

Attached is the final report of the Reserves Task Force. The purpose of the report is to provide a summary of the work of the Task Force, observations made over the course of our work, and recommendations for moving forward.

This report has been reviewed by the Board of Directors of GCFA during the November, 2019 Board meeting.

The report includes final 2018 agency net assets levels as defined in the report, as well as current projections for 2019. Footnotes were added to give additional perspective on net asset balances provided. As you review the net asset levels, please also consider the information provided in table footnotes. If you have questions on the content of the report, please feel free to contact Rick King, GCFA CFO, for more information.

Christine Dodson
Chair of the Task Force



FINANCE & ADMINISTRATION

General Council on Finance and Administration

THE UNITED METHODIST CHURCH

Reserves Task Force

Summary of Work Performed and Resource Guide

November 2019

General Council on Finance and Administration

Reserves Task Force

Summary of Work Performed and Resource Guide

Purpose of the Reserves Task Force

The Reserves Task Force (“RTF”) was created by the Board of Directors of the General Council on Finance and Administration (“GCFA”) in 2017 for the following purposes:

- To review and understand the reserve policies in use by each general agency.
- To understand the reserve levels available at each general agency.
- To assist GCFA management and the Committee on General Agency and Episcopal Matters (“GAEM”) in the accumulation of complete, consistent information each year as part of the Spending Plan process and the related reporting.

The basic premises underlying the work of the RTF began with the understanding that reserve levels are important to business continuity and planning. Reserves are held with agencies at different levels as restricted, unrestricted, and board-designated net assets. Transparency in reserve planning helps build donor trust and confidence in agency fiscal responsibility and accountability. Each agency board has a fiduciary responsibility to have a reserve target, monitor applicable targets, and develop contingency plans to live within their approved policies, with those policies being reviewed annually by their boards of directors. The RTF considered these premises as it performed its work.

Uses of Reserve Information

Various groups have a need to understand and/or to evaluate general agency reserves. Those groups include (but may not be limited to) the following:

1. **Committee on Audit and Review (“A&R”) for GCFA** – The A&R Committee has the responsibility to review financial statements as part of a fiduciary responsibility to the stewardship of financial resources of the whole church. The A&R charter describes this responsibility as “oversight responsibility around financial statements of agencies/treasuries receiving funds from a general Church fund, the financial reporting process, and the systems of internal accounting and financial controls.” The A&R Committee has been tasked with reviewing reports retrospectively to see to what degree reserve spending matched projected levels in spending plans. This information is important to give feedback to agency staff as future spending plans are prepared.
2. **Committee on General Agency and Episcopal Matters for GCFA** – The responsibility of GAEM is to review annual spending plans in accordance with the 2016 *Book of Discipline* paragraph 806.4 to make sure funding is used as intended and spending plans are appropriate for available funding levels.
3. **Investment Committee** – Interest in reserve levels has come to the Investment Committee due to evaluation of liquidity and investment allocations for reserve levels. The Investment Committee has opportunity to provide guidance and information on these topics in an effort to assist general agency leadership.

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4. **General Agency Boards** – As with other committees, general agency boards of directors have a fiduciary responsibility to oversee the stewardship of financial resources within their respective agencies. Part of that fiduciary responsibility includes all funds available for the ministry of the agency and the prioritization of the use of the funding within the priorities of the UMC.
5. **General Agency Management** – Managers, including general secretaries, implement and carry out board directives, such as reserve policies. With reserve policies in place, agency management has the responsibility to monitor and adhere to policies set by governing boards.
6. **Spending Plan Evaluation Team** – Members of The Connectional Table (CT) and GAEM analyze current and projected reserve balances during the upcoming year’s spending plan review process. The group analyzes unrestricted as well as donor restricted funds, with particular emphasis on the increase or decrease of those funds contemplated in the various spending plans. This provides insight into the agencies short-term and long-term ability to spend at the planned levels.
7. **Connectional Table (CT) and GCFA Quadrennial Allocation Evaluation Team** – CT and GCFA both have allocation responsibilities during the quadrennial budget process. One of the factors considered in determining allocation is the reserve levels of each agency in relation to their spending trends and planned initiatives.
8. **UMC Donors** – Individuals and organizations who are considering making a donation to a Church agency frequently assess the specific agency’s reserves to determine whether there is a need for their funds. Generally, the prospective donor will review agency financial statements, or they will try to assess reserves via another manner.

