

**UNITED METHODIST COMMITTEE ON
RELIEF OF GLOBAL MINISTRIES, INC.
AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS,
COMPLIANCE REPORTS, AND
SUPPLEMENTAL INFORMATION

As of and for the Years Ended December 31, 2020 and 2019

And Report of Independent Auditor

**UNITED METHODIST COMMITTEE ON RELIEF OF
GLOBAL MINISTRIES, INC. AND AFFILIATES**
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To the Board of Directors
United Methodist Committee on Relief
Global Ministries, Inc.

To the Audit Committee
General Board of Global Ministries
The United Methodist Church, Inc.

To the Committee on Audit and Review
General Council on Finance and Administration
The United Methodist Church

We have audited the accompanying consolidated financial statements of United Methodist Committee on Relief of Global Ministries, Inc. and affiliates (collectively, "UMCOR") (a non-profit organization), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 audits. We did not audit the financial statements of a certain division, UMCOR at Sager Brown, whose statements reflect total assets of \$1,452,568 and \$2,141,083 as of December 31, 2020 and 2019, respectively, and total support and operating revenues of \$1,063,973 and \$2,362,012 for the years then ended, respectively. These statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for UMCOR at Sager Brown, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of UMCOR at Sager Brown were not audited in accordance with *Government Auditing Standards*.

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 audits 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, 2020 and 2019, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. 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 schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2021, on our consideration of UMCOR's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UMCOR's internal control over financial reporting and compliance.

Cherry Bekart LLP

Atlanta, Georgia
July 28, 2021

**UNITED METHODIST COMMITTEE ON RELIEF OF
GLOBAL MINISTRIES, INC. AND AFFILIATES**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 10,650,044	\$ 10,017,802
Investments	78,466,416	92,601,459
Investments in securities of United Methodist Development Fund	1,766,000	1,762,656
Receivables:		
Advance special gifts	4,989,221	2,999,032
Grants and contracts	-	655,480
Other	1,614,249	1,521,245
Due from General Board of Global Ministries of The United Methodist Church, Inc.	126,254	144,261
Inventory and other assets	7,827	498,542
Buildings and equipment, net	2,062,257	2,282,519
Endowment funds held by General Board of Global Ministries of The United Methodist Church, Inc.	1,936,685	1,721,275
Perpetual trusts held by others	1,530,704	1,452,679
Total Assets	<u>\$ 103,149,657</u>	<u>\$ 115,656,950</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Due to General Board of Global Ministries of The United Methodist Church, Inc.	\$ 383,140	\$ 5,867,311
Accounts payable and accrued expenses	467,444	1,146,731
Grants payable	13,979,033	40,256,646
Funds held for others	3,314,679	3,349,212
Deferred revenue and amounts held under grants and contracts	-	584,203
Total Liabilities	<u>18,144,296</u>	<u>51,204,103</u>
Net Assets:		
Without Donor Restrictions:		
Invested in buildings and equipment	2,062,257	2,282,519
UMCOR at Sager Brown	1,422,274	2,125,748
National Justice for Our Neighbors, Inc.	258,469	3,850
Undesignated	35,021,688	23,808,631
Total Without Donor Restrictions	<u>38,764,688</u>	<u>28,220,748</u>
With Donor Restrictions:		
Subject to donor restrictions	41,521,217	31,869,170
Endowments and other perpetual trusts	4,719,456	4,362,929
Total With Donor Restrictions	<u>46,240,673</u>	<u>36,232,099</u>
Total Net Assets	<u>85,005,361</u>	<u>64,452,847</u>
Total Liabilities and Net Assets	<u>\$ 103,149,657</u>	<u>\$ 115,656,950</u>

