

**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, 2011 AND 2010**

**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, 2011 and 2010, 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 Organization cjsc, and a certain division, UMCOR at Sager Brown, whose statements reflect total assets of \$31,764,850 and \$30,277,147 and total revenues of \$9,454,682 and \$9,123,255 for the years ended 2011 and 2010, 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, 2011 and 2010, 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 audit was conducted for the purpose of forming an opinion on UMCOR's combined 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 combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

*Crosslin + Associates, P.C.*

June 20, 2012  
Nashville, Tennessee

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

Combined Statements of Financial Position

December 31, 2011 and 2010

**Assets**

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents (Note 3)	\$ 30,553,567	\$ 44,776,916
Investments (Note 4)	70,721,222	46,586,933
Investments in debt securities of United Methodist Development Fund (Note 5)	1,735,590	1,734,187
Receivables:		
Advanced Special Gifts	4,217,730	5,148,408
One Great Hour of Sharing	138,924	184,909
Accrued interest	261,729	176,990
Grants and contracts	2,265,087	1,087,193
Other	1,152,135	1,061,725
Program loans, net (Notes 2 and 6)	24,748,540	22,922,000
Due from General Board of Global Ministries and related entities (Note 3)	522,780	407,352
Inventory and other assets (Note 10)	2,058,397	837,551
Buildings and equipment, net (Note 8)	2,935,138	2,932,321
Perpetual trusts held by others	<u>723,302</u>	<u>588,027</u>
 Total assets	 <u>\$142,034,141</u>	 <u>\$128,444,512</u>

**Liabilities and Net Assets**

Liabilities:		
Due to General Board of Global Ministries and related entities (Note 3)	\$ 40,887	\$ 150,606
Accounts payable and accrued expenses	4,326,809	3,121,433
Borrowings for program loans (Note 7)	828,289	2,897,260
Accounts held on behalf of others	16,736,365	17,569,595
Deferred revenue and amounts held under grants and contracts (Note 10)	<u>6,556,122</u>	<u>5,652,414</u>
Total liabilities	<u>28,488,472</u>	<u>29,391,308</u>
Net assets (Notes 9 and 13):		
Unrestricted		
Undesignated	17,901,955	16,813,256
Designated for Aregak	13,645,828	9,463,800
Designated for Sager Brown	2,072,977	2,529,566
Other designated	<u>1,542,836</u>	<u>1,022,161</u>
Total unrestricted	35,163,596	29,828,783
Temporarily restricted	76,630,188	67,727,340
Permanently restricted	<u>1,751,885</u>	<u>1,497,081</u>
Total net assets	<u>113,545,669</u>	<u>99,053,204</u>
 Total liabilities and net assets	 <u>\$142,034,141</u>	 <u>\$128,444,512</u>

See accompanying notes to combined financial statements.

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

Combined Statement of Activities

Year Ended December 31, 2011

	<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	\$ 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
	<u>39,275,437</u>	<u>29,616,435</u>	<u>-</u>	<u>68,891,872</u>
Net assets released from restrictions	<u>21,099,450</u>	<u>(21,099,450)</u>	<u>-</u>	<u>-</u>
Total operating revenue	<u>60,374,887</u>	<u>8,516,985</u>	<u>-</u>	<u>68,891,872</u>
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	<u>50,102,481</u>	<u>-</u>	<u>-</u>	<u>50,102,481</u>
Supporting services:				
Management and general	4,427,285	-	-	4,427,285
Fundraising	856,406	-	-	856,406
Total supporting services	<u>5,283,691</u>	<u>-</u>	<u>-</u>	<u>5,283,691</u>
Total operating expenses	<u>55,386,172</u>	<u>-</u>	<u>-</u>	<u>55,386,172</u>
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	<u>-</u>	<u>-</u>	<u>265,441</u>	<u>265,441</u>
Increase in net assets	5,334,813	8,902,848	254,804	14,492,465
Net assets at beginning of year	<u>29,828,783</u>	<u>67,727,340</u>	<u>1,497,081</u>	<u>99,053,204</u>
Net assets at end of year	<u>\$35,163,596</u>	<u>\$ 76,630,188</u>	<u>\$ 1,751,885</u>	<u>\$ 113,545,669</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, 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 10)	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	-	-	21,569	21,569
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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 Statements of Cash Flows