Reserve Components

Available reserves are generally calculated as follows:

Net Assets
Less:
Restricted Funds (both Permanently and Temporarily Restricted Funds)
Fixed Assets
Equals:
Available Reserves

Restricted Funds include any donated funds for which the donor has either permanently or temporarily restricted the use of the funds (or assets) thereby requiring the agency to use the funds (and related income) for a specific purpose. The agency generally has minimum decision-making ability over the use of the funds and, unless specifically allowed by the donor, the funds cannot be used for agency operations and programs.

Fixed Assets include any non-liquid tangible assets that cannot be readily converted to cash and used for operations (e.g., buildings, furniture and computer equipment).

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Available Reserves include the remaining funds from the above calculation that may be used for the general operations of the agency. These may include general operating expenses of the agency (e.g., Accounting Department expenses) and programmatic expenses, including personnel costs and other costs necessary to maintain an agency program (exclusive of pass-through funds).

After Available Reserves are calculated, agencies and their related Boards should determine funds to be designated for specific non-operating purposes. **Designated Funds** include any funds that are not restricted by the donor, but for which the related agency board has designated (or set aside) the funds for a specific purpose. Generally, the designed purpose can be changed, if needed, by the related board; however, unless specifically “released” by the related board, the funds cannot be used for general operations. Designated Funds should not include funds designated for ongoing agency operating purposes.

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2018 End of Year Results

GCFA has compiled an analysis of general agency reserves as of December 31, 2018. Below is a summary of that information:

General Church Assets, Liabilities, & Net Assets as of 12/31/2018

Figures In Thousands - Source: 2018 Audit Reports

Agency / Fund	Net Assets	Net Assets Permanently Restricted by Donors	Net Assets Temporarily Restricted by Donors	Unrestricted Net Assets	Fixed Assets @ NBV	Available Unrestricted Net Assets Excluding Fixed Assets
Global Ministries (Excl. UMCOR)	\$ 221,103	\$ 122,352	\$ 32,595	\$ 66,156	\$20,577	\$ 45,580
UMCOR	\$ 111,327	\$ 3,641	\$ 70,398	\$ 37,288	\$ 2,482	\$ 34,806
General Board of Higher Education & Ministry	\$ 144,434	\$ 19,149	\$ 102,051	\$ 23,234	\$ 501	\$ 22,733
Africa University	\$ 75,504	\$ 48,067	\$ 24,560	\$ 2,877	\$ -	\$ 2,877
UM Communications	\$ 48,107	\$ 175	\$ 11,789	\$ 36,144	\$ 2,196	\$ 33,947
General Board of Church & Society	\$ 24,865	\$ 4,714	\$ 1,367	\$ 18,784	\$ 6,770	\$ 12,014
General Board of Discipleship Ministries Excl. Upper Room	\$ 10,267	\$ 1,102	\$ 2,748	\$ 6,417	\$ 809	\$ 5,608
The Upper Room	\$ 21,423	\$ 689	\$ 106	\$ 20,628	\$ 3,017	\$ 17,611
General Council of Finance & Administration (Excl. Permanent Fund & Benefit Trust)	\$ 6,825	\$ 79	\$ 49	\$ 6,697	\$ 5,512	\$ 1,185
General Council of Finance & Administration - Permanent Fund	\$ 12,192	\$ -	\$ 12,192	\$ -	\$ -	\$ -
General Council of Finance & Administration - Benefit Trust	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General Commission on Religion & Race	\$ 3,893	\$ 109	\$ 1,139	\$ 2,646	\$ 69	\$ 2,576
General Commission on United Methodist Men	\$ 1,397	\$ -	\$ -	\$ 1,397	\$ 888	\$ 509
General Commission on Archives & History	\$ 1,096	\$ 183	\$ 79	\$ 834	\$ 0	\$ 834
General Commission on the Status & Role of Women	\$ 867	\$ 94	\$ 133	\$ 640	\$ 5	\$ 635
The Connectional Table	\$ 289	\$ -	\$ -	\$ 289	\$ -	\$ 289
The General Funds - World Service	\$ 1,796	\$ -	\$ -	\$ 1,796	\$ -	\$ 1,796
The General Funds - Episcopal	\$ 22,027	\$ 79	\$ 36	\$ 21,913	\$ -	\$ 21,913
The General Funds - General Administration Excl. Gen. Conf.	\$ 5,787	\$ -	\$ -	\$ 5,787	\$ -	\$ 5,787
The General Funds - General Conference (1)	\$ 2,321	\$ -	\$ -	\$ 2,321	\$ 238	\$ 2,083
The General Funds - Interdenominational Cooperation	\$ 463	\$ -	\$ -	\$ 463	\$ -	\$ 463
The General Funds - Ministerial Education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The General Funds - Black College	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The General Funds - Africa University	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The General Agencies of the United Methodist Church Benefit Plan	\$ (95,126)	\$ -	\$ -	\$ (95,126)	\$ -	\$ (95,126)
Board of Trustees	\$ 718	\$ -	\$ -	\$ 718	\$ -	\$ 718
Totals	\$ 621,576	\$ 200,432	\$ 259,241	\$ 161,903	\$43,064	\$ 118,839