**UNITED METHODIST COMMITTEE ON RELIEF OF
GLOBAL MINISTRIES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES**

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues:						
Advance special gifts	\$ 8,819,042	\$ 10,132,456	\$ 18,951,498	\$ 8,912,349	\$ 14,506,199	\$ 23,418,548
Special Sunday Offerings	1,013,338	-	1,013,338	2,530,066	-	2,530,066
Allocation from World Service Fund	-	57,617	57,617	-	62,798	62,798
Grants and contracts	-	2,451,308	2,451,308	4,807,831	7,507,274	12,315,105
Gifts and bequests	8,434,783	152,941	8,587,724	629,537	106,338	735,875
Imagine No Malaria	-	-	-	-	567,785	567,785
Sager Brown program income	363,773	-	363,773	998,454	-	998,454
Other income, net	1,380,644	-	1,380,644	524,089	-	524,089
Net assets released from restrictions	7,050,862	(7,050,862)	-	64,070,068	(64,070,068)	-
Total Operating Revenues	27,062,442	5,743,460	32,805,902	82,472,394	(41,319,674)	41,152,720
Expenses:						
Program Services:						
Specialized ministries	8,470,813	-	8,470,813	17,072,358	-	17,072,358
Advance projects	3,075,444	-	3,075,444	57,033,727	-	57,033,727
Relief projects	2,493,344	-	2,493,344	12,091,191	-	12,091,191
Health programs	4,624,619	-	4,624,619	12,845,046	-	12,845,046
Total Program Services	18,664,220	-	18,664,220	99,042,322	-	99,042,322
Supporting Services:						
Management and general	4,365,353	-	4,365,353	4,623,463	-	4,623,463
Fundraising	613,426	-	613,426	631,021	-	631,021
Total Supporting Services	4,978,779	-	4,978,779	5,254,484	-	5,254,484
Total Expenses	23,642,999	-	23,642,999	104,296,806	-	104,296,806
Changes in Net Assets from						
Operating Activities	3,419,443	5,743,460	9,162,903	(21,824,412)	(41,319,674)	(63,144,086)
Nonoperating Activities:						
Investment return, net	7,124,497	3,842,955	10,967,452	12,756,925	2,819,844	15,576,769
Net appreciation in fair value of perpetual trusts	-	78,025	78,025	-	76,076	76,076
Net appreciation in fair value of endowment funds held by others	-	215,410	215,410	-	210,047	210,047
Contributions and other income	-	128,724	128,724	-	406,599	406,599
Total Nonoperating Activities	7,124,497	4,265,114	11,389,611	12,756,925	3,512,566	16,269,491
Changes in net assets	10,543,940	10,008,574	20,552,514	(9,067,487)	(37,807,108)	(46,874,595)
Net assets, beginning of year	28,220,748	36,232,099	64,452,847	37,288,235	74,039,207	111,327,442
Net assets, end of year	\$ 38,764,688	\$ 46,240,673	\$ 85,005,361	\$ 28,220,748	\$ 36,232,099	\$ 64,452,847

