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

CONSOLIDATED FINANCIAL STATEMENTS AND OTHER INFORMATION

DECEMBER 31, 2012 AND 2011

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

Table of Contents

CROSSLIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's 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 consolidated financial statements of the 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), which comprise the consolidated statement of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the 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 financial statements that are free from material misstatement, whether due to error or fraud.

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 wholly-owned subsidiary, Aregak Universal Credit Organization cjsc, and a certain division, UMCOR at Sager Brown, whose statements reflect total assets of $34,044,328 and $31,764,850 as of December 31, 2012 and 2011, respectively, and the total support and revenues of $8,326,794 and $9,454,682 for the years then ended. 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 consolidated financial statements are free from material misstatements.

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, the consolidated 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, 2012 and 2011, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Other Information

Our audit was conducted for the purpose of forming an opinion on UMCOR's consolidated financial statements as a whole. The schedule of relief projects expenses on page 29 is 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. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Crosslin + Associates, P.C.

May 31, 2013
Nashville, Tennessee

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

Consolidated Statements of Financial Position

December 31, 2012 and 2011

Assets

	2012	2011
Cash and cash equivalents (Note 3)	$ 15,793,947	$ 30,553,567
Investments (Note 4)	81,832,562	70,721,222
Investments in debt securities of United Methodist Development Fund (Note 5)	1,735,730	1,735,590
Receivables:		
Advanced Special Gifts	9,288,013	4,217,730
One Great Hour of Sharing	149,101	138,924
Accrued interest	126,967	261,729
Grants and contracts	852,670	2,265,087
Other	3,382,028	1,152,135
Program loans, net (Notes 2 and 6)	27,950,511	24,748,540
Due from General Board of Global Ministries and related entities (Note 3)	253,112	522,780
Inventory and other assets (Note 10)	996,874	2,058,397
Buildings and equipment, net (Note 8)	3,084,656	2,935,138
Perpetual trusts held by others	1,144,031	723,302
Total assets	$146,590,202	$142,034,141

Liabilities and Net Assets

	2012	2011
Liabilities:		
Due to General Board of Global Ministries and related entities (Note 3)	$ 133,823	$ 40,887
Accounts payable and accrued expenses	7,454,374	4,326,809
Borrowings for program loans (Note 7)	710,157	828,289
Accounts held on behalf of others	14,550,666	16,736,365
Deferred revenue and amounts held under grants and contracts (Note 10)	4,817,674	6,556,122
Total liabilities	27,666,694	28,488,472
Net assets (Notes 9 and 13):		
Unrestricted		
Undesignated	19,066,443	17,901,955
Designated for Aregak	17,180,102	13,645,828
Designated for Sager Brown	2,238,953	2,072,977
Other designated	4,102,927	1,542,836
Total unrestricted	42,588,425	35,163,596
Temporarily restricted	73,369,936	76,630,188
Permanently restricted	2,965,147	1,751,885
Total net assets	118,923,508	113,545,669
Total liabilities and net assets	$146,590,202	$142,034,141