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase in net assets	\$ 14,492,465	\$ 40,292,954
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net appreciation in fair value of investments	( 731,961)	( 489,209)
Depreciation	106,389	247,627
Donated commodities	( 4,851,533)	( 8,204,490)
Changes in operating assets and liabilities:		
Increase in receivables	( 376,380)	( 718,043)
Increase in due to/from GBGM	( 225,147)	( 132,811)
Decrease in inventory and other assets	3,630,687	9,264,901
Increase in perpetual trusts held by others	( 135,275)	( 21,569)
Increase (decrease) in accounts payable and accrued expenses	1,205,376	( 142,784)
(Decrease) increase in accounts held on behalf of others	( 833,230)	698,537
Increase (decrease) in deferred revenue and amounts held under grants and contracts	<u>903,708</u>	<u>( 4,280,447)</u>
Net cash provided by in operating activities	<u>13,185,099</u>	<u>36,514,666</u>
Cash flows from investing activities:		
Purchases of building and equipment	( 109,206)	( 1,662,557)
Purchases of investments	(78,607,791)	(57,450,454)
Proceeds from sales of investments	55,204,060	36,683,042
Increase in program loans receivable	<u>( 1,826,540)</u>	<u>( 1,729,249)</u>
Net cash used in investing activities	<u>(25,339,477)</u>	<u>(24,159,218)</u>
Cash flows from financing activities:		
Repayments on borrowings for program loans	<u>( 2,068,971)</u>	<u>( 6,549,172)</u>
Net cash used in financing activities	<u>( 2,068,971)</u>	<u>( 6,549,172)</u>
Net (decrease) increase in cash and cash equivalents	(14,223,349)	5,806,276
Cash and cash equivalents at beginning of year	<u>44,776,916</u>	<u>38,970,640</u>
Cash and cash equivalents at end of year	<u>\$ 30,553,567</u>	<u>\$ 44,776,916</u>

See accompanying notes to combined financial statements.

**UNITED METHODIST COMMITTEE ON RELIEF OF  
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Notes to Combined Financial Statements

December 31, 2011 and 2010

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

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.

**(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 \$381,000 and \$444,000 at December 31, 2011 and 2010, 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 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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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, for any accrued but unpaid interest at the date the loan is classified as non-performing, a provision is recorded for the amount of the accrual, resulting in a charge to the statement of activities. In addition, Aregak continues to add accrued interest receivable to the loan balance for collection purposes; however, a provision is recorded resulting in no interest income recognition. 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. At that time, and on a regular basis thereafter, the outstanding principal balance, net of allowances previously recorded, is evaluated for collectability and additional provisions are established as required. 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 or the cost recovery method or a combination of both, as appropriate. 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.

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***(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.

***(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.

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December 31, 2011 and 2010

**(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, 2011 and 2010 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.

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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, 2011 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, 2011 and 2010 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.

***(n) Reclassifications***

Certain reclassifications of the 2010 amounts in the combined financial statements have been made to conform to the presentation adopted for 2011.

**(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.

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Amounts received from the other United Methodist units accounted for 51% and 64% of UMCOR's total operating revenue in 2011 and 2010, 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 2011, approximately \$12.1 million was received in response to the March 2011 tsunami in Japan. Of the Advance Special Gifts received in 2010, approximately \$43.9 million was received in response to the January 2010 earthquake in Haiti.

During 2011 and 2010, UMCOR appropriated to GBGM \$3,388,016 and \$3,678,555, 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, 2011 and 2010 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, 2011 and 2010, UMCOR had \$24,210,956 and \$37,847,216, respectively, in the pooled cash management program. In 2011 and 2010, UMCOR (incurred a loss) earned \$(2,860) and \$26,386, respectively in interest income, net of management fees, from its participation in the pooled cash management program.

At December 31, 2011 and 2010, net amounts due from GBGM and its divisions totaled \$481,893 and \$256,746, respectively.

**(4) Investments**

At December 31, 2011 and 2010, the cost and fair value of investments are as follows:

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Short-term securities	\$ 417,665	\$ 417,665	\$ 3,636,979	\$ 3,643,276
Common equities	2,644,250	2,945,615	9,995,752	10,409,560
U.S. Government bonds	43,793,766	44,233,463	17,225,708	17,060,313
Corporate bonds	16,594,670	16,733,331	15,336,547	15,473,784
Mutual funds	<u>6,245,005</u>	<u>6,391,148</u>	-	-
Total investments	<u>\$69,695,356</u>	<u>\$70,721,222</u>	<u>\$46,194,986</u>	<u>\$46,586,933</u>

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	<b>2011</b>	<b>2010</b>
Interest and dividends	\$1,227,590	\$ 924,659
Net appreciation of investments:		
Realized gains on sale of investments	113,194	232,191
Unrealized gain on investments	618,767	257,018
Net appreciation in fair value of investments	731,961	489,209
Total return on investments	1,959,551	1,413,868
Investment management expenses	( 149,611)	( 87,928)
Return on investments, net	\$ 1,809,940	\$ 1,325,940

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

Investments in the United Methodist Development Fund (the "Development Fund") totaled \$1,735,590 and \$1,734,187 at December 31, 2011 and 2010, 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.