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

**UNITED METHODIST COMMITTEE ON RELIEF OF
GLOBAL MINISTRIES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2020

	Program Services				Supporting Services				Total
	Specialized Ministries	Advance Projects	Relief Projects	Health Programs	Total Programs	Management and General	Fundraising	Total Supporting	
Grants/contributions and other direct programs	\$ 1,271,843	\$ 3,075,444	\$ -	\$ 2,654,582	\$ 7,001,869	\$ -	\$ -	\$ -	\$ 7,001,869
Salaries and wages	2,604,180	-	1,843,885	733,948	5,182,013	-	-	-	5,182,013
Services rendered by other agencies	2,447,300	-	-	915,849	3,363,149	3,493,139	613,426	4,106,565	7,469,714
Fringe benefits	789,838	-	397,224	184,798	1,371,860	866	-	866	1,372,726
In-kind commodity distribution	494,082	-	-	-	494,082	-	-	-	494,082
Rent and maintenance	148,212	-	53,018	121,641	322,871	172,207	-	172,207	495,078
Travel - staff	45,640	-	36,529	7,766	89,935	1,129	-	1,129	91,064
Equipment maintenance	17,540	-	-	-	17,540	3,302	-	3,302	20,842
Office supplies	790	-	31,129	-	31,919	29,977	-	29,977	61,896
Consultant fees	301,882	-	68,308	5,678	375,868	17,470	-	17,470	393,338
Miscellaneous	3,959	-	21,935	357	26,251	142,132	-	142,132	168,383
Insurance	171,952	-	-	-	171,952	73,199	-	73,199	245,151
Telephone	5,404	-	30,022	-	35,426	48,038	-	48,038	83,464
Depreciation	68,173	-	-	-	68,173	152,089	-	152,089	220,262
Data processing rental and service	-	-	-	-	-	191,063	-	191,063	191,063
Utilities	79,111	-	-	-	79,111	-	-	-	79,111
Printing and duplication	-	-	10,982	-	10,982	16,533	-	16,533	27,515
Meetings	17,228	-	-	-	17,228	527	-	527	17,755
Audit and legal fees	-	-	-	-	-	20,553	-	20,553	20,553
Promotional and informational materials	1,047	-	-	-	1,047	125	-	125	1,172
Postage and freight	2,632	-	312	-	2,944	3,004	-	3,004	5,948
Total Expenses	\$ 8,470,813	\$ 3,075,444	\$ 2,493,344	\$ 4,624,619	\$ 18,664,220	\$ 4,365,353	\$ 613,426	\$ 4,978,779	\$ 23,642,999

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

**UNITED METHODIST COMMITTEE ON RELIEF OF
GLOBAL MINISTRIES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2019

	Program Services				Supporting Services				Total
	Specialized Ministries	Advance Projects	Relief Projects	Health Programs	Total Programs	Management and General	Fundraising	Total Supporting	
Grants/contributions and other direct programs	\$ 8,544,416	\$ 57,033,727	\$ 1,318,631	\$ 10,349,210	\$ 77,245,984	\$ -	\$ -	\$ -	\$ 77,245,984
Salaries and wages	3,089,291	-	6,815,337	831,188	10,735,816	-	-	-	10,735,816
Services rendered by other agencies	3,480,070	-	-	1,177,927	4,657,997	3,656,147	631,021	4,287,168	8,945,165
Fringe benefits	1,096,598	-	1,407,271	238,592	2,742,461	11,032	-	11,032	2,753,493
In-kind commodity distribution	-	-	998,371	-	998,371	-	-	-	998,371
Rent and maintenance	123,845	-	320,833	108,279	552,957	202,956	-	202,956	755,913
Travel - staff	211,919	-	328,232	57,950	598,101	19,496	-	19,496	617,597
Equipment maintenance	31,495	-	215,066	-	246,561	15,832	-	15,832	262,393
Office supplies	659	-	158,815	-	159,474	49,254	-	49,254	208,728
Consultant fees	28,902	-	114,229	81,735	224,866	67,989	-	67,989	292,855
Miscellaneous	4,604	-	170,909	165	175,678	123,710	-	123,710	299,388
Insurance	178,465	-	-	-	178,465	98,297	-	98,297	276,762
Telephone	4,332	-	147,682	-	152,014	33,220	-	33,220	185,234
Depreciation	76,634	-	-	-	76,634	152,089	-	152,089	228,723
Data processing rental and service	-	-	269	-	269	83,777	-	83,777	84,046
Utilities	116,318	-	38,333	-	154,651	-	-	-	154,651
Printing and duplication	-	-	14,072	-	14,072	29,646	-	29,646	43,718
Meetings	77,427	-	-	-	77,427	3,008	-	3,008	80,435
Audit and legal fees	-	-	41,239	-	41,239	42,713	-	42,713	83,952
Promotional and informational materials	3,125	-	-	-	3,125	19,961	-	19,961	23,086
Postage and freight	4,258	-	1,902	-	6,160	14,336	-	14,336	20,496
Total Expenses	\$ 17,072,358	\$ 57,033,727	\$ 12,091,191	\$ 12,845,046	\$ 99,042,322	\$ 4,623,463	\$ 631,021	\$ 5,254,484	\$ 104,296,806