(1) As most expenses for General Conference are to be incurred in 2020, this balance will be fully depleted by the end of 2020.

Footnotes

- Global Ministries Unrestricted Net Assets of \$45.6 million include almost \$20 million of designated funds set aside for missionaries housing, medical, pension, retiree health, evacuation/emergencies, etc.
- UMCOR's \$34.8 million of Unrestricted Net Assets would need to cover \$20 million of funds committed to UMCOR grants for which funding is not presently available in those projects.
- Other agencies have designated Unrestricted Net Assets for purposes that are critical to the related agencies operations. The related agency boards may not be able to redirect those designated funds for other purposes.

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2019 Projected Results

General Church Projected Net Assets as of 12/31/2019

Figures In Thousands - Source: 2020 Spending Plans

Agency / Fund	Net Assets	Net Assets Permanently Restricted by Donors	Net Assets Temporarily Restricted by Donors	Unrestricted Net Assets	Fixed Assets @ NBV	Available Unrestricted Net Assets Excluding Fixed Assets
Global Ministries (Excl. UMCOR)	\$227,083	\$ 134,950	\$ 30,517	\$ 61,616	\$24,452	\$ 37,164
UMCOR	\$ 79,471	\$ 3,889	\$ 47,312	\$ 28,271	\$ 2,357	\$ 25,914
General Board of Higher Education & Ministry	\$142,830	\$ 19,179	\$ 101,018	\$ 22,633	\$ 411	\$ 22,222
Africa University	\$ 81,700	\$ 48,067	\$ 31,433	\$ 2,200	\$ -	\$ 2,200
UM Communications	\$ 43,477	\$ 175	\$ 11,502	\$ 31,800	\$ 1,745	\$ 30,055
General Board of Church & Society	\$ 24,978	\$ 4,714	\$ 1,228	\$ 19,036	\$ 6,689	\$ 12,347
General Board of Discipleship Ministries Excl. Upper Room	\$ 10,405	\$ 1,102	\$ 2,486	\$ 6,817	\$ 649	\$ 6,169
The Upper Room (2)	\$ 21,423	\$ 689	\$ 106	\$ 20,628	\$ 3,017	\$ 17,611
General Council of Finance & Administration (Excl. Permanent Fund & Benefit Trust)	\$ 8,454	\$ 79	\$ 49	\$ 8,326	\$ 5,490	\$ 2,836
General Council of Finance & Administration - Permanent Fund	\$ 13,511	\$ -	\$ -	\$ 13,511	\$ -	\$ 13,511
General Council of Finance & Administration - Benefit Trust	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General Commission on Religion & Race	\$ 2,754	\$ 109	\$ 912	\$ 1,734	\$ 68	\$ 1,666
General Commission on United Methodist Men	\$ 1,513	\$ -	\$ -	\$ 1,513	\$ 861	\$ 651
General Commission on Archives & History	\$ 1,178	\$ 183	\$ 93	\$ 902	\$ 18	\$ 884
General Commission on the Status & Role of Women	\$ 740	\$ 94	\$ 78	\$ 568	\$ 3	\$ 565
The Connectional Table	\$ 244	\$ -	\$ -	\$ 244	\$ -	\$ 244
The General Funds - World Service	\$ 2,050	\$ -	\$ -	\$ 2,050	\$ -	\$ 2,050
The General Funds - Episcopal	\$ 19,277	\$ 79	\$ 36	\$ 19,163	\$ -	\$ 19,163
The General Funds - General Administration Excl. Gen. Conf.	\$ 4,290	\$ -	\$ -	\$ 4,290	\$ -	\$ 4,290
The General Funds - General Conference (1)	\$ 3,484	\$ -	\$ -	\$ 3,484	\$ 159	\$ 3,325
The General Funds - Interdenominational Cooperation	\$ 484	\$ -	\$ -	\$ 484	\$ -	\$ 484
The General Funds - Ministerial Education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The General Funds - Black College	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The General Funds - Africa University	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The General Agencies of the United Methodist Church Benefit Plan	\$ (95,126)	\$ -	\$ -	\$ (95,126)		\$ (95,126)
Board of Trustees	\$ 718	\$ -	\$ -	\$ 718		\$ 718
Totals	\$594,939	\$ 213,307	\$ 226,770	\$ 154,862	\$45,919	\$ 108,943