**(6) Program Loans to Customers**

Loans to customers relate entirely to Aregak. Details of Loans to Customers as of December 31, 2011 and 2010 are as follows:

	<b>2011</b> <b>(‘000)</b>	<b>2010</b> <b>(‘000)</b>
Business loans to small companies and sole entrepreneurs	\$ 935	\$ 816
Loans to individuals:		
Micro and medium loans*	22,755	21,826
Consumer loans	1,440	724
Total loans to individuals	24,195	22,550
Gross loans to customers	25,130	23,366
Impairment allowance	( 381)	( 444)
Net loans to customers	\$ 24,749	\$ 22,922

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

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

	Business Loans <u>(‘000)</u>	Loans to individuals <u>(‘000)</u>	Total <u>(‘000)</u>
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	<u>7</u>	<u>( 48)</u>	<u>( 41)</u>
Balance at the end of the year collectively evaluated for impairment	<u>\$ 34</u>	<u>\$ 347</u>	<u>\$ 381</u>

Changes in the loan impairment allowance by classes of loans to customers for the year ended December 31, 2010 are as follows:

	Business Loans <u>(‘000)</u>	Loans to individuals <u>(‘000)</u>	Total <u>(‘000)</u>
Balance at the beginning of the year	\$ 347	\$ 428	\$ 775
(Reversal of)/provision for loan losses	( 25)	81	56
(Reversal of)/provision for interest losses	( 18)	58	40
Write-offs	(564)	(649)	(1,213)
Recoveries	347	416	763
Effect of foreign currency translation	<u>5</u>	<u>18</u>	<u>23</u>
Balance at the end of the year collectively evaluated for impairment	<u>\$ 92</u>	<u>\$ 352</u>	<u>\$ 444</u>

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(a) *Credit quality of loans to customers*

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, %
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>Business loans:</u>				
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	<u>22</u>	<u>22</u>	<u>-</u>	<u>100.0%</u>
Total business loans	<u>\$ 935</u>	<u>\$ 34</u>	<u>\$ 901</u>	<u>3.6%</u>
<u>Loans to individuals:</u>				
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	<u>48</u>	<u>48</u>	<u>-</u>	<u>100.0%</u>
Total micro and medium loans	<u>\$22,755</u>	<u>\$330</u>	<u>\$22,425</u>	<u>1.5%</u>
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	<u>4</u>	<u>4</u>	<u>-</u>	<u>100.0%</u>
Total consumer loans	<u>1,440</u>	<u>17</u>	<u>1,423</u>	<u>1.2%</u>
Total loans to individuals	<u>24,195</u>	<u>347</u>	<u>23,848</u>	<u>1.4%</u>
Total business loans	<u>\$25,130</u>	<u>\$381</u>	<u>\$24,749</u>	<u>1.5%</u>

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

The following table provides information on the credit quality of loans to customers at December 31, 2010:

	Gross Loans (‘000)	Impairment Allowance (‘000)	Net Loans (‘000)	Impairment Allowance to Gross Loans, %
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>Business loans:</u>				
Loans to small companies and sole entrepreneurs				
Not overdue	\$ 695	\$ 8	\$ 687	1.2%
Overdue less than 30 days	17	4	13	23.6%
Overdue 30 - 89 days	37	17	20	45.9%
Overdue 90 - 179 days	26	22	4	84.6%
Overdue more than 180 days	<u>41</u>	<u>41</u>	<u>-</u>	<u>100.0%</u>
Total business loans	<u>\$ 816</u>	<u>\$ 92</u>	<u>\$ 724</u>	<u>11.3%</u>
<u>Loans to individuals:</u>				
Micro and medium loans				
Not overdue	\$21,264	\$29	\$21,235	0.1%
Overdue less than 30 days	217	29	188	13.4%
Overdue 30 - 89 days	143	77	66	53.8%
Overdue 90 - 179 days	134	114	20	85.1%
Overdue more than 180 days	<u>68</u>	<u>68</u>	<u>-</u>	<u>100.0%</u>
Total micro and medium loans	<u>\$21,826</u>	<u>\$317</u>	<u>\$21,509</u>	<u>1.5%</u>
Consumer loans				
Not overdue	\$ 682	\$ 5	\$ 677	0.7%
Overdue less than 30 days	5	1	4	20.0%
Overdue 30 - 89 days	10	3	7	30.0%
Overdue 90 - 179 days	7	6	1	85.7%
Overdue more than 180 days	<u>20</u>	<u>20</u>	<u>-</u>	<u>100.0%</u>
Total consumer loans	<u>724</u>	<u>35</u>	<u>689</u>	<u>4.8%</u>
Total loans to individuals	<u>22,550</u>	<u>352</u>	<u>22,198</u>	<u>1.6%</u>
Total business loans	<u>\$23,366</u>	<u>\$444</u>	<u>\$22,922</u>	<u>1.9%</u>