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

**UNITED METHODIST COMMITTEE ON RELIEF OF
GLOBAL MINISTRIES, INC. AND AFFILIATES**
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 20,552,514	\$ (46,874,595)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Net appreciation in fair value of investments	(10,967,452)	(15,576,769)
Net appreciation in fair value of perpetual trusts held by others	(78,025)	(76,076)
Net appreciation in fair value of endowment funds held by others	(215,410)	(210,047)
Depreciation	220,262	228,723
Changes in operating assets and liabilities:		
Receivables	(1,427,713)	8,536,065
Due to/from General Board of Global Ministries of The United Methodist Church, Inc.	(5,466,164)	4,136,345
Inventory and other assets	490,715	539,612
Accounts payable and accrued expenses	(679,287)	(3,819,606)
Funds held for others	(34,533)	864,914
Grants payable	(26,277,613)	40,256,646
Deferred revenue and amounts held under grants and contracts	(584,203)	(1,134,048)
Net cash flows from operating activities	<u>(24,466,909)</u>	<u>(13,128,836)</u>
Cash flows from investing activities:		
Purchases of building and equipment	-	(29,461)
Additions to perpetual trusts held by others	-	(51,532)
Purchases of investments	(400,000)	(97,922,195)
Proceeds from sales of investments	25,499,151	113,895,665
Net cash flows from investing activities	<u>25,099,151</u>	<u>15,892,477</u>
Net change in cash and cash equivalents	632,242	2,763,641
Cash and cash equivalents, beginning of year	10,017,802	7,254,161
Cash and cash equivalents, end of year	<u>\$ 10,650,044</u>	<u>\$ 10,017,802</u>

**UNITED METHODIST COMMITTEE ON RELIEF OF
GLOBAL MINISTRIES, INC. AND AFFILIATES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 1—Nature of the organization and principles of consolidation

United Methodist Committee on Relief of Global Ministries, Inc. is a Domestic Nonprofit Corporation in the state of Georgia. United Methodist Committee on Relief of Global Ministries, Inc. (“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, National Justice for Our Neighbors, Inc. (“NJFON”) and UMCOR at Sager Brown (“Sager Brown”). All of the financial activities and balances of these organizations are included in the consolidated financial statements collectively, “UMCOR”. All significant intercompany accounts and transactions are eliminated in consolidation.

NJFON is a tax-exempt, not-for-profit organization which was established to administer immigration programs. UMCOR provides shared services to NJFON.

Sager Brown was organized by UMCOR and the General Board of Global Ministries of The United Methodist Church, Inc. (“Global Ministries”) as a material relief program of UMCOR. The purpose of 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. 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 (“U.S. GAAP”). UMCOR is required to report information regarding its consolidated financial position and activities according to two classes of net assets based on the evidence or absence of donor-imposed restrictions. Accordingly, the net assets of UMCOR and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of UMCOR. These net assets may be used at the discretion of UMCOR’S management and the board of directors. UMCOR has chosen to provide further classification information about net assets without donor restrictions on the consolidated statements of financial position. The sub classifications are as follows:

Invested in Buildings and Equipment – Represents net assets invested in buildings and equipment, net of accumulated depreciation.

UMCOR at Sager Brown – Represents the net assets of UMCOR at Sager Brown.

National Justice for Our Neighbors, Inc. – Represents the net assets of NJFON.

Undesignated – Represents the cumulative net assets without donor restrictions excluding those net assets invested in buildings and equipment, net assets of UMCOR at Sager Brown and NJFON, and designated for specific activities by the board of directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of UMCOR or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**UNITED METHODIST COMMITTEE ON RELIEF OF
GLOBAL MINISTRIES, INC. AND AFFILIATES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 2—Summary of significant accounting policies (continued)

When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by state law.