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Activities

Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues:				
General Funds of The United Methodist Church (Note 3):				
Advance Special Gifts	$ 5,240,042	$ 13,698,606	$ -	$ 18,938,648
One Great Hour of Sharing	2,613,458	-	-	2,613,458
World Service Allocation	-	62,171	-	62,171
Donated commodities (Note 10)	8,320,931	-	-	8,320,931
Grants and contracts	10,692,419	-	-	10,692,419
Gifts and bequests	1,646,638	1,581,017	-	3,227,655
United Methodist Women's gift	116,603	100,473	-	217,076
Interest and dividends, net of investment fees	1,549,346	234,243	-	1,783,589
Sager-Brown income	815,655	-	-	815,655
Aregak program income	7,392,753	-	-	7,392,753
Other income	209,758	-	-	209,758
	38,597,603	15,676,510	-	54,274,113
Net assets released from restrictions	19,714,479	(19,714,479)	-	-
Total operating revenue (loss)	58,312,082	(4,037,969)	-	54,274,113
Operating expenses:				
Program services:				
Special ministries	6,016,732	-	-	6,016,732
Advance special projects	17,554,370	-	-	17,554,370
Relief projects (grant funds)	18,959,744	-	-	18,959,744
Health programs	2,175,636	-	-	2,175,636
Aregak program	3,858,479	-	-	3,858,479
Total program services	48,564,961	-	-	48,564,961
Supporting services:				
Management and general	4,623,800	-	-	4,623,800
Fundraising	824,106	-	-	824,106
Total supporting services	5,447,906	-	-	5,447,906
Total operating expenses	54,012,867	-	-	54,012,867
Increase (decrease) in net assets from operations	4,299,215	(4,037,969)	-	261,246
Nonoperating activities:				
Net appreciation in fair value of investments (Note 4)	3,125,614	777,717	-	3,903,331
Net appreciation in fair value of perpetual trusts	-	-	30,050	30,050
Other	-	-	1,183,212	1,183,212
Increase (decrease) in net assets	7,424,829	(3,260,252)	1,213,262	5,377,839
Net assets at beginning of year	35,163,596	76,630,188	1,751,885	113,545,669
Net assets at end of year	$42,588,425	$ 73,369,936	$2,965,147	$118,923,508

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Activities

Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues:				
General Funds of The United Methodist Church (Note 3):				
Advance Special Gifts	$ 5,375,241	$ 26,510,247	$ -	$ 31,885,488
One Great Hour of Sharing	2,713,642	-	-	2,713,642
World Service Allocation	-	65,207	-	65,207
Donated commodities (Note 10)	4,851,533	-	-	4,851,533
Grants and contracts	13,948,922	-	-	13,948,922
Gifts and bequests	1,841,596	2,658,844	-	4,500,440
United Methodist Women's gift	170,882	102,149	-	273,031
Interest and dividends, net of investment fees	834,997	279,988	-	1,114,985
Sager-Brown income	879,445	-	-	879,445
Aregak program income	8,555,140	-	-	8,555,140
Other income	104,039	-	-	104,039
	39,275,437	29,616,435	-	68,891,872
Net assets released from restrictions	21,099,450	(21,099,450)	-	-
Total operating revenue	60,374,887	8,516,985	-	68,891,872
Operating expenses:				
Program services:				
Special ministries	5,720,364	-	-	5,720,364
Advance special projects	18,943,926	-	-	18,943,926
Relief projects (grant funds)	18,415,989	-	-	18,415,989
Health programs	2,649,090	-	-	2,649,090
Aregak program	4,373,112	-	-	4,373,112
Total program services	50,102,481	-	-	50,102,481
Supporting services:				
Management and general	4,427,285	-	-	4,427,285
Fundraising	856,406	-	-	856,406
Total supporting services	5,283,691	-	-	5,283,691
Total operating expenses	55,386,172	-	-	55,386,172
Increase in net assets from operations	4,988,715	8,516,985	-	13,505,700
Nonoperating activities:				
Net appreciation in fair value of investments (Note 4)	346,098	385,863	-	731,961
Net appreciation in fair value of perpetual trusts	-	-	(10,637)	(10,637)
Other	-	-	265,441	265,441
Increase in net assets	5,334,813	8,902,848	254,804	14,492,465
Net assets at beginning of year	29,828,783	67,727,340	1,497,081	99,053,204
Net assets at end of year	$35,163,596	$ 76,630,188	$ 1,751,885	$ 113,545,669

