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

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES

As of and for the Years Ended December 31, 2014 and 2013

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

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

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Cherry Bekaert LLP
CPAs & Advisors

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The United Methodist Church

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the United Methodist Committee on Relief of the General Board of Global Ministries of the United Methodist Church and affiliates (collectively "UMCOR") (a non-profit organization), which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of the wholly-owned subsidiary, Aregak Universal Credit Organization CJSC, and a certain division, UMCOR at Sager Brown, whose statements reflect total assets of $35,997,985 and $37,321,295 as of December 31, 2014 and 2013, respectively, and total support and revenues of $12,583,008 and $11,252,109 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 audit 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 misstatement.

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

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of UMCOR as of December 31, 2014, 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.

Adjustment to Prior Period Consolidated Financial Statements

The consolidated financial statements of UMCOR as of and for the year ended December 31, 2013, were audited by other auditors whose report dated May 29, 2014, expressed an unmodified opinion on those consolidated financial statements. As discussed in Note 15, UMCOR has restated its 2013 consolidated financial statements to reflect the correction of the beginning unrestricted net asset balance of Aregak. The other auditors reported on the 2013 consolidated financial statements before the restatement.

As part of our audit of the 2014 consolidated financial statements, we also audited the adjustment described in Note 15 that was applied to restate the 2013 consolidated financial statements. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2013 consolidated financial statements of UMCOR other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2013 consolidated financial statements as a whole.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental schedules of computation of the indirect cost rate, relief project expenses, relief project expenses – detail, and functional expenses, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. This information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Cherry Bekaert LLP

Atlanta, Georgia
June 26, 2015

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 7,599,595	$ 8,732,504
Investments	95,295,930	98,224,673
Investments in debt securities of United Methodist Development Fund	1,736,112	1,735,917
Receivables:		
Advanced Special Gifts	7,634,591	12,292,090
One Great Hour of Sharing	224,360	151,284
Accrued receivables	1,262,483	2,054,999
Grants and contracts	1,430,904	1,515,158
Other	3,274,327	2,214,049
Program loans, net	32,162,518	33,515,459
Due from General Board of Global Ministries and related entities	16,462	385,498
Inventory and other assets	250,030	1,260,705
Buildings and equipment, net	2,403,375	2,791,570
Endowment funds held by the General Board of Global Ministries	1,219,347	-
Perpetual trusts held by others	1,479,489	1,227,803
Total Assets	$ 155,989,523	$ 166,101,709
LIABILITIES AND NET ASSETS		
Liabilities:		
Due to General Board of Global Ministries and related entities	$ 71,123	$ 250,134
Accounts payable and accrued expenses	12,230,842	13,298,978
Borrowings for program loans	434,372	853,958
Accounts held on behalf of others	2,958,524	2,942,261
Deferred revenue and amounts held under grants and contracts	3,214,356	5,007,679
Total Liabilities	18,909,217	22,353,010
Net Assets		
Unrestricted:		
Undesignated	31,757,155	22,926,116
Designated for Aregak	32,534,856	32,967,268
Designated for Sager Brown	2,094,383	2,104,873
Designated for National Justice for Our Neighbors	132,019	155,739
Other designated	788,719	7,006,332
Total Unrestricted Net Assets	67,307,132	65,160,328
Temporarily restricted net assets	66,232,243	75,539,451
Permanently restricted net assets	3,540,931	3,048,920
Total Net Assets	137,080,306	143,748,699
Total Liabilities and Net Assets	$ 155,989,523	$ 166,101,709

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

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

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

	2014			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Operating Revenue:				
General Funds of the United				
Methodist Church:				
Advance Special Gifts	$ 6,851,580	$ 10,634,052	$ -	$ 17,485,632
One Great Hour of Sharing	2,837,847	-	-	2,837,847
World Service Allocation	-	61,131	-	61,131
Donated commodities	7,702,861	-	-	7,702,861
Grants and contracts	9,305,766	-	-	9,305,766
Gifts and bequests	1,578,704	1,175,047	-	2,753,751
Sager-Brown program income	1,018,814	-	-	1,018,814
Aregak program income	10,132,367	-	-	10,132,367
Other income	362,307	-	-	362,307
	39,790,246	11,870,230	-	51,660,476
Net assets released from restrictions	21,774,665	(21,774,665)	-	-
Total Operating Revenue	61,564,911	(9,904,435)	-	51,660,476
Operating Expenses:				
Program Services:				
Special ministries	8,454,954	-	-	8,454,954
Advance special projects	18,309,400	-		18,309,400
Relief projects (grant funds)	17,735,628	-	-	17,735,628
Health programs	3,155,483	-	-	3,155,483
Aregak program	5,882,592	-	-	5,882,592
Total Program Services	53,538,057	-	-	53,538,057
Supporting Services:				
Management and general	3,810,354	-	-	3,810,354
Fundraising	583,111	-	-	583,111
Total Supporting Services	4,393,465	-	-	4,393,465
Total Operating Expenses	57,931,522	-	-	57,931,522
Changes in net assets from operating activities	3,633,389	(9,904,435)	-	(6,271,046)
Nonoperating activities:				
Appreciation in fair value of investments, net	3,195,601	597,227	-	3,792,828
Appreciation in fair value of perpetual trusts, net	-	-	6,104	6,104
Endowment contributions	-	-	485,907	485,907
Other	(4,682,186)	-	-	(4,682,186)
Changes in net assets	2,146,804	(9,307,208)	492,011	(6,668,393)
Net assets, beginning of year	65,160,328	75,539,451	3,048,920	143,748,699
Net assets, end of year	$ 67,307,132	$ 66,232,243	$ 3,540,931	$ 137,080,306