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.

Investments – Investments are carried at fair value as follows:

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

Investments Valued at Net Asset Value Per Share – UMCOR has placed funds for investment with Wespath Benefits and Investments (“Wespath”). Wespath has established, for accounting purposes, an initial unit value for an accounting unit of the participants’ accounts based on the participants’ net assets divided by the unit value. At all times, the total value of the participants’ net assets, divided by the total of all participants’ units, will equal the unit value. The unit value of the net assets is determined on each business day.

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

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.

**UNITED METHODIST COMMITTEE ON RELIEF OF
GLOBAL MINISTRIES, INC. AND AFFILIATES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 2—Summary of significant accounting policies (continued)

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 interests in these trusts are recognized as assets and as net assets with donor restrictions 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 as net assets with donor restrictions in the consolidated statements of activities as designated by the donor.

Contributions and Grants Received – Contributions are recognized when cash, other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met. If assets are transferred in advance of the conditions being met, a liability will be recorded until the conditions have been substantially met or explicitly waived by the donor. Contributions of assets other than cash are recorded at their estimated fair value.

UMCOR also receives funding under grants and contracts principally from the federal government and institutional donors, for direct and indirect program costs. If these grants and contracts are deemed to be conditional, revenue is recognized as allowable reimbursable expenses are incurred. Grants and contracts receivable represent amounts due from funding organizations for reimbursable expenses incurred. Deferred revenue represents cash received in advance of incurring allowable reimbursable expenses, as well as donated commodities held in inventory.

Grants and Contributions to Others – Grants and contributions to other organizations are approved and made by management and committees of and the board of directors of UMCOR. Grants and contributions to other organizations are recorded in the accompanying consolidated financial statements when approved and all conditions on which they depended have been met. Grants and contributions payable to other organizations in future years are recorded at the present value using the risk-adjusted rates applicable to the years in which the promises to give are to be made.

Donated Commodities – Donated commodities, which principally represent materials 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.

Functional Expenses – The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses.

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, 2020 and 2019.

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Note 2—Summary of significant accounting policies (continued)

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.

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 Global Ministries. Cash and cash equivalents at December 31, 2020 and 2019 include 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. UMCOR from time to time may have amounts on deposit in excess of the 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.

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 U.S. 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.

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.

Use of Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP 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.

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Note 2—Summary of significant accounting policies (continued)

Upcoming Accounting Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classifications affecting the pattern of expense recognition in the statements of activities. The new standard is effective for fiscal years beginning after December 15, 2021. Management is currently evaluating the impact the pending adoption will have on the UMCOR’s consolidated financial statements.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. This distinction will increase transparency of contributions recognized. This standard will be effective for the year ending December 31, 2022. Management is currently evaluating the impact the pending adoption will have on the UMCOR’s consolidated financial statements.

Note 3—Liquidity and availability of resources

The table below represents financial assets available for general expenditures within one year at December 31:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 10,650,044	\$ 10,017,802
Investments	78,466,416	92,601,459
Investments in securities of United Methodist		
Development Fund	1,766,000	1,762,656
Receivables	6,603,470	5,175,757
Due from General Board of Global Ministries of The United		
Methodist Church, Inc.	126,254	144,261
Endowment funds held by Global Ministries	<u>1,936,685</u>	<u>1,721,275</u>
Total financial assets	<u>99,548,869</u>	<u>111,423,210</u>
Less amounts not available to be used for general		
expenditures within one year:		
Funds held for others	3,314,679	3,349,212
Subject to donor restrictions	41,521,217	31,869,170
Endowments	<u>3,188,752</u>	<u>2,910,250</u>
Financial assets not available to be used within one year	<u>48,024,648</u>	<u>38,128,632</u>
Financial assets available to meet general expenditures		
within one year	<u>\$ 51,524,221</u>	<u>\$ 73,294,578</u>