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Increase in net assets	$ 5,377,839	$ 14,492,465
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Net appreciation in fair value of investments	(3,903,331)	(731,961)
Depreciation	236,227	106,389
Donated commodities	(8,320,931)	(4,851,533)
Changes in operating assets and liabilities:		
Increase in receivables	(5,763,174)	(376,380)
Decrease (increase) in due to/from GBGM	362,604	(225,147)
Decrease in inventory and other assets	9,382,454	3,630,687
Increase in perpetual trusts held by others	(420,729)	(135,275)
Increase in accounts payable and accrued expenses	3,127,565	1,205,376
Decrease in accounts held on behalf of others	(2,185,699)	(833,230)
(Decrease) increase in deferred revenue and amounts held under grants and contracts	(1,738,448)	903,708
Net cash (used in) provided by in operating activities	(3,845,623)	13,185,099
Cash flows from investing activities:		
Purchases of building and equipment	(385,745)	(109,206)
Purchases of investments	(115,214,064)	(78,607,791)
Proceeds from sales of investments	108,005,915	55,204,060
Increase in program loans receivable	(3,201,971)	(1,826,540)
Net cash used in investing activities	(10,795,865)	(25,339,477)
Cash flows from financing activities:		
Repayments on borrowings for program loans	(118,132)	(2,068,971)
Net cash used in financing activities	(118,132)	(2,068,971)
Net decrease in cash and cash equivalents	(14,759,620)	(14,223,349)
Cash and cash equivalents at beginning of year	30,553,567	44,776,916
Cash and cash equivalents at end of year	$ 15,793,947	$ 30,553,567

See accompanying notes to consolidated financial statements.

(1) Nature of the Organizations 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, Aregak UCO cjsc ("Aregak"). The consolidated financial statements also include the accounts of National Justice for our Neighbors of the General Board of Global Ministries of the United Methodist Church ("NJFON"), of which UMCOR is the sole member. 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. NJFON is a tax-exempt, not for profit organization which was established to administer immigration programs. UMCOR provides NJFON shared services.

(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.

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 $304,000 and $381,000 at December 31, 2012 and 2011, respectively. The allowance for loan losses is comprised of two components: probable credit losses inherent in the portfolio and those losses specifically identified. Changes in the allowance for loan losses are recorded in the statement of activities in Aregak program operating expenses for the provision for loan losses and the provision on past due interest.

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 ratings and product types. 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 discounted at the loans original effective interest rate. For collateral dependent impaired loans, impairment charges are measured using the fair value of the collateral.

A loan is classified as non-performing no later than when the contractual payments of principal and/or interest are more than 90 days past due. For non-performing loans, an allowance is recorded for any accrued but unpaid interest at the date the loan is classified as non-performing, resulting in a charge to the statement of activities. On a regular basis thereafter, the outstanding principal balance is evaluated for collectability and allowances are established, as necessary. A loan can be further downgraded to non-interest earnings when the collection of interest is considered so doubtful that further accrual of interest is deemed inappropriate. Write-off of a loan occurs when it is considered probable that there is no possibility of recovering the outstanding principal. Recoveries of loans previously written off are recorded based on the cash received. The amortization of net loan fees or costs on impaired loans is generally discontinued during the periods in which matured and unpaid interest or principal is outstanding. Interest collected on non-performing loans and non-interest-earnings loans is accounted for using the cash basis. Generally, a non-performing loan may be restored to performing status only when delinquent principal and interest are brought up to date in accordance with the terms of the loan agreement and when certain performance criteria are met.

(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 consolidated 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 situation should 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.

(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 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, 2012 and 2011 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.

(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, 2012 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, 2012 and 2011 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.

(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 40% and 51% of UMCOR's total operating revenue in 2012 and 2011, 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 2012, approximately $6.8 million was received in response to the October 2012 Hurricanes in New York.

During 2012 and 2011, UMCOR appropriated to GBGM $2,622,543 and $3,388,016, respectively. These payments are included in special ministries, and management and general in the accompanying consolidated statements of activities.

Cash held by GBGM for UMCOR in the pooled cash management program totaled $24,210,956 at December 31, 2011, and was included in cash and cash equivalents. In November 2012, the pooled cash management program was discontinued and UMCOR transferred their funds to other cash and investment accounts.

At December 31, 2012 and 2011, net amounts due from GBGM and its divisions totaled $119,289 and $481,893, respectively.