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**(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% provability 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**

The following table provides the analysis of business loans, net of impairment, by types of collateral as at December 31:

	2011 <u>(‘000)</u>	% of Loan <u>Portfolio</u>	2010 <u>(‘000)</u>	% of Loan <u>Portfolio</u>
Real estate	\$640	71.0%	\$666	92.0%
Guarantees	254	28.2%	46	6.4%
Other collateral	<u>7</u>	<u>0.8%</u>	<u>12</u>	<u>1.7%</u>
	<u>\$901</u>	<u>100.0%</u>	<u>\$724</u>	<u>100.0%</u>

The amounts shown in the table above represent the carrying value of the loans, and do not necessarily represent the fair value of the collateral.

***Business loans that are past due***

Overdue loans are secured by collateral with a fair value of \$40,000 and \$121,000 for 2011 and 2010, respectively determined at the time of the origination of the loans, excluding the effect of overcollateralization.

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***Business loans that are neither past due nor impaired***

For business loans with a net carrying amount of \$890,000 and \$687,000 for 2011 and 2010, respectively, which are neither past due nor impaired, the fair value of collateral was estimated at the inception of the loans and is 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 current value of the collateral does not impact the impairment assessment.

As of December 31, 2011 and 2010, for business loans with a carrying amount of \$890,000 and \$687,000, respectively, management estimates that the fair value of collateral is at least equal to their carrying amounts.

***Collateral obtained***

During the year ended December 31, 2011 the Organization did not obtain any assets by taking possession of collateral for business loans. The collateral obtained for 2010 totaled \$13,000.

***Loans to individuals***

Micro and medium loans are secured by individual guarantees given by the members of a group of borrowers formed for the purpose of obtaining loans from Aregak. Consumer loans are secured by salaries, guarantees and real estate.

For micro and medium loans with a net carrying amount of \$22,425,000 and \$21,509,000 for 2011 and 2010, respectively, management believes that the fair value of collateral is at least equal to the carrying amount of individual loans at the reporting date.

The fair value of collateral was estimated at the inception of the loans and is not assessed for subsequent changes.

For consumer loans with a net carrying amount of \$1,423,000 and \$689,000 for 2011 and 2010, respectively, management believes that the fair value of collateral is at least equal to the carrying amount of these loans at the reporting date.

***Collateral obtained***

During the year ended December 31, 2011, the Organization obtained an asset with the carrying amount of \$16,000 by taking control of collateral for loan to individual.

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**(7) Borrowings for Program Loans**

Terms and conditions of borrowings for program loans are as follows at December 31, 2011 and 2010:

	Loan Denomination <u>Currency</u>	Nominal <u>Interest Rate</u>	Year of <u>Maturity</u>	<u>December 31,</u>
<u>December 31, 2011:</u>				
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.

December 31, 2010:

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

**(8) Buildings and Equipment**

Buildings and equipment consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Buildings	\$ 2,618,438	\$ 2,642,322
Leasehold improvements	928,275	928,275
Equipment	<u>2,031,103</u>	<u>1,898,013</u>
	5,577,816	5,468,610
Less accumulated depreciation	<u>(2,642,678)</u>	<u>(2,536,289)</u>
Total buildings and equipment, net	<u>\$ 2,935,138</u>	<u>\$ 2,932,321</u>

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**(9) Temporarily Restricted and Permanently Restricted Net Assets**