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Note 3—Liquidity and availability of resources (continued)

UMCOR is substantially supported by contributions from donors. Because a donor's restrictions require resources to be used in a particular manner or in a future period, UMCOR must maintain sufficient resources to meet those responsibilities to its donors. All UMCOR endowments are donor-restricted endowments, therefore, income from endowments are not available for general expenditure. UMCOR considers general expenditures to include program expenses, supporting services, and any commitments or liabilities to be paid in the subsequent year. In addition, at December 31, 2020, UMCOR had grants payable of \$12,853,171 which are payable within one year, representing obligations to provide support to unrelated organizations.

As part of UMCOR's liquidity-management plan, it structures its financial assets to be available as its obligations come due. UMCOR does not consider funds held for others as available for general expenditures and has, therefore, excluded such funds from financial assets available to meet general expenditures within one year.

Note 4—Transactions with related entities

UMCOR reimburses Global Ministries for shared costs for support of certain programs and administrative and management services. During the years ended December 31, 2020 and 2019, UMCOR reimbursed Global Ministries \$6,204,450 and \$7,651,886, respectively, for these costs. These amounts are included in program services and management and general expenses in the accompanying consolidated statements of activities.

During 2020 and 2019, UMCOR contributed \$159,801 and \$820,706, respectively, to Global Ministries towards the construction and rehabilitation costs of the new headquarters in Atlanta, Georgia. These amounts are included in specialized ministries expenses in the accompanying consolidated statements of activities. UMCOR shares office space with Global Ministries.

During 2020 and 2019, Global Ministries managed assets of \$1,936,685 and \$1,721,275, respectively, relating to UMCOR's endowment funds.

During 2020 and 2019, Global Ministries allocated \$435,924 and \$427,583, respectively, of its annual General Agency Benefit Trust allocation to UMCOR. This allocation is recorded in the statements of activities as other income.

During 2020 and 2019, UMCOR received \$-0- and \$567,785, respectively, from United Methodist Communications of The Methodist Church relating to designated funds for the Health Program on Imagine No Malaria.

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. Special Sunday Offerings is an annual special offering for relief programs. The World Service Fund is the basic benevolence fund of the Church and annual allocations from the World Service Fund are made to support the activities of the various organizations of the Church. Advance Special Gifts, UMCOR Sunday Offerings and allocations from the World Service Fund are passed to UMCOR through the GCFA from the General Funds of the Church. These amounts are reported separately in the consolidated statements of activities.

Amounts received from the other United Methodist churches and agencies accounted for 61% and 65% of UMCOR's total operating revenue in 2020 and 2019, respectively. The Church's support of UMCOR is dependent upon contributions from its congregations (i.e., congregational participation in the apportionment covenant).

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Note 5—Investments in securities of United Methodist Development Fund

Investments in UMDF totaled \$1,766,000 and \$1,762,656 at December 31, 2020 and 2019, respectively, and include three to four-year term notes bearing interest at rates ranging from .70% to 3.45% per annum, with interest payable semiannually on June 30 and December 31. Investments in UMDF are carried at cost in the accompanying consolidated financial statements. Since no public market exists (or is expected to develop) for UMDF'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, UMDF reserves the right to repay the principal amount in five, annual installments beginning 30 days after the maturity date. UMDF 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—Investments

At December 31, 2020 and 2019, the cost and fair value of investments are as follows:

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Multiple Asset Fund (I Series) - Wespath	\$ 58,046,517	\$ 40,152,408	\$ 64,653,369	\$ 53,385,414
Fixed Income Fund (I Series) - Wespath	20,419,899	17,124,992	27,845,594	25,261,873
Other securities	-	-	102,496	102,496
Total investments	<u>\$ 78,466,416</u>	<u>\$ 57,277,400</u>	<u>\$ 92,601,459</u>	<u>\$ 78,749,783</u>