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

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

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenue:				
General Funds of the United				
Methodist Church:				
Advance Special Gifts	$ 6,114,266	$ 23,897,528	$ -	$ 30,011,794
One Great Hour of Sharing	2,372,639	-	-	2,372,639
World Service Allocation	-	61,644	-	61,644
Donated commodities	8,545,766	-	-	8,545,766
Grants and contracts	9,335,909	2,500,000	-	11,835,909
Gifts and bequests	1,017,091	5,201,156	-	6,218,247
United Methodist Women's gift	-	-	-	-
Sager-Brown program income	816,271	-	-	816,271
Aregak program income	8,918,397	-	-	8,918,397
Other income	302,209	-	-	302,209
	37,422,548	31,660,328	-	69,082,876
Net assets released from restrictions	31,269,188	(31,269,188)	-	-
Total Operating Revenue	68,691,736	391,140	-	69,082,876
Operating Expenses:				
Program Services:				
Special ministries	6,409,946	-	-	6,409,946
Advance special projects	24,662,001	-	-	24,662,001
Relief projects (grant funds)	18,629,041	-	-	18,629,041
Health programs	7,557,568	-	-	7,557,568
Aregak program	5,285,328	-	-	5,285,328
Total Program Services	62,543,884	-	-	62,543,884
Supporting Services:				
Management and general	3,427,691	-	-	3,427,691
Fundraising	498,642	-	-	498,642
Total Supporting Services	3,926,333	-	-	3,926,333
Total Operating Expenses	66,470,217	-	-	66,470,217
Changes in net assets from operating activities	2,221,519	391,140	-	2,612,659
Nonoperating activities:				
Appreciation in fair value of investments, net	8,196,287	1,778,375	-	9,974,662
Appreciation in fair value of perpetual trusts, net	-	-	83,773	83,773
Other	-	-	-	-
Changes in net assets	10,417,806	2,169,515	83,773	12,671,094
Net assets, beginning of year, as previously stated	42,588,425	73,369,936	2,965,147	118,923,508
Restatement of Aregak net assets, see Note 15	12,154,097	-	-	12,154,097
Net assets, beginning of year, as restated	54,742,522	73,369,936	2,965,147	131,077,605
Net assets, end of year	$ 65,160,328	$ 75,539,451	$ 3,048,920	$ 143,748,699

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ (6,668,393)	$ 12,671,094
Adjustments to reconcile change in net assets to		
net cash flows from operating activities:		
Net appreciation in fair value of investments	(3,792,828)	(9,974,662)
Net appreciation in fair value of perpetual trusts	(6,104)	-
Depreciation	207,732	297,511
Donated commodities	(7,702,861)	(8,545,766)
Changes in operating assets and liabilities:		
Receivables	4,411,522	(4,797,612)
Due to/from General Board of Global Ministries	190,025	(16,075)
Inventory and other assets	8,716,664	8,281,935
Endowment funds held by Global Ministries	(1,219,347)	-
Perpetual trusts held by others	(245,582)	(83,772)
Accounts payable and accrued expenses	(1,081,868)	5,844,604
Accounts held on behalf of others	16,263	545,692
Deferred revenue and amounts		
held under grants and contracts	(1,793,323)	190,005
Net cash flows from operating activities	(8,968,100)	4,412,954
Cash flows from investing activities:		
Purchases of building and equipment	(180,464)	(4,425)
Purchases of investments	(39,417,700)	(68,617,637)
Proceeds from sales of investments	46,500,000	62,200,001
Change in Aregak program loans receivable	1,352,941	(5,196,137)
Net cash flows from investing activities	8,254,777	(11,618,198)
Cash flows from financing activities:		
Draws (repayments) on borrowings for program loans	(419,586)	143,801
Net cash provided (used) by financing activities	(419,586)	143,801
Net decrease in cash and cash equivalents	(1,132,909)	(7,061,443)
Cash and equivalents, beginning of year	8,732,504	15,793,947
Cash and equivalents, end of year	$ 7,599,595	$ 8,732,504

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

Note 1—Nature of the organization and principles of consolidation

United Methodist Committee on Relief of the General Board of Global Ministries of the United Methodist Church (“UMCOR”), a tax-exempt, not-for-profit organization, was established by the General Conference of the United Methodist Church to provide assistance to persons in need through programs of relief, rehabilitation, service to refugees, and renewal of life.