(4) Investments

At December 31, 2012 and 2011, the cost and fair value of investments are as follows:

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Short-term securities	$ 100,512	$ 100,512	$ 417,665	$ 417,665
Common equities	-	-	2,644,250	2,945,615
U.S. Government bonds	-	-	43,793,766	44,233,463
Corporate bonds	-	-	16,594,670	16,733,331
Mutual funds	-	-	6,245,005	6,391,148
Multiple Asset Funds	50,767,637	53,543,343	-	-
Fixed Income Funds	27,560,807	28,188,707	-	-
Total investments	$78,428,956	$81,832,562	$69,395,356	$70,721,222

	2012	2011
Interest and dividends	$ 1,873,782	$ 1,227,590
Net appreciation of investments:		
Realized gains on sale of investments	1,550,832	113,194
Unrealized gain on investments	2,352,499	618,767
Net appreciation in fair value of investments	3,903,331	731,961
Total return on investments	5,777,113	1,959,551
Investment management expenses	(98,461)	(149,611)
Return on investments, net	$ 5,678,652	$ 1,809,940

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

Investments in the United Methodist Development Fund (the "Development Fund") totaled $1,735,730 and $1,735,590 at December 31, 2012 and 2011, 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.

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.

(6) Program Loans to Customers

Loans to customers relate entirely to Aregak. Details of Loans to Customers as of December 31, 2012 and 2011 are as follows:

	2012 ('000)	2011 ('000)
Business loans to small companies and sole entrepreneurs	$ 1,215	$ 935
Loans to individuals:		
Micro and medium loans*	23,392	22,755
Consumer loans	3,648	1,440
Total loans to individuals	27,040	24,195
Gross loans to customers	28,255	25,130
Impairment allowance	(304)	(381)
Net loans to customers	$ 27,951	$ 24,749

*Micro and medium loans are loans provided to individuals in rural areas mainly for agricultural and trade purposes.

Movements in the loan impairment allowance by classes of loans to customers for the year ended December 31, 2012 are as follows:

	Business Loans (‘000)	Loans to individuals (‘000)	Total (‘000)
Balance at the beginning of the year	$ 34	$ 347	$ 381
Reversal of provision for loan losses	(104)	(160)	(264)
Write-offs	(39)	(291)	(330)
Recoveries	133	433	566
Effect of foreign currency translation	(15)	(34)	(49)
Balance at the end of the year collectively evaluated for impairment	$ 9	$ 295	$ 304

Movements in the loan impairment allowance by classes of loans to customers for the year ended December 31, 2011 are as follows:

	Business Loans (‘000)	Loans to individuals (‘000)	Total (‘000)
Balance at the beginning of the year	$ 92	$ 352	$ 444
(Reversal of)/provision for loan losses	(140)	347	207
(Reversal of)/provision for interest losses	(13)	33	20
Write-offs	(94)	(769)	(863)
Recoveries	182	432	614
Effect of foreign currency translation	7	(48)	(41)
Balance at the end of the year collectively evaluated for impairment	$ 34	$ 347	$ 381

(a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers at December 31, 2012:

	Gross Loans ('000)	Impairment Allowance ('000)	Net Loans ('000)	Impairment Allowance to Gross Loans, %
Business loans:				
Loans to small companies and sole entrepreneurs:				
Not overdue	$ 1,194	$ 6	$ 1,188	0.5%
Overdue less than 30 days	15	1	14	6.7%
Overdue 30-99 days	6	2	4	33.3%
Total business loans	$ 1,215	$ 9	$ 1,206	0.7%
Loans to individuals:				
Micro and medium loans:				
Not overdue	$23,179	$162	$23,017	0.7%
Overdue less than 30 days	103	16	87	15.5%
Overdue 30 - 89 days	44	27	17	61.4%
Overdue 90 - 179 days	53	47	6	88.7%
Overdue more than 180 days	13	13	-	100.0%
Total micro and medium loans	23,392	265	23,127	1.1%
Consumer loans:				
Not overdue	3,614	28	3,586	0.8%
Overdue less than 30 days	21	1	20	4.8%
Overdue 30-89 days	13	1	12	7.7%
Total consumer loans	3,648	30	3,618	0.8%
Total loans to individuals	$27,040	$295	$26,745	1.1%
Total business loans	$28,255	$304	$27,951	1.1%