(1) As most expenses for General Conference are to be incurred in 2020, this balance will be fully depleted by the end of 2020.

(2) These figures are the same as 2018 as The Upper Room does not submit spending plans to GCFA as it does not receive apportioned funds.

Summary of Reserve Policies

The purpose of an Operating Reserve should be to protect each agency from risks negatively impacting its mission that may adversely impact the organization's financial status and overall ability to maintain operations during short-term periods of volatility. Most of the general agencies maintain a reserve for this purpose. One of the initial actions by the RTF was to request each agency to provide their reserve policy

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for review. Upon receiving the policy request, the majority of agencies that did not previously have a policy developed such a policy for the purpose of establishing a methodology for determining the reserve amount required by the agency.

If requested, the RTF provided guidance to each agency as they developed reserve policies. The RTF was careful not to dictate the required level of reserves or calculation methodologies. Instead, the amount and calculation methodology for necessary reserves at each agency was left to the discretion of the management and board of each related agency. Industry guidance on setting appropriate reserve levels using a risk-based evaluation method was provided to agency staff.

After the reserve policies were developed, the RTF reviewed the policies for general consistency. Certain observations identified while reviewing the policies are as follows:

- While consistent in general, all of the policies are relatively inconsistent relative to the time period over which reserves may be needed.
- Most of the agencies defined the necessary reserves as a number of months of budgeted or prior year actual operating expenses. Although the policies were worded differently, operating expenses generally exclude designated and restricted funds, and do not factor in any other pass-through funds or unrealized gains/losses on investments. The reserves only include funds used for the general operations of the agency as well as programmatic expenses.
- Not all agencies developed formal reserve policies.

A summary of the agency reserve policies is included as **Appendix A** to this document.

Recommendations for Moving Forward Toward the Consistent and Better Use of Reserves

The RTF has identified certain recommendations that should be considered going forward to help ensure reserves are maintained at an adequate level and accounted for properly, including the following:

- The boards and management of each agency should work together to evaluate the availability and use of reserves. Management should develop the initial reserve evaluation; however, the evaluation should be presented to the related board for approval. Both the board and management should fully understand the reserve evaluation and related needs. This will ensure that reserves are accurately established based on expected needs and then evaluated for reasonableness by the related board, which will increase the accuracy and transparency of the reserves.
- Restrictions on donated funds should be clearly documented and presented by agency management during the budgeting process and then presented to the agency's board for informational purposes.

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- The purpose of all designated funds should be clearly documented by agency management during the budgeting process and then presented to the agency's board for approval. In addition, the documentation should be provided to Internal Audit during the annual reserve review (see below).
- All agencies (and other UMC entities at the Connection level) should develop reserve policies that provide a reasonable level of reserves to protect the organization. The agency should evaluate actual reserve levels as compared to their policy on an ongoing basis. In addition, the policy should be evaluated on an annual basis to ensure it accurately reflects the reserves needed to protect the organization. This will ensure that reserves are established at an accurate level based on expected needs. An example reserve policy is included at **Appendix B**. This example policy is provided as a base to encourage thought and evaluation but may need to be revised to account for the organization's own risk-based needs.
- The scope of the RTF was limited to the agencies receiving general Church funds. All other entities that receive general Church funds (i.e., the National Plans, the Interdenominational Cooperation Fund, etc.) should develop reserve policies and evaluate their reserves in a manner consistent with the agencies included in the scope of the RTF's work. The reserve policies and operating reserves for those entities should be reviewed and approved by the entity's board or oversight committee.