The consolidated financial statements of UMCOR include the accounts of UMCOR and its wholly-owned subsidiary, 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.

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

Note 2—Summary of significant accounting policies

Basis of Presentation – The consolidated financial statements of UMCOR have been prepared on the accrual basis of accounting and are presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”). UMCOR is required to report information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

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

Investments – All investments in debt and equity securities with a readily determinable market value are reported at fair value with gains and losses included in the statements of activities based on quotations obtained from national securities exchanges.

Note 2—Summary of significant accounting policies (continued)

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

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

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

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 $607,000 and $368,000 at December 31, 2014 and 2013, 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.

Note 2—Summary of significant accounting policies (continued)

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 nonperforming 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.

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

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

Grants and Contracts – UMCOR receives funding under grants and contracts principally from federal government sources, for direct and indirect program costs. If 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. For certain grants that are non-exchange transactions, revenue is recognized in full upon receipt of grant funding.

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

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

Note 2—Summary of significant accounting policies (continued)

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

Income Taxes – UMCOR is covered under The General Council on Finance and Administration of the United Methodist Church (“GCFA”) group determination letter from the Internal Revenue Service indicating that it is a nonprofit corporation and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. UMCOR had no unrelated business income during the years ended December 31, 2014 and 2013.

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.

Concentrations of Credit Risk – Financial instruments which potentially subject UMCOR to concentrations of credit risk consist principally of cash and cash equivalents and investments held by UMCOR and General Board of Global Ministries of the United Methodist Church ("Global Ministries"). Cash and cash equivalents at December 31, 2014 and 2013 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.

Fair Value of Financial Instruments – UMCOR follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures,* which establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about the use of fair value measures. Assets recorded at fair value in the consolidated statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by ASC 820, are as follows:

> Level 1 – Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.
>
> Level 2 – Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Note 2—Summary of significant accounting policies (continued)

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, 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.

Aregak Functional and Reporting Currency – In accordance with the Armenian legislation, the primary account records of Aregak are maintained in the Armenian Dram (“AMD”). The AMD’s not a convertible currency outside the Republic of Armenia and, accordingly, any conversion of AMD amounts to US dollars ("USD") should not be construed as a representation that AMD amounts could be, in the future, converted into US dollars at the December 31, 2014 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, 2014 and 2013 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.

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

New Accounting Pronouncements – On January 1, 2014, UMCOR adopted Accounting Standards Update (“ASU”) 2012-05, “*Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*.” This guidance provides clarification on how entities classify cash receipts arising from the sale of certain donated financial assets in the statement of cash flows. The adoption of this guidance had no impact on UMCOR’s consolidated statements of cash flows.

On May 1, 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820) – Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).* The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. Instead, the amounts measured using the net asset value per share (or its equivalent) must be provided to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position. UMCOR has elected to early adopt ASU 2015-07 and has removed all investments from the fair value hierarchy for which fair value is measured using the net asset value per share practical expedient. ASU 2015-07 has been applied retrospectively to all periods presented.

Note 2—Summary of significant accounting policies (continued)

Future Accounting Pronouncements – In April 2013, FASB issued Accounting Standards Update (“ASC”) 2013-06, *Not-for-Profit Entities* (Topic 958): *Services Received from Personnel of an Affiliate*, a consensus of the EITF. This guidance requires a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. This guidance is effective for UMCOR beginning January 1, 2015. UMCOR does not believe the adoption of this standard would have a significant impact on its consolidated financial statements.

Note 3—Transactions with related entities

UMCOR serves as the Health and Relief Unit of Global Ministries. UMCOR reimburses Global Ministries’ financial services division for providing certain administrative services. During the years ended December 31, 2014 and 2013, UMCOR appropriated to Global Ministries $3,715,787 and $3,711,234, respectively. These payments are included in special ministries, and management and general in the accompanying consolidated statements of activities.

At December 31, 2014 and 2013, net amounts due to/from Global Ministries and its divisions totaled $(54,661) and $135,364, respectively.

The Advance for Christ and His Church is an official program of the United Methodist Church (the “Church”) through which support may be designated for projects approved by the Advance Committee of Global Ministries. An Advance Special Gift is a contribution made by an individual, local church, organization, district, or conference to a project authorized by the Advance Committee. One Great Hour of Sharing is an annual special offering for relief programs. Advance Special Gifts and One Great Hour of Sharing offerings are passed to UMCOR through the GCFA from the General Funds of the United Methodist Church.

Amounts received from the other United Methodist units accounted for 39% and 47% of UMCOR's total operating revenue in 2014 and 2013, respectively. The Church's support of UMCOR is dependent upon contributions from its congregations (i.e., congregational participation in the apportionment covenant).

During the year ended December 31, 2014, UMCOR transferred $1,219,347 of permanently restricted endowed funds for management to Global Ministries.

