others	698,537	(2,409,340)
(Decrease) increase in deferred revenue and amounts held under grants and contracts	<u>(4,280,447)</u>	<u>40,177</u>
Net cash provided by (used in) in operating activities	<u>36,514,666</u>	<u>(14,555,585)</u>
Cash flows from investing activities:		
Purchases of building and equipment	(1,662,557)	(38,227)
Purchases of investments	(57,450,454)	(49,233,619)
Proceeds from sales of investments	36,683,042	68,399,904
(Decrease) increase in program loans receivable	<u>(1,729,249)</u>	<u>3,599,156</u>
Net cash (used in) provided by investing activities	<u>(24,159,218)</u>	<u>22,727,214</u>
Cash flows from financing activities:		
Repayments on borrowings for program loans	<u>(6,549,172)</u>	<u>(287,666)</u>
Net cash used in financing activities	<u>(6,549,172)</u>	<u>(287,666)</u>
Net increase in cash and cash equivalents	5,806,276	7,883,963
Cash and cash equivalents at beginning of year	<u>38,970,640</u>	<u>31,086,677</u>
Cash and cash equivalents at end of year	<u>\$ 44,776,916</u>	<u>\$ 38,970,640</u>

See accompanying notes to combined financial statements.

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Notes to Combined Financial Statements

December 31, 2010 and 2009

(1) Nature of the Organizations and Principles of Combination

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 combined financial statements include the consolidated financial statements of UMCOR and its affiliated entity, the Health and Welfare Ministries Department of the General Board of Global Ministries of the United Methodist Church (“H&W”). H&W is a tax-exempt, not-for-profit organization which was established to administer global health programs. UMCOR and H&W have interrelated directors and share common facilities and personnel. H&W administers the global health initiatives which collectively comprise the programs branded UMCOR Health. All significant inter agency accounts and transaction have been eliminated in combination.

The financial statements of UMCOR and H&W have previously been separately presented. During 2009, management determined that combined financial statement presentation more appropriately reflects the common mission of UMCOR and H&W.

The consolidated financial statements of UMCOR include the accounts of UMCOR and its wholly-owned subsidiary, Aregak UCO cjsc (“Aregak”). All intercompany transactions and amounts are eliminated in consolidation. Aregak was formed as a microlending program in Armenia whose purpose is to support the economic empowerment and improvement of living standards of low income families and small and medium enterprises.

The remaining notes to the combined financial statements refer to UMCOR and H&W collectively as “UMCOR”.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of UMCOR are prepared on the accrual basis of accounting.

UMCOR considers the net appreciation/(depreciation) in fair value of investments and endowment contributions to be nonoperating activities.

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturity dates of 90 days or less that are readily convertible to known amounts of cash, except for short-term investments held by UMCOR’s investment manager as part of a long-term investment strategy.

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(c) Investments

Securities purchased for investment and those received as gifts are recorded at fair value, as determined by quoted market prices.

(d) 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

(e) Program Loans

As part of its relief efforts, UMCOR, through Aregak, provides loans, principally supporting women, micro-urban and rural businesses, and minorities. Loans to customers that Aregak intends to hold until maturity are carried at outstanding principal balances plus accrued interest, net of deferred loan origination fees. Interest income is accrued on the principal balance and fees are amortized as an adjustment to the loan yield over the term of the related loans.

Allowance for Loan Losses

The allowance for loan losses totaled \$444,000 and \$775,000 at December 31, 2010 and 2009, respectively. The allowance for loan losses is comprised of two components: probable credit losses inherent in the portfolio and those losses specifically identified. Many factors can affect Aregak's estimate of the allowance for loan losses, including volatility of default probabilities, rating migrations and estimated loss severity. The component of the allowance representing probable losses inherent in the portfolio is for loans not specifically identified as impaired which, on a portfolio basis, are considered to contain probable inherent loss. The estimate of this component of the allowance for the consumer portfolio involves applying historical loss experience, adjusted to reflect current market conditions, to homogenous loans based on risk rating and product type. Aregak considers a loan impaired when, based on current information and events, it is probable that Aregak will be unable to collect the amounts due according to the contractual terms of the loan agreement. For non-collateral dependent impaired loans, impairment charges are measured using the present value of estimated future cash flows. For collateral dependent impaired loans, impairment charges are measured using the fair value of the collateral.