The monitoring and evaluation of agency reserves will be an ongoing process in the future. The parties using reserve information, as discussed above, will continue to monitor and review reserves consistent with what they have done in the past. As part of the evaluation process, the following additional actions will take place as recommended by the RTF:

- On an annual basis, the Internal Audit function for the general agencies will perform a review to compare reserve usage to the related spending plans. The results of the review will be provided to A&R, GAEM and the Investment Committee. GAEM will consider the results of the review as part of the annual spending plan evaluation process. This will provide an independent validation that the reserve process is operating effectively and consistently at each agency.
- GCFA has posted on its website the 2018 Reserve analysis shown above as well as the external audit reports for all general agencies. By posting the reserve analysis for open viewing, there will be greater transparency into the reserve process and related reserves. Links to all related financial reports are available at: <http://www.gcfa.org/reports/>

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Distribution

This report is intended solely for your information in connection with your responsibilities as a member of Board of GCFA, a member of the related Board for the general agencies, or as a member of management of the general agencies and is not intended for any other purpose. Any other use or distribution of this report is not permitted without obtaining our prior written consent of the GCFA Board.

Reserve Policy Summary by Agency

The following table summarizes the Operating Reserve policy for each UMC general agency.

Agency		Reserve Targets			Additional Information
		Minimum	Target	Maximum	
1	General Board of Global Ministries	Operating Reserve equivalent to three months of operating expenses.	Operating Reserve equivalent to six months of operating expenses.	Operating Reserve equivalent to 12 months of operating expenses.	Based on the average of the previous two full financial year's actual operating expenses. The operating reserves exclude designated and restricted funds. In addition, it excludes unrealized gains and losses on investments.
2	Discipleship Ministries	Operating Reserve equal to at least six months of the budgeted operating expenses.	Range between minimum and maximum.	DM shall also strive to maintain an Operating Reserve of no more than 12 months of budgeted operating expenses.	Based on budgeted expenses. Excludes restricted funds.
3	United Methodist Communications	Operating Reserve of 12 months budgeted operating expenses plus any Restricted Reserves and Board Designated Reserves.	Range between minimum and maximum.	Operating Reserve of no more than 18 months of budgeted operating expenses plus any Restricted Reserves and Board Designated Reserves.	Based on the average of the previous two years board-approved operating budgets.
4	General Board of Higher Education and Ministry	Operating Reserve equal to at least six months of the budgeted operating expenses.	Range between minimum and maximum.	Operating Reserve of no more than 12 months of budgeted operating expenses.	Based on budgeted expenses. Excludes restricted funds.
5	General Commission on the Status and Role of Women	Operating Reserve with the minimum target of 25% (three months) of 12 months budgeted operating expenses.	Range between minimum and maximum.	Operating Reserve with the minimum target of 60% (7.2 months) of 12 months budgeted operating expenses.	Budget based on the average of the previous 2 years board-approved operating budgets. Excludes restricted funds.

Reserve Policy Summary by Agency

Agency		Reserve Targets			Additional Information
		Minimum	Target	Maximum	
6	General Commission on United Methodist Men	Per the GCUMM Policy, "The members of the GCUMM Board and staff know that the "industry standard" for unrestricted liquid reserve is one year of operating expenses. We have operated as an agency since 1997 and have never held that level of reserves. We typically have a balance that would cover the 25% of our budget we receive from the World Service Apportionment. This does not provide the adequate safety net that is the industry standard. We never have had enough reserves to cover the 75% of our budget we raise. We have never held unrestricted liquid reserves at the level that would cover one year of operating expenses."			
7	General Commission on Religion and Race	Operating Reserve of 12 months budgeted operating expenses plus any Restricted Reserves and Board Designated Reserves.	Range between minimum and maximum.	Operating Reserve of no more than 18 months of budgeted operating expenses plus any Restricted Reserves and Board Designated Reserves.	Budget based on the average of the previous 2 years board-approved operating budgets. The operating fund excludes designated and restricted funds.
8	General Commission on Archives and History	Per GCAH Policy, "A targeted amount to set aside for a reserve is not a part of this policy since the funds of GCAH are managed by the General Council on Finance and Administration of the United Methodist Church."			
9	General Board of Church and Society	Per GBCS Policy, "General Board of Church and Society will strive to maintain a Minimum operating Reserve of three months of operating expenses based on the average of the two full financial year's actual operating expenditures excluding Unrealized Gains/Losses on Investments.			
10	General Council on Finance and Administration	Available Unrestricted Reserves of three months budgeted operating expenses.	Range between minimum and maximum.	Available Unrestricted Reserves of six months of budgeted operating expenses.	Based on the average of the previous 2 years board-approved operating budgets.
11	Connectional Table	CT has not developed a Reserve policy.			