Note 4—Investments

At December 31, 2014 and 2013, the cost and fair value of investments are as follows:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Short-term securities	$ 100,512	$ 100,512	$ 100,512	$ 100,512
Multiple Asset Funds	55,116,217	63,527,442	56,898,253	66,034,738
Fixed Income Funds	30,459,861	31,667,976	31,647,884	32,089,423
Total investments	$ 85,676,590	$ 95,295,930	$ 88,646,649	$ 98,224,673

	2014	2013
Net appreciation of investments:		
Realized gains on sale of investments	$ 4,056,880	$ 4,517,692
Unrealized (losses) gains on investments	(264,052)	5,456,970
Net appreciation in fair value of investments	3,792,828	9,974,662
Total return on investments	3,792,828	9,974,662
Investment management expenses	(113,490)	(15,885)
Return on investments, net	$ 3,679,338	$ 9,958,777

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

Investments in the United Methodist Development Fund (the "Development Fund") totaled $1,736,112 and $1,735,917 at December 31, 2014 and 2013, respectively, and include four-year term notes bearing interest at rates ranging from 1.75% to 6.00% per annum, payable semiannually on June 30 and December 31.

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

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

Note 6—Program loans to customers

Loans to customers relate entirely to Aregak. Program loans to customers as of December 31, 2014 and 2013 are as follows (in thousands):

	2014 ('000)	2013 ('000)
Business loans to small companies and sole entrepreneurs	$ 2,370	$ 1,904
Loans to Individuals:		
Micro and medium loans*	26,893	27,556
Consumer loans	3,507	4,423
Total Loans to Individuals	30,400	31,979
Gross loans to customers	32,770	33,883
Impairment allowance	(607)	(368)
Net loans to customers	$ 32,163	$ 33,515

*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, 2014 are as follows (in thousands):

	Business Loans ('000)	Loans to Individuals ('000)	Total ('000)
Balance, beginning of year	$ 18	$ 350	$ 368
Reversal of provision for loan losses	19	419	438
Write-offs	(46)	(651)	(697)
Recoveries	52	531	583
Effect of foreign currency translation	(5)	(80)	(85)
Balance, end of year	$ 38	$ 569	$ 607

Note 6—Program loans to customers (continued)

Movements in the loan impairment allowance by classes of loans to customers for the year ended December 31, 2013 are as follows (in thousands):

	Business Loans ('000)	Loans to Individuals ('000)	Total ('000)
Balance, beginning of year	$ 9	$ 295	$ 304
Reversal of provision for loan losses	(33)	(2)	(35)
Write-offs	(31)	(222)	(253)
Recoveries	72	280	352
Effect of foreign currency translation	1	(1)	-
Balance, end of year	$ 18	$ 350	$ 368

Note 6—Program loans to customers (continued)

Credit Quality of Loans to Customers – The following table provides information on the credit quality of loans to customers at December 31, 2014 (in thousands):

	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	$ 2,317	$ 12	$ 2,305	0.5%
Overdue less than 30 days	26	5	21	19.2%
Overdue 30-89 days	9	4	5	44.4%
Overdue 90-180 days	6	5	1	83.3%
Overdue more than 180 days	12	12	-	100.0%
Total Business Loans	2,370	38	2,332	1.6%
Loans to Individuals:				
Micro and Medium Loans:				
Not overdue	26,327	184	26,143	0.7%
Overdue less than 30 days	187	34	153	18.2%
Overdue 30-89 days	140	82	58	58.6%
Overdue 90-180 days	150	132	18	88.0%
Overdue more than 180 days	89	89	-	100.0%
Total Micro and Medium Loans	26,893	521	26,372	1.9%
Consumer Loans:				
Not overdue	3,453	27	3,426	0.8%
Overdue less than 30 days	20	2	18	10.0%
Overdue 30-89 days	20	6	14	30.0%
Overdue 90-180 days	9	8	1	88.9%
Overdue more than 180 days	5	5	-	100.0%
Total Consumer Loans	3,507	48	3,459	1.4%
Total Loans to Individuals	30,400	569	29,831	1.9%
Total Business Loans	$ 32,770	$ 607	$ 32,163	1.9%

Note 6—Program loans to customers (continued)

The following table provides information on the credit quality of loans to customers at December 31, 2013 (in thousands):

	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	$ 1,882	$ 9	$ 1,873	0.5%
Overdue less than 30 days	5	1	4	20.0%
Overdue 30-89 days	10	4	6	40.0%
Overdue 90-180 days	5	2	3	40.0%
Overdue more than 180 days	2	2	-	100.0%
Total Business Loans	1,904	18	1,886	0.9%
Loans to Individuals:				
Micro and Medium Loans:				
Not overdue	27,369	192	27,177	0.7%
Overdue less than 30 days	69	11	58	15.9%
Overdue 30-89 days	48	29	19	60.4%
Overdue 90-180 days	50	43	7	86.0%
Overdue more than 180 days	20	20	-	100.0%
Total Micro and Medium Loans	27,556	295	27,261	1.1%
Consumer Loans:				
Not overdue	4,374	36	4,338	0.8%
Overdue less than 30 days	19	2	17	10.5%
Overdue 30-89 days	9	2	7	22.2%
Overdue 90-180 days	15	9	6	60.0%
Overdue more than 180 days	6	6	-	100.0%
Total Consumer Loans	4,423	55	4,368	1.2%
Total Loans to Individuals	31,979	350	31,629	1.1%
Total Business Loans	$ 33,883	$ 368	$ 33,515	1.1%