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

	<u>2011</u>	<u>2010</u>
Harry R. Kendall Fund – health, housing and training grants	\$ 9,074,038	\$ 8,608,354
Orphans and Vulnerable Children in Zimbabwe	62,124	287,863
Hurricanes 2005	-	848,937
Haiti Emergency	28,644,081	40,535,111
Hurricanes 2008	-	564,246
United Methodist Global AIDS Fund	344,973	559,911
Hope for the Children of Africa	724,878	903,503
Material Resource Ministry	363,928	279,392
USA National Disaster Fund	1,247,180	191,730
Disaster Response International	2,136,916	1,433,569
World Hunger/Poverty	1,328,379	1,107,370
Japan Emergency	10,652,922	-
Spring Stores 2011, US	4,365,950	-
Other Funds and Projects	<u>17,684,819</u>	<u>12,407,354</u>
 Total temporarily restricted net assets	 <u>\$76,630,188</u>	 <u>\$67,727,340</u>

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 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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**(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 2011 and 2010 were \$255,094 and \$233,235, 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 \$144,000,000 and \$107,000,000 and the Plan's unfunded expected postretirement benefit obligation was approximately \$188,000,000 and \$135,000,000 as of December 31, 2011 and 2010, 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 \$531,158 and \$480,439 during 2011 and 2010, 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 2011 and 2010. 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.

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**(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 \$268,660.

UMCOR shares the New York office space with GBGM. Total rent expense incurred by UMCOR amounted to \$438,154 and \$489,725 in 2011 and 2010, 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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**2011**

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

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

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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)	<u>( 9,702)</u>	<u>-</u>	<u>( 10,637)</u>	<u>( 20,339)</u>
Total investment return	<u>( 4,945)</u>	<u>-</u>	<u>( 10,637)</u>	<u>( 15,582)</u>
Contributions	<u>-</u>	<u>-</u>	<u>265,441</u>	<u>265,441</u>
Appropriation of endowment assets for expenditure and other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 88,066</u>	<u>\$ -</u>	<u>\$ 1,751,885</u>	<u>\$ 1,839,951</u>

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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>

***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, 2011 and 2010.

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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, 2011 and 2010 for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Quoted Prices in</u>	<u>Significant</u>	<u>Significant</u>	
	<u>Active Markets for</u>	<u>Other Observable</u>	<u>Unobservable</u>	
<u>Assets Measured</u>	<u>Identical Assets</u>	<u>Inputs</u>	<u>Inputs</u>	
<u>at Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
<b>December 31, 2011:</b>				
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	<u>6,391,148</u>	<u>6,391,148</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$70,721,222</u>	<u>\$53,987,891</u>	<u>\$16,733,331</u>	<u>\$ -</u>
Perpetual trusts held by others	\$ 723,302	\$ 723,302	\$ -	\$ -

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**(14) Fair Value of Financial Instruments (continued)**

	<u>Assets Measured at Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using 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>
<b>December 31, 2010:</b>				
Investments:				
Short-term securities	\$ 3,643,276	\$ 3,643,276	\$ -	\$ -
U.S. Government securities	17,060,313	17,060,313	-	-
Corporate bonds	15,473,784	-	15,473,784	-
Common equity	<u>10,409,560</u>	<u>10,409,560</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$46,586,933</u>	<u>\$31,113,149</u>	<u>\$15,473,784</u>	<u>\$ -</u>
Perpetual trusts held by others	\$ 588,027	\$ 588,027	\$ -	\$ -

***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 corporate bonds is 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 June 20, 2012, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.

## **SUPPLEMENTARY INFORMATION**

**UNITED METHODIST COMMITTEE ON RELIEF OF  
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Schedule of Relief Projects Expenses

Year Ended December 31, 2011

<b>Grantor</b>	
US Agency for International Development	\$ (15,305)
US Bureau of Population Refugees and Migration	2,257,739
US Department of Agriculture	2,324,448
US Department of State	742,560
US Office of Foreign Disaster Assistance	2,926,924
Basic Services Fund (DFID)	2,137,658
European Commission	303,590
Food and Agricultural Organization of the United Nations	-
Food Resource Bank	74,189
International Organization for Migration	106,988
In-Kind Commodity	4,851,533
Lutheran World Relief	545,012
SANRU	106,432
The State Migration Services of the RA	22,272
Other Donors	2,102
UMCOR	6,706,997
United Nations Development Program	1,252,176
United Nations Foundation	530,600
United Nations High Commissioner for Refugees	202,088
United Nations Office for the Coordination of Humanitarian Affairs	366,571
Women Division, UMC	60,135
Total grant funded expenses	25,504,709
Less: Grant expenses funded by UMCOR - GBGM	(7,088,720)
Total grant funded expenses after elimination	18,415,989
Non-grant funded expenses	1,724,381
Less: Non-grant expenses funded by UMCOR	(398,113)
Non-grant funded expenses after elimination	1,326,268
<b>Total relief projects expenses</b>	<b>\$ 19,742,257</b>