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(f) *Gifts and Bequests*

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.

(g) *Grants and Contracts*

UMCOR receives funding under grants and contracts principally from federal government sources, for direct and indirect program costs. Grants and contracts are deemed to be exchange transactions, i.e., 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.

(h) *Net Assets*

Unrestricted net assets represent resources over which the Board of Directors has full discretion to use. Temporarily restricted net assets represent expendable resources which have been time or purpose restricted by the donor. Permanently restricted net assets represent contributions which require that the corpus be maintained intact and that only the income be used as specified by the donor.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. New York State law (substantially in conformity with The Uniform Prudent Management of Institutional Funds Act) authorizes expenditure 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. 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 accompanying combined statements of activities as net assets released from restrictions.

UMCOR's Unrestricted Net Assets have increased significantly due to increased undesignated gifts and unrestricted investment and program loans income. This will enhance UMCOR's Unrestricted Budget in future years and give it the capacity to undertake programs where funding is not available.

Temporarily Restricted Net Assets released from restrictions consists primarily of Advance Special Gifts released for the purposes for which they were received.

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Notes to Combined Financial Statements

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(i) Federal Income Tax Exemption

UMCOR is covered under the General Council on Finance and Administration's (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 significant unrelated business income during the years ended December 31, 2010 and 2009.

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.

Aregak pays taxes on its income under the taxation system in the Republic of Armenia.

(j) 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 the General Board of Global Ministries. Cash and cash equivalents at December 31, 2010 and 2009 includes 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. 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.

(k) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 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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(l) *Fair Value of Financial Instruments*

UMCOR follows Financial Accounting Standards Board 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 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 debt securities of the United Methodists Development Fund (UMDF), 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 using Level inputs as described in Note (14).

(m) *Aregak Functional and Reporting Currency*

The currency of Armenia is the Armenian Dram (“AMD”). The Armenian Dram is not a convertible currency outside the Republic of Armenia and, accordingly, any conversion of Armenian Dram amounts to US dollars (“USD”) should not be construed as a representation that Armenian Dram amounts could be, in the future, converted into US dollars at the December 31, 2010 exchange rate, or at any other exchange rate.

Aregak has determined AMD as its functional currency and USD as the reporting currency.

The assets and liabilities of Aregak at December 31, 2010 and 2009 are translated to USD at exchange rates at the reporting date. The income and expenses of Aregak are translated to USD at exchange rates approximating rates at the dates of the transactions.

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Notes to Combined Financial Statements

December 31, 2010 and 2009

(n) Reclassifications

Certain reclassifications of the 2009 amounts in the combined financial statements have been made to conform to the presentation adopted for 2010.

(3) Transactions With Related Entities

UMCOR serves as the Health and Relief Unit of the General Board of Global Ministries of The United Methodist Church (“GBGM”). UMCOR reimburses GBGM’s financial services division for providing certain administrative services.

The Advance for Christ and His Church is an official program of The United Methodist Church through which support may be designated for projects approved by the Advance Committee of GBGM. 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 units accounted for 64% and 26% of UMCOR’s total operating revenue in 2010 and 2009, respectively. The United Methodist Church’s support of UMCOR is dependent upon contributions from its congregations (i.e., congregational participation in the apportionment covenant). Of the Advance Special Gifts received in 2010, approximately \$43.9 million was received in response to the January 2010 earthquake in Haiti.

During 2010 and 2009, UMCOR appropriated to GBGM \$3,668,555 and \$3,177,933, respectively. These payments are included in special ministries, and management and general in the accompanying combined statements of activities.

Cash and cash equivalents at December 31, 2010 and 2009 include UMCOR’s participation in a pooled cash management program, which is administered by GBGM for certain divisions, departments, and agencies. The pooled funds are invested principally in interest-bearing demand notes and short-term time deposits. Interest income is allocated based upon the weighted average percentage that UMCOR’s balance bears to the total of the entire pool. At December 31, 2010 and 2009, UMCOR had \$37,847,216 and \$25,192,471, respectively, in the pooled cash management program. In 2010 and 2009, UMCOR earned \$26,386 and \$19,655, respectively in interest income from its participation in the pooled cash management program.