Note 6—Program loans to customers (continued)

Key Assumptions and Judgments for Estimating the Loan Impairment:

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 36 months
- Business loans overdue for more than 180 days are allocated 100% probability of loss

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 36 months
- Loans to individuals overdue for more than 180 days are allocated 100% probability of loss

Note 6—Program loans to customers (continued)

Analysis of Collateral and Other Credit Enhancements:

Business Loans – The following tables provide information on collateral and other credit enhancements securing business loans, net of impairment, by types of collateral at December 31, 2014 and 2013 (in thousands) :

	Loans to Customers, Carrying Amount ('000)	Fair Value of Collateral Assessed as of Loan Inception Date ('000)
December 31, 2014		
Loans Without Individual Signs of Impairment		
Real estate	$ 210	$ 210
Other collateral	9	1
Guarantees	2,086	-
Total Loans Without Individual Signs of Impairment	2,305	211
Overdue or Impaired Loans	1	1
Guarantees	26	-
Total Overdue or Impaired Loans	27	1
Total Loans to Corporate Customers	$ 2,332	$ 212
December 31, 2013		
Loans Without Individual Signs of Impairment		
Real estate	$ 311	$ 311
Other collateral	1	1
Guarantees	1,561	-
Total Loans Without Individual Signs of Impairment	1,873	312
Overdue or Impaired Loans	5	5
Guarantees	8	-
Total Overdue or Impaired Loans	13	5
Total loans to Corporate Customers	$ 1,886	$ 317

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

Note 6—Program loans to customers (continued)

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 at December 31, 2014 and 2013 (in thousands):

	Loans to Customers, Carrying Amount ('000)	Fair Value of Collateral Assessed as of Loan Inception Date ('000)
December 31, 2014		
Loans Without Individual Signs of Impairment		
Real estate	$ -	$ -
Guarantees*	28,582	-
No collateral or other credit enhancement	987	-
Total Loans Without Individual Signs of Impairment	29,569	-
Overdue or Impaired Loans		
Real estate	-	-
Guarantees	262	-
Total Overdue or Impaired Loans	262	-
Total Loans to Individuals	$ 29,831	$ -
December 31, 2013		
Loans Without Individual Signs of Impairment		
Real estate	$ 1	$ 1
Guarantees*	30,474	-
No collateral or other credit enhancement	1,040	-
Total Loans Without Individual Signs of Impairment	31,515	1
Overdue or Impaired Loans		
Real estate	2	2
Guarantees	112	-
Total Overdue or Impaired Loans	114	2
Total Loans to Individuals	$ 31,629	$ 3

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

Note 6—Program loans to customers (continued)

Reprocessed Collateral – During the years ended December 31, 2014 and 2013, the Organization obtained certain assets by taking possession of collateral for loans to customers with a net carrying amount of $1,000 and $8,000, respectively.

Note 7—Borrowings for program loans

Terms and conditions of borrowings for program loans are as follows at December 31, 2014 and 2013:

	Loan Denomination Currency	Nominal Interest Rate	Year of Maturity	December 31,
2014				
Unsecured loans from banks	AMD	14.75%	2014	$ 855,000
Unsecured loans from other entities	AMD	10.00%	2014	$ 3,000
Unsecured loan from shareholders	AMD	15.00%	2016	$ 5,571,000
2013				
Unsecured loans from banks	AMD	14.75%	2014	$ 855,000
Unsecured loans from other entities	AMD	10.00%	2014	$ 3,000
Unsecured loan from shareholders	AMD	15.00%	2016	$ 5,571,000

No bank loans are secured by term deposits pledged at banks at December 31, 2014 and 2013.

Note 8—Buildings and equipment

Buildings and equipment consist of the following at December 31:

	2014	2013
Equipment	$ 2,361,682	$ 2,481,486
Buildings	2,435,812	2,528,689
Leasehold improvements	990,029	957,811
	5,787,523	5,967,986
Less accumulated depreciation	(3,384,148)	(3,176,416)
Total buildings and equipment, net	$ 2,403,375	$ 2,791,570

Note 9—Temporarily restricted and permanently restricted net assets

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

	2014	2013
Harry R. Kendall Fund - health, housing and training grants	$ 11,689,057	$ 11,403,339
Orphans and Vulnerable Children in Zimbabwe	-	13,974
Haiti Emergency	12,712,372	14,375,583
United Methodist Global AIDS Fund	86,319	59,045
Hope for the Children of Africa	94,655	215,920
Material Resource Ministry	311,675	43,410
USA National Disaster Fund	7,943,227	10,490,716
Disaster Response International	1,991,931	7,608,822
World Hunger/Poverty	64,735	313,911
Japan Emergency	813,012	812,394
Spring Storms 2011, US	-	692,742
Hurricane 2012	3,543,650	4,197,472
Philippines Emergency	6,707,662	874,553
Other funds and projects	20,273,948	24,437,570
Total temporarily restricted net assets	$ 66,232,243	$ 75,539,451

The income earned on permanently restricted net assets is expendable, principally for hunger relief.