Reserve Policy Example

Reserve Policy – The General Council of Finance and Administration

Types of Reserves

The total balance in the GCFA Operating Reserve may be classified in the following accounts:

1. Unrestricted Reserves and Undesignated – General Operating Reserve

The General Operating Reserve Fund consists of unrestricted funds that have not been designated for a specific purpose by the GCFA Board of Directors.

2. Unrestricted Board Designated Reserves

Board designated reserves have been designated by the GCFA Board for a particular purpose. The GCFA Board has the authority to make any unspent funds “Undesignated.”

3. Temporary Restricted Reserves

Temporary Restricted Reserves given by a donor for a specific request. These funds include:

- A. **The Permanent Fund.** These are funds donated to The United Methodist Church. The funds are held by GCFA for the general Church, and General Conference directs how the funds will be distributed. The annual distributions are currently made to the World Service Fund and the amounts are governed by the GCFA Distribution Policy.
- B. **UMC Foundation Summit Christian Stewardship** – These funds were granted from the general funds for an event held several years ago.
- C. **Data Services Study** – Funds available to study and determine the best methods for data collection as it pertains to GCFA’s disciplinary requirements.
- D. **The Professional Administrators of United Methodist Connectional Structure (PAUMCS) Advanced Certification Program Fund.** This fund is being held in trust for PAUMCS to use in support of its advanced certification program.

4. Permanently Restricted Reserves

Permanently restricted reserves are given by a donor for a specific purpose, with the restriction that the principal must remain intact. These funds include:

- A. **UMC Foundation Endowment.** These are donations with the earnings to support the UMC Foundation. The distribution is governed by the Ministry Distribution Policy of the UMC Foundation.

5. Available Unrestricted Reserves

Available Unrestricted Reserves are Unrestricted and Undesignated Reserves reduced by non-liquid assets such as the net book value of fixed assets.

Reserve Policy Example

Reserve Policy

The General Council of Finance and Administration (“GCFA”) will maintain liquid assets as an Operating Reserve. GCFA will seek to maintain Operating Reserve balances to protect the organization from risks negatively impacting its mission that may adversely impact the organization’s financial status and overall ability to maintain operations during short-term periods of volatility.

Planned additions or reductions to this Operating Reserve will be accounted for within the annual budget process, which is voted on and approved by GCFA’s General Agency & Episcopal Matters (GAEM) Committee as well as full GCFA Board.

The General Council on Finance and Administration will strive to maintain a Target Minimum for Available Unrestricted Reserves of three months budgeted operating expenses (based on the average of the previous 2 year’s board-approved operating budgets). If the balance drops below the Target Minimum, the General Secretary and staff shall develop a plan within 90 days that brings the Available Unrestricted Reserves to the Target Minimum. This plan should be approved by the Board of Directors. Operating Expenses are defined as the total operating expenditures of GCFA, excluding the United Methodist Church Foundation and The United Methodist Insurance Corporation, offset by service revenues (billings for services provided).

GCFA shall strive maintain a Target Maximum for Available Unrestricted Reserves of six months of budgeted operating expenses (based on the average of the previous 2 years board-approved operating budgets). The GCFA General Secretary shall evaluate whether any Excess Reserves are expected to be short-term or longer term. GCFA will use Excess Reserves to fund capital investments, non-recurring costs, strategic initiatives or GCFA may elect to either grant funds to the General Administration Contingency Fund or recommend a lower apportionment funding level to future General Conferences.

The Target Minimum of 3 months and the Target Maximum of 6 months have been set for business continuity in the event of unforeseen events. These levels allow GCFA the resources to reassess its strategy while covering contractual financial obligations.

GCFA will ensure that all restricted funds are utilized in the manner and for the purpose intended by the donors.