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

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

(a) Credit quality of loans to customers (continued)

The following table provides information on the credit quality of loans to customers at December 31, 2011:

	Gross Loans ('000)	Impairment Allowance ('000)	Net Loans ('000)	Impairment Allowance to Gross Loans, %
Business loans:				
Loans to small companies and sole entrepreneurs				
Not overdue	$ 895	$ 5	$ 890	0.6%
Overdue less than 30 days	9	1	8	11.1%
Overdue 90 - 179 days	9	6	3	66.7%
Overdue more than 180 days	22	22	-	100.0%
Total business loans	$ 935	$ 34	$ 901	3.6%
Loans to individuals:				
Micro and medium loans				
Not overdue	$22,465	$156	$22,309	0.7%
Overdue less than 30 days	94	18	76	19.1%
Overdue 30 - 89 days	65	38	27	58.5%
Overdue 90 - 179 days	83	70	13	84.3%
Overdue more than 180 days	48	48	-	100.0%
Total micro and medium loans	22,755	330	22,425	1.5%
Consumer loans				
Not overdue	1,430	11	1,419	0.8%
Overdue 90 - 179 days	6	2	4	33.3%
Overdue more than 180 days	4	4	-	100.0%
Total consumer loans	1,440	17	1,423	1.2%
Total loans to individuals	$24,195	$ 347	$23,848	1.4%
Total business loans	$25,130	$381	$24,749	1.5%

(b) Key assumptions and judgments for estimating the loan impairment

(i) Business loans

Aregak does not have individually significant loans, therefore management estimates loan impairment for business loans based on its past loss experience.

In determining the impairment allowance for business loans, management makes the following key assumptions:

- loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 24 months
- business loans overdue for more than 180 days are allocated 100% probability of loss

(ii) ***Loans to individuals***

Aregak estimates loan impairment based on its past historical loss experience on loans to individuals.

In determining the impairment allowance for loans to individuals, management makes the following key assumptions:

- loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 24 months
- business loans overdue for more than 180 days are allocated 100% probability of loss

(c) Analysis of collateral and other credit enhancements

(i) Business loans

The following tables provide information on collateral and other credit enhancements securing business loans, net of impairment, by types of collateral:

	Loans to Customers, Carrying Amount ('000)	Fair Value of Collateral Assessed as of Loan Inception Date ('000)
December 31, 2012		
Loans without individual signs of impairment		
Real estate	$ 479	$479
Other collateral	2	2
Guarantees	707	-
Total loans without individual signs of impairment	1,188	481
Overdue or impaired loans		
Guarantees	18	-
Total overdue or impaired loans	18	-
Total loans to corporate customers	$1,206	$481
December 31, 2011		
Loans without individual signs of impairment		
Real estate	$ 629	$629
Other collateral	6	6
Guarantees	255	-
Total loans without individual signs of impairment	890	635
Overdue or impaired loans		
Guarantees	11	11
Total overdue or impaired loans	11	11
Total loans to corporate customers	$ 901	$646

The tables above exclude overcollateralization. For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed.

For loans to corporate customers that are neither past due nor impaired, the fair value of collateral was estimated at the inception of the loans and was not adjusted for subsequent changes to the reporting date. The recoverability of these loans is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the organization does not necessarily update the valuation of collateral at each reporting date.

(ii) *Loans to individuals*

The following tables provides information on collateral and other credit enhancements securing loans to individuals, net of impairment, by types of collateral:

	Loans to Customers, Carrying Amount ('000)	Fair Value of Collateral Assessed as of Loan Inception Date ('000)
December 31, 2012		
Loans without individual signs of impairment		
Real estate	$ 42	$42
Other collateral	1	1
Guarantees*	25,587	-
No collateral or other credit enhancement	973	-
Total loans without individual signs of impairment	26,603	43
Overdue or impaired loans		
Real estate	17	17
Guarantees	125	-
Total overdue or impaired loans	142	17
Total loans to corporate customers	$26,745	$60
December 31, 2011		
Loans without individual signs of impairment		
Real estate	$ 50	$50
Guarantees*	22,636	-
No collateral or other credit enhancement	1,042	-
Total loans without individual signs of impairment	23,728	50
Overdue or impaired loans		
Real estate	16	16
Guarantee	102	-
Guarantees	2	-
Total overdue or impaired loans	120	16
Total loans to corporate customers	$23,848	$66

The tables above exclude overcollateralization. For loans secured by multiple types of collateral, collateral that is more relevant for impairment assessment is disclosed.