Net assets of $21,774,665 and $31,269,188, for the years ended December 31, 2014 and 2013, respectively, were released from donor restrictions by incurring costs and expenses satisfying the restricted purposes or by the occurrence of other events specified by donors. The purpose restrictions accomplished were for program services.

Note 10—Donated commodities

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

Note 11—Employee benefits

Retirement Benefits – Full-time laypersons and clergy employed by UMCOR participate in the Retirement Plan for General Agencies (“RPGA”). This defined contribution plan is administered by 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 2014 and 2013 were $213,086 and $256,039, respectively.

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

The General Agencies of the United Methodist Church Benefit Plan (the “Plan”) provides medical, dental, life, and long-term and short-term disability defined benefits to participants of the General Agencies. The Plan's unfunded accumulated postretirement benefit obligation was approximately $110,000,000 and $59,000,000 and the Plan's unfunded expected postretirement benefit obligation was approximately $151,000,000 and $77,000,000 as of December 31, 2014 and 2013, 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 $363,925 and $416,016 for the years ended December 31, 2014 and 2013, respectively.

Note 12—Lease commitments

UMCOR has non-cancelable operating leases for its West Coast office and depot, which expire through 2015. The future minimum rental commitment under the lease is approximately $92,000.

UMCOR shares the New York office space with Global Ministries. Total rent expense incurred by UMCOR totaled $206,618 and $365,145 for the years ended December 31, 2014 and 2013, respectively.

Note 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 of UMCOR to function as endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 13—Endowment (continued)

Interpretation of Relevant Law – The Board of Directors of UMCOR has interpreted the applicable state law as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, UMCOR classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Endowment net asset composition by type of fund as of December 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 559,288	$ -	$ 842,095	$ 1,401,383
Perpetual trusts held by others	-	-	2,698,836	$ 2,698,836
Total funds	$ 559,288	$ -	$ 3,540,931	$ 4,100,219

Changes in endowment net assets for the year ended December 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 398,379	$ -	$ 3,048,920	$ 3,447,299
Investment return:				
Investment income	-	-	6,104	6,104
Net appreciation (realized and unrealized)	160,909	-	-	160,909
Total investment return	160,909	-	6,104	167,013
Contributions	-	-	485,907	485,907
Appropriation of endowment assets for expenditure and other	-	-	-	-
Endowment net assets, end of year	$ 559,288	$ -	$ 3,540,931	$ 4,100,219

Note 13—Endowment (continued)

Endowment net asset composition by type of fund as of December 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 398,379	$ -	$ 1,821,117	$ 2,219,496
Perpetual trusts held by others	-	-	1,227,803	1,227,803
Total funds	$ 398,379	$ -	$ 3,048,920	$ 3,447,299

Changes in endowment net assets for the year ended December 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 148,165	$ -	$ 2,965,147	$ 3,113,312
Investment return:				
Investment income	42,993	-	-	42,993
Net appreciation (realized and unrealized)	207,221	-	83,773	290,994
Total investment return	250,214	-	83,773	333,987
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure and other	-	-	-	-
Endowment net assets, end of year	$ 398,379	$ -	$ 3,048,920	$ 3,447,299

Note 13—Endowment (continued)

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, 2014 and 2013.

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 the annual budget. UMCOR considers the long-term expected return on its endowment. Accordingly, over the long term, UMCOR expects the current spending policy to allow its endowment to grow at an average of 1 - 3 percent annually. This is consistent with UMCOR's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 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, 2014 and 2013 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		
December 31, 2014	**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)**
Assets:				
Investments:				
Multiple asset funds [(1)]	$ 63,527,442	$ -	$ -	$ -
Fixed income funds [(1)]	31,667,976	-	-	-
Total Investments	$ 95,195,418	$ -	$ -	$ -
Perpetual trusts held by others	$ 1,479,489	$ 1,479,489	$ -	$ -

		Fair Value Measurements at Reporting Date Using		
December 31, 2013	**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)**
Assets:				
Investments:				
Multiple asset funds [(1)]	$ 66,034,738	$ -	$ -	$ -
Fixed income funds [(1)]	32,089,423	-	-	-
Total Investments	$ 98,124,161	$ -	$ -	$ -
Perpetual trusts held by others	$ 1,227,803	$ 1,227,803	$ -	$ -

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

Note 15—Adjustment to Prior Period Consolidated Financial Statements

UMCOR management has concluded that the consolidated financial statements for the year ended December 31, 2013 should be restated to reflect the correction of certain balances related to Aregak. In prior years there was an Aregak deferred revenue balance that was reported as accounts held on behalf of others that should have been reclassified to unrestricted net assets in the consolidation process. As a result, accounts held on behalf of others was overstated by $12,154,097 and unrestricted net assets designated for Aregak was understated by $12,154,097 at December 31, 2013.