At December 31, 2010 and 2009, net amounts due from GBGM totaled \$256,746 and \$123,935, respectively.

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(4) Investments

At December 31, 2010 and 2009, the cost and fair value of investments are as follows:

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Short-term securities	\$ 3,636,979	\$ 3,643,276	\$ 485,306	\$ 485,306
Common equities	9,995,752	10,409,560	9,449,731	9,589,121
U.S. Government bonds	17,225,708	17,060,313	8,533,742	8,635,761
Corporate bonds	<u>15,336,547</u>	<u>15,473,784</u>	<u>6,715,689</u>	<u>6,609,690</u>
Total investments	<u>\$46,194,986</u>	<u>\$46,586,933</u>	<u>\$25,184,468</u>	<u>\$25,319,878</u>

	<u>2010</u>	<u>2009</u>
Interest and dividends	<u>\$ 924,659</u>	<u>\$ 1,355,986</u>
Net appreciation of investments:		
Realized gains on sale of investments	232,191	1,205,288
Unrealized gain on investments	<u>257,018</u>	<u>608,216</u>
Net appreciation in fair value of investments	<u>489,209</u>	<u>1,813,504</u>
Total return on investments	1,413,868	3,169,490
Investment management expenses	<u>(87,928)</u>	<u>(126,202)</u>
Return on investments, net	<u>\$ 1,325,940</u>	<u>\$ 3,043,288</u>

(5) Investments in Debt Securities of United Methodist Development Fund

Investments in the United Methodist Development Fund (the "Development Fund") totaled \$1,734,187 and \$1,744,621 at December 31, 2010 and 2009, respectively, and include four-year term notes bearing interest at rates ranging from 2.75% to 6.00% per annum, payable semiannually on June 30 and December 31.

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.

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(6) Borrowings for Program Loans

Terms and conditions of borrowings for program loans are as follows at December 31, 2010 and 2009:

	Loan Denomination <u>Currency</u>	Nominal <u>Interest Rate</u>	Year of <u>Maturity</u>	USD at <u>December 31,</u>
<u>December 31, 2010:</u>				
Secured bank loan	AMD	11.41%	2011	290,000
Unsecured loans from other entities	AMD	13.50%	2011	383,000
Unsecured loans from other entities	AMD	13.50%	2013	770,000
Unsecured loans from other entities	USD	7.75%	2011	1,254,000
Unsecured loans from other entities	USD	7.00%	2011	203,000
Unsecured loans from other entities	USD	0.00%	2012	71,000
Unsecured loans from other entities	AMD	9.25%	2012	8,000

The secured bank loans above are collateralized by term deposits pledged at banks of \$363,000 at December 31, 2010.

December 31, 2009:

Secured bank loan	AMD	8.00%	2010	\$2,935,000
Secured bank loan	AMD	11.41%	2011	555,960
Unsecured loans from other entities	USD	7.7%	2011	2,222,222
Unsecured loans from other entities	USD	8.10%	2010	3,000,000
Unsecured loans from other entities	USD	7.75%	2011	733,250

(7) Buildings and Equipment

Buildings and equipment consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
Buildings	\$ 2,642,322	\$ 1,337,743
Leasehold improvements	928,275	836,909
Equipment	<u>1,898,013</u>	<u>1,631,401</u>
	5,468,610	3,806,053
Less accumulated depreciation	<u>(2,536,289)</u>	<u>(2,288,662)</u>
Total buildings and equipment, net	<u>\$ 2,932,321</u>	<u>\$ 1,517,391</u>

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(8) Temporarily Restricted and Permanently Restricted Net Assets

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

	<u>2010</u>	<u>2009</u>
Harry R. Kendall Fund – health, housing and training grants	\$ 8,608,354	\$ 8,058,590
Orphans and Vulnerable Children in Zimbabwe	287,863	755,968
Hurricanes 2005	848,937	2,442,329
Haiti Emergency	40,535,111	-
Hurricanes 2008	564,246	555,246
United Methodist Global AIDS Fund	559,911	716,049
Hope for the Children of Africa	903,503	1,003,493
Material Resource Ministry	279,392	275,831
USA National Disaster Fund	191,730	584,325
Disaster Response International	1,433,569	428,095
World Hunger/Poverty	1,107,370	887,556
Other Funds and Projects	<u>12,407,354</u>	<u>14,721,456</u>
Total temporarily restricted net assets	<u>\$67,727,340</u>	<u>\$30,428,938</u>

The income earned on permanently restricted net assets is expendable, principally for hunger relief (See Note 13).