* Micro and medium loans are secured by individual guarantees given by the members of a group of borrows formed for the purpose of obtaining loans from the Organization.

Reprocessed collateral

During the year ended December 31, 2012 and 2011, the Organization obtained certain assets by taking possession of collateral for loans to customers with a net carrying amount of $24,000 and $17,000, respectively.

(7) Borrowings for Program Loans

Terms and conditions of borrowings for program loans are as follows at December 31, 2012 and 2011:

	Loan Denomination Currency	Nominal Interest Rate	Year of Maturity	December 31,
December 31, 2012:				
Unsecured loans from other entities	AMD	13.50%	2013	$693,000
Unsecured loans from other entities	AMD	9.25%	2014	$48,000
Unsecured loans from other entities	AMD	9.66%	2016	$5,478,000

No bank loans are secured by term deposits pledged at banks at December 31, 2012.

	Loan Denomination Currency	Nominal Interest Rate	Year of Maturity	December 31,
December 31, 2011:				
Unsecured loans from other entities	AMD	13.50%	2013	$726,000
Unsecured loans from other entities	USD	0.00%	2012	$110,000
Unsecured loans from other entities	AMD	9.25%	2014	$24,000

No bank loans are secured by term deposits pledged at banks at December 31, 2011.

(8) Buildings and Equipment

Buildings and equipment consist of the following at December 31:

	2012	2011
Buildings	$ 2,550,377	$ 2,618,438
Leasehold improvements	957,811	928,275
Equipment	2,455,373	2,031,103
	5,963,561	5,577,816
Less accumulated depreciation	(2,878,905)	(2,642,678)
Total buildings and equipment, net	$ 3,084,656	$ 2,935,138

(9) Temporarily Restricted and Permanently Restricted Net Assets

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

	2012	2011
Harry R. Kendall Fund – health, housing and training grants	$ 9,884,728	$ 9,074,038
Orphans and Vulnerable Children in Zimbabwe	18,474	62,124
Haiti Emergency	26,417,425	28,644,081
United Methodist Global AIDS Fund	81,333	344,973
Hope for the Children of Africa	687,378	724,878
Material Resource Ministry	90,614	363,928
USA National Disaster Fund	2,599,361	1,247,180
Disaster Response International	2,146,229	2,136,916
World Hunger/Poverty	789,864	1,328,379
Japan Emergency	8,367,371	10,652,922
Spring Storms 2011, US	1,777,285	4,365,950
Hurricanes 2012	6,463,421	-
Other Funds and Projects	14,046,453	17,684,819
Total temporarily restricted net assets	$73,369,936	$76,630,188

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

(10) 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 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.

(11) 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 2012 and 2011 were $240,719 and $255,094, respectively.

(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 $148,000,000 and $144,000,000 and the Plan's unfunded expected postretirement benefit obligation was approximately $195,000,000 and $188,000,000 as of December 31, 2012 and 2011, 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 $514,873 and $531,158 during 2012 and 2011, respectively.

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 2012 and 2011. All of the organizations participating in the AGI health insurance plan 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.

(12) Lease Commitments

UMCOR has non-cancelable operating leases for its West Coast office and depot, which expire through 2014. The future minimum rental commitment under the lease is $181,738.

UMCOR shares the New York office space with GBGM. Total rent expense incurred by UMCOR amounted to $445,523 and $438,154 in 2012 and 2011, 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 endowment. 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.