Note 16—Subsequent events

Management has evaluated subsequent events through June 26, 2015, the date the consolidated financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.

SUPPLEMENTAL SCHEDULES

UNITED METHODIST COMMITTEE ON RELIEF OF
THE GENERAL BOARD OF GLOBAL MINISTRIES OF
THE UNITED METHODIST CHURCH AND AFFILIATES
SUPPLEMENTAL SCHEDULE OF COMPUTATION OF THE INDIRECT COST RATE

YEAR ENDED DECEMBER 31, 2014

Relief Projects Indirect Costs:	
General Ministries/Support Services:	
Financial services	$ 270,376
Computer services	57,158
Salaries and wages	889,606
Fringe benefits	311,853
Rent and utilities	60,894
Telephone	21,406
Postage and freight	5,856
Printing and duplication	169
Office supplies	985
Equipment - repair/replace	2,937
Depreciation expense	7,076
Insurance expense	43,311
Audit fees	22,761
Consultant fees	77,129
Membership/meeting expense	75,066
Travel - management/officer	23,935
Travel - staff/consultant	82,188
Miscellaneous	23,125
Total Relief Projects Indirect Costs	$ 1,975,831
Relief Projects Direct Costs:	
Relief projects expense	$ 22,146,015
Add: Other allocable costs	138,094
Less: Non-allocable costs *	(8,324,510)
Total Allocable Direct Costs	$ 13,959,599
Indirect Cost Rate	14.15%

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

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

YEAR ENDED DECEMBER 31, 2014

Grantor		
US Agency for International Development	$	379,035
US Bureau of Population Refugees and Migration		699,891
US Department of State		524,112
Bureau of International Narcotics and Law Enforcement Affairs		96,450
US Office of Foreign Disaster Assistance		4,121,403
Department for International Development (DFID)		936,746
European Commission		158,163
Food and Agricultural Organization of the United Nations		75,000
Food Resource Bank		172,136
In-Kind Commodity		7,702,861
Interchurch Organization for Development Co-operation (ICCO)		330,440
International Organization for Migration		50,200
Other Donors		12,474
SANRU		542,485
SNV Nethlands Development Organization		10,980
The State Migration Services of the RA		39,026
UMCOR		5,120,644
UN Development Program		810,368
United N Total grant funded expenses		15,418
United Nations Office for the Coordination of Humanitarian Affairs		21,726
World Food Program		326,457
Total grant funded expenses		22,146,015
Less: Grant expenses funded by UMCOR - GBGM		(4,410,387)
Total grant funded expenses after elimination		17,735,628
Non-grant funded expenses		999,742
Less: Non-grant expenses funded by UMCOR		(199,781)
Non-grant funded expenses after elimination		799,961
Total relief projects expenses	$	18,535,589