(9) Donated Commodities

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

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(10) Employee Benefits

(a) 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 the General Board of Pension and Health Benefits of the United Methodist Church (GBOPHB).

UMCOR makes semi-monthly contributions to each eligible employee's account held by GBOPHB 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 2010 were \$233,235.

Prior to January 1, 2010, full-time laypersons and clergy employed by UMCOR participated in the Retirement Security Program for General Agencies (RSP). The program, administered by GBOPHB, was provided to all eligible general agency employees and clergy appointed to general agencies and consisted of separate defined contribution and defined benefit plans.

UMCOR made semi-monthly contributions to each eligible employee's account held by GBOPHB for the defined contribution component of the plan based on 3% of annual employee compensation. Total contributions made by UMCOR during 2009 for this component were \$71,603.

Prior to January 1, 2010, full-time laypersons and clergy employed by UMCOR participated in the Retirement Security Program for General Agencies (RSP). The program, administered by GBOPHB, was provided to all eligible general agency employees and clergy appointed to general agencies and consisted of separate defined contribution and defined benefit plans.

UMCOR also made annual contributions to GBOPHB for the defined benefit component of the plan as determined by GBOPHB. Total contributions made by UMCOR during 2009 for this component was \$235,141.

(b) 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 multiemployer 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 \$107,000,000 and the Plan's unfunded expected postretirement benefit obligation was approximately \$135,000,000 as of December 31, 2010.

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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 \$480,439 in 2010.

Beginning in 2006, UMCOR received a distribution of funds from the Agency Group Insurance Plan (AGI) to offset a portion of the costs of its employee health insurance plan. AGI is a self-insured medical benefits plan which is funded by participating organizations. These distributions approximately were \$3,800 during both 2010 and 2009. All of the organizations participating in the AGI health insurance plan received distributions during 2010 and 2009 and are expected to receive similar distributions through 2012. The amount of each participating organization's distribution is based upon the organization's proportionate share of the base year health insurance premium cost.

(11) Distribution from Uniform Staff Pension Fund

GBOPHB has identified certain excess pension assets in the Uniform Staff Pension Fund (USPF) that may be used by participating general agencies to cover the Defined Benefit portion of the Retirement Security Program (RSP). The amount of each participating agency's distribution is based upon the agency's defined benefit cost as determined by GBOPHB. Beginning in 2007 and ending in 2009, funds were transferred annually for the benefit of each participating agency. The fair value of the USPF assets was approximately \$25,242,000 and \$22,026,000 as of December 31, 2010 and 2009, respectively. UMCOR's distribution in 2009 was \$235,141.

(12) Lease Commitments

UMCOR has non-cancelable operating leases for its West Coast office and depot, which expire through 2011. The future minimum rental commitment under the lease is \$92,208.

UMCOR shares the New York office space with GBGM. Total rent expense incurred by UMCOR amounted to \$489,725 and \$493,655 in 2010 and 2009, respectively.

(13) Endowment

UMCOR's endowment consists of certain funds established primarily for hunger relief programs. The endowment includes only donor-restricted endowment funds; there are no funds designated by the Board of Directors to function as endowments. As required by U.S. generally accepted accounting principles, 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 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.