2012

Endowment Net Asset Composition by Type of Fund as of December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$148,165	$ -	$1,821,116	$1,969,281
Perpetual trusts held by others	-	-	1,144,031	1,144,031
Total funds	$148,165	$ -	$2,965,147	$3,113,312

Changes in Endowment Net Assets for the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 88,066	$ -	$1,751,885	$1,839,951
Investment return:				
Investment income	22,436	-	-	22,436
Net depreciation (realized and unrealized)	37,663	-	30,050	67,713
Total investment return	60,099	-	30,050	90,149
Contributions	-	-	1,183,212	1,183,212
Appropriation of endowment assets for expenditure and other	-	-	-	-
Endowment net assets, end of year	$148,165	$ -	$2,965,147	$3,113,312

2011

Endowment Net Asset Composition by Type of Fund as of December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$88,066	$ -	$1,028,583	$1,116,649
Perpetual trusts held by others	-	-	723,302	723,302
Total funds	$88,066	$ -	$1,751,885	$1,839,951

Changes in Endowment Net Assets for the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 93,011	$ -	$ 1,497,081	$ 1,590,092
Investment return:				
Investment income	4,757	-	-	4,757
Net depreciation (realized and unrealized)	(9,702)	-	(10,637)	(20,339)
Total investment return	(4,945)	-	(10,637)	(15,582)
Contributions	-	-	265,441	265,441
Appropriation of endowment assets for expenditure and other	-	-	-	-
Endowment net assets, end of year	$ 88,066	$ -	$ 1,751,885	$ 1,839,951

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, 2012 and 2011.

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.

(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, 2012 and 2011 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)
December 31, 2012:				
Assets:				
Investments:				
Short-term securities	$ 100,512	$100,512	$ -	$ -
Multiple asset funds	53,543,343	-	53,543,343	-
Fixed income funds	28,188,707	-	28,188,707	-
Total Investments	$81,832,562	$100,512	$81,732,050	$ -
Perpetual trusts held by others	$1,144,031	$1,144,031	$ -	$ -

(14) Fair Value of Financial Instruments (continued)

	Assets Measured at Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2011:				
Assets:				
Investments:				
Short-term securities	$ 417,665	$ 417,665	$ -	$ -
U.S. Government securities	44,233,463	44,233,463	-	-
Corporate bonds	16,733,331	-	16,733,331	-
Common equity	2,945,615	2,945,615	-	-
Mutual funds	6,391,148	6,391,148	-	-
Total Investments	$70,721,222	$53,987,891	$16,733,331	$ -
Perpetual trusts held by others	$ 723,302	$ 723,302	$ -	$ -

Investments

The fair value of short-term securities, U.S. Government securities, common equity and mutual funds are determined using primarily Level 1 inputs in accordance with ASC 820. The fair values of multiple asset funds, fixed income funds, and 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 31, 2013, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.

OTHER INFORMATION

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

Schedule of Relief Projects Expenses

Year Ended December 31, 2012

Grantor	
US Agency for International Development	$ 295,804
US Bureau of Population Refugees and Migration	1,934,368
US Department of Agriculture	340,233
US Department of State	675,935
US Office of Foreign Disaster Assistance	3,825,376
Basic Services Fund (DFID)	(27,019)
European Commission	394,502
Food and Agricultural Organization of the United Nations	23,372
Food Resource Bank	160,182
International Organization for Migration	139,730
In-Kind Commodity	8,320,931
Lutheran World Relief	146,468
SANRU	80,233
The State Migration Services of the RA	16,422
Other Donors	5,764
UMCOR	5,155,068
United Nations Development Program	1,339,909
United Nations Foundation	987,239
United Nations High Commissioner for Refugees	286,107
United Nations Office for the Coordination of Humanitarian Affairs	(23,569)
World Food Program	99,944
Total grant funded expenses	24,176,999
Less: Grant expenses funded by UMCOR - GBGM	(5,217,255)
Total grant funded expenses after elimination	18,959,744
Non-grant funded expenses	1,900,046
Less: Non-grant expenses funded by UMCOR	(366,570)
Non-grant funded expenses after elimination	1,533,476
Total relief projects expenses	**$ 20,493,220**