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

SUPPLEMENTAL SCHEDULE OF RELIEF PROJECT EXPENSES – DETAIL

YEAR ENDED DECEMBER 31, 2014

Grantor	DRC	Sierra Leone	Sudan	South Sudan	Zimbabwe	Armenia	Georgia	Haiti	Afghanistan	Sri Lanka	HQ/Others	Total (USD)
US Agency for International Development	$ -	$ -	$ -	$ -	$ -	$ 4,115	$ -	$ 374,920	$ -	$ -	$ -	$ 379,035
US Bureau of Population Refugees and Migration	-	-	-	617,809	-	-	82,082	-	-	-	-	699,891
US Department of State	-	-	-	-	-	226,881	297,231	-	-	-	-	524,112
Bureau of International Narcotics and Law Enforcement Affairs	-	-	-	-	-	96,450	-	-	-	-	-	96,450
US Office of Foreign Disaster Assistance	-	-	3,459,165	641,457	-	-	-	-	-	20,781	-	4,121,403
Department for International Development (DFID)	-	-	463,867	472,879	-	-	-	-	-	-	-	936,746
European Commission	-	-	-	158,163	-	-	-	-	-	-	-	158,163
Food & Agricultural Organization of United Nations	-	-	75,000	-	-	-	-	-	-	-	-	75,000
Food Resource Bank	60,659	-	-	-	-	111,477	-	-	-	-	-	172,136
In-Kind Commodity	-	-	-	136,632	72,987	2,458,656	4,497,527	537,059	-	-	-	7,702,861
Interchurch Organization for Development Co-operation (ICCO)	-	-	134,840	-	-	-	-	195,600	-	-	-	330,440
International Organization for Migration	-	-	-	-	-	-	-	-	-	50,200	-	50,200
Other donors	-	-	-	-	-	12,474	-	-	-	-	-	12,474
SANRU Program	542,485	-	-	-	-	-	-	-	-	-	-	542,485
SNV Netherlands Development Organization	-	-	-	10,980	-	-	-	-	-	-	-	10,980
The State Migration Services of the RA	-	-	-	-	-	39,026	-	-	-	-	-	39,026
UMCOR	439,053	(7,224)	334,159	1,089,151	979,275	674,960	176,192	2,292,594	182,905	130,000	(1,170,421)	5,120,644
United Nations Development Program	-	-	810,368	-	-	-	-	-	-	-	-	810,368
United Nations Foundation	-	-	-	-	-	-	-	-	-	15,418	-	15,418
UN Office for the Coordination of Humanitarian Affairs	-	-	21,726	-	-	-	-	-	-	-	-	21,726
World Food Program	-	-	-	-	326,457	-	-	-	-	-	-	326,457
Total grant funded expenses	1,042,197	(7,224)	5,299,125	3,127,071	1,378,719	3,624,039	5,053,032	3,400,173	182,905	216,399	(1,170,421)	22,146,015
Less: Grant expenses funded by UMCOR-GBGM	-	-	-	-	-	-	-	-	-	-	(4,410,387)	(4,410,387)
Total grant funded expenses after elimination	**1,042,197**	**(7,224)**	**5,299,125**	**3,127,071**	**1,378,719**	**3,624,039**	**5,053,032**	**3,400,173**	**182,905**	**216,399**	**(5,580,808)**	**17,735,628**
Non-grant funded expenses	-	-	-	-	-	-	-	-	-	-	999,742	999,742
Less: Non-grant expenses funded by UMCOR	-	-	-	-	-	-	-	-	-	-	(199,781)	(199,781)
Non-grant funded expenses after elimination	-	-	-	-	-	-	-	-	-	-	799,961	799,961
Total relief project expenses	**$ 1,042,197**	**$ (7,224)**	**$ 5,299,125**	**$ 3,127,071**	**$ 1,378,719**	**$ 3,624,039**	**$ 5,053,032**	**$ 3,400,173**	**$ 182,905**	**$ 216,399**	**$ (4,780,847)**	**$ 18,535,589**

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

SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014

			Programs						
	Management & General	**Fund Raising**	**Advance Projects**	**Relief Projects**	**Aregak**	**Health Programs**	**Specialized Ministries**	**Total Programs**	**Total**
Expenses:									
Salaries and wages	$ 453,427	$ -	$ -	$ 2,548,020	$ 1,735,598	$ 527,853	$ 1,574,715	$ 6,386,186	$ 6,839,613
Fringe benefits	153,753	-	-	757,296	127,439	111,982	532,205	1,528,922	1,682,675
Rent	220,781	-	-	420,176	556,549	-	223,602	1,200,327	1,421,108
Utilities	-	-	-	100,569	14,639	-	90,323	205,531	205,531
Telephone	125,463	-	-	112,502	85,571	-	2,068	200,141	325,604
Postage and freight	19,436	-	-	3,974	-	-	634	4,608	24,044
Printing and duplication	2,130	-	-	3,099	-	-	-	3,099	5,229
Office supplies	58,115	-	-	64,473	22,600	-	36,919	123,992	182,107
Equipment maintenance	10,004	-	-	641,623	46,273	-	15,526	703,422	713,426
Equipment leasing	11,748	-	-	-	-	-	11,081	11,081	22,829
Other office expense	7,041	-	-	(16,565)	57,784	21,794	2,572	65,585	72,626
Audit and legal fees	237,432	-	-	61,635	42,692	-	-	104,327	341,759
Grants/contributions and other direct programs	-	-	18,309,400	4,832,391	-	2,178,116	4,668,447	29,988,354	29,988,354
Consultant fees	77,129	30,734	-	55,035	-	92,373	(402)	147,006	254,869
Data processing rental and service	334,119	-	-	1,162	-	-	39,425	40,587	374,706
Services rendered by other agencies	1,600,789	552,377	-	-	-	17,216	749,316	766,532	2,919,698
Meeting expense	52,227	-	-	(19,707)	-	57,691	57,444	95,428	147,655
Travel - staff	97,679	-	-	297,989	31,188	134,003	289,774	752,954	850,633
Promotional and Informational Materials	48,001	-	-	-	5,047	-	2,275	7,322	55,323
All other insurance	103,013	-	-	1,566	3,718	-	94,093	99,377	202,390
Special Promotion	-	-	-	-	297,885	-	-	297,885	297,885
Miscellaneous	116,656	-	-	167,529	113,682	14,455	790	296,456	413,112
Depreciation expense	81,411	-	-	-	206,382	-	64,147	270,529	351,940
In-Kind Commodity distribution	-	-	-	7,702,861	-	-	-	7,702,861	7,702,861
Interest expenses	-	-	-	-	2,535,545	-	-	2,535,545	2,535,545
Total Expenses	$ 3,810,354	$ 583,111	$ 18,309,400	$ 17,735,628	$ 5,882,592	$ 3,155,483	$ 8,454,954	$ 53,538,057	$ 57,931,522