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2010

Endowment Net Asset Composition by Type of Fund as of December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$93,011	\$ -	\$ 909,054	\$1,002,065
Perpetual trusts held by others	<u>-</u>	<u>-</u>	<u>588,027</u>	<u>588,027</u>
Total funds	<u>\$93,011</u>	<u>\$ -</u>	<u>\$1,497,081</u>	<u>\$1,590,092</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 103,016</u>	<u>\$ -</u>	<u>\$1,475,512</u>	<u>\$ 1,578,528</u>
Investment return:				
Investment income	3,441	-	-	3,441
Net appreciation (realized and unrealized)	<u>4,864</u>	<u>-</u>	<u>21,569</u>	<u>26,433</u>
Total investment return	<u>8,305</u>	<u>-</u>	<u>21,569</u>	<u>29,874</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for expenditure and other	<u>(18,310)</u>	<u>-</u>	<u>-</u>	<u>(18,310)</u>
Endowment net assets, end of year	<u>\$ 93,011</u>	<u>\$ -</u>	<u>\$1,497,081</u>	<u>\$ 1,590,092</u>

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2009

Endowment Net Asset Composition by Type of Fund as of December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$103,016	\$ -	\$ 909,054	\$1,012,070
Perpetual trusts held by others	<u>-</u>	<u>-</u>	<u>566,458</u>	<u>566,458</u>
Total funds	<u>\$103,016</u>	<u>\$ -</u>	<u>\$1,475,512</u>	<u>\$1,578,528</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 68,887	\$ -	\$ 1,538,284	\$ 1,607,171
Investment return:				
Investment income	9,771	-	-	9,771
Net appreciation (realized and unrealized)	<u>47,331</u>	<u>-</u>	<u>51,248</u>	<u>98,579</u>
Total investment return	<u>57,102</u>	<u>-</u>	<u>51,248</u>	<u>108,350</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for expenditure and other	<u>(22,973)</u>	<u>-</u>	<u>(114,020)</u>	<u>(136,993)</u>
Endowment net assets, end of year	<u>\$ 103,016</u>	<u>\$ -</u>	<u>\$ 1,475,512</u>	<u>\$ 1,578,528</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, 2010 and 2009.

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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 yr 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.

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 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 between 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.

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(14) Fair Value of Financial Instruments

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on UMCOR's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at December 31, 2010 and 2009 for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

	<u>Assets Measured at Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
December 31, 2010:				
Investments	\$46,586,933	\$31,113,149	\$15,473,784	\$ -
Perpetual trusts held by others	588,027	588,027	-	-
December 31, 2009:				
Investments	\$25,319,878	\$18,710,188	\$6,609,690	\$ -
Perpetual trusts held by others	566,458	566,458	-	-

Investments

The fair value of short-term securities, U.S. Government securities, and common equity are determined using primarily Level 1 inputs in accordance with ASC 820. The fair values of corporate bonds are determined using primarily Level 2 inputs.

Perpetual Trusts held by Others

Fair values are based on quoted market prices, where available.

(15) Subsequent Events

Management has evaluated subsequent events through May 27, 2011, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.

SUPPLEMENTARY INFORMATION

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Schedule of Relief Projects Expenses

Year Ended December 31, 2010

Grantor	
U.S. Agency for International Development	\$ (883)
U.S. Bureau of Population Refugees and Migration	2,416,730
U.S. Department of Agriculture	1,992,248
U.S. Department of State	874,442
U.S. Office of Foreign Disaster Assistance	4,917,290
American Baptist Church	33,714
American Red Cross	202,816
Basic Services Fund (DFID)	584,597
Food and Agricultural Organization of the United Nations	6,570
Food Resource Bank	96,738
In-Kind Commodity	8,204,490
Lutheran World Relief	373,973
Norwegian Church Aid	80,206
SANRU	49,342
Other Donors	11,601
UMCOR	6,409,906
United Nations Development Program	24,671
United Nations Children's Fund	64,908
United Nations Foundation	226,849
United Nations Office for the Coordination of Humanitarian Affairs	296,451
World Food Program	39,752
Total grant funded expenses	26,906,411
Less: Grant expenses funded by UMCOR - GBGM	(6,726,345)
Total grant funded expenses after elimination	20,180,066
Non-grant funded expenses	1,789,510
Less: Non-grant expenses funded by UMCOR	(517,852)
Non-grant funded expenses after elimination	1,271,658
Total relief projects expenses	\$ 21,451,724

See independent auditors' report.