	2020	2019
Investment return:		
Realized gains on sales of investments	\$ 3,630,113	\$ 13,920,852
Unrealized gains on investments	7,337,339	1,655,917
Investment return, net	<u>\$ 10,967,452</u>	<u>\$ 15,576,769</u>

Note 7—Buildings and equipment, net

Buildings and equipment, net consist of the following at December 31:

	2020	2019
Buildings and land	\$ 3,347,143	\$ 3,382,873
Equipment	1,379,299	1,379,299
Leasehold improvements	1,215,630	1,179,900
	5,942,072	5,942,072
Less accumulated depreciation	(3,879,815)	(3,659,553)
Total buildings and equipment, net	<u>\$ 2,062,257</u>	<u>\$ 2,282,519</u>

Depreciation expense totaled \$220,262 and \$228,723 in 2020 and 2019, respectively.

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Note 8—Grants payable

UMCOR has granted support to related and unrelated organizations. Unconditional promises to give in future years are generally recorded at the present value using the risk-adjusted rates applicable to the years in which the promises to give are to be paid. At December 31, 2020, grants payable are expected to be paid as follows:

Less than one year	\$ 13,504,221
One to five years	474,812
	<u>\$ 13,979,033</u>

Note 9—Net assets with donor restrictions

Net assets with donor restrictions at December 31, 2020 and 2019 have been restricted by the donors for the following purpose restrictions:

	<u>2020</u>	<u>2019</u>
Subject to purpose restrictions:		
USA National Disaster Fund	\$ 4,449,650	\$ -
Other Advance projects and funds	14,092,243	12,430,165
Harry R. Kendall Fund - health, housing, and training grants	18,505,661	15,490,403
Haiti Emergency	2,233,165	419,895
Philippines Emergency	299,901	1,518,618
Disaster Response International	1,940,597	2,010,089
Total subject to purpose restrictions	<u>41,521,217</u>	<u>31,869,170</u>
Endowments and perpetual trusts:		
Perpetual trusts	1,530,704	1,452,679
Endowments:		
Subject to appropriation only	<u>3,188,752</u>	<u>2,910,250</u>
Total endowments and perpetual trusts	<u>4,719,456</u>	<u>4,362,929</u>
Total net assets with donor restrictions	<u>\$ 46,240,673</u>	<u>\$ 36,232,099</u>

Net assets with donor restrictions for the years ended December 31, 2020 and 2019 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions	<u>\$ 7,050,862</u>	<u>\$ 64,070,068</u>

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Note 10—Employee benefits

Retirement Benefits – Full-time laypersons and clergy employed by UMCOR participate in the Retirement Plan for General Agencies. This defined contribution plan is administered by Wespath.

UMCOR makes semi-monthly contributions to each eligible employee's account held by Wespath based on 8% of annual employee compensation. Additionally, UMCOR matches up to 2% of each employee's compensation to their United Methodist Personal Investment Plan. Total contributions made by UMCOR for both components during 2020 and 2019 were \$293,665 and \$229,880, respectively, which is included in fringe benefits in the consolidated statements of functional expense.

Health, Life, and Other Employee Benefits – The General Agencies of The United Methodist Church Benefit Plan (the "Plan") which qualifies for treatment as a multiemployer plan under ASC 715, *Compensation – Retirement Benefits*, provides medical, dental, life, and long- and short-term disability defined benefits to participants of the 11 general agencies, all Bishops covered by the Episcopal Fund, and employees of other United Methodist related organizations. Effective January 1, 2004, the Plan amendments were made to change the retiree benefits offered and increase the related premiums paid by retirees.

UMCOR provides health, dental, life, and other employee benefits for its active employees and health, dental, and life benefits to non-Medicare eligible retirees through the Plan. Retirees who are Medicare eligible, and who elect to enroll, are eligible for a Health Reimbursement Account up to \$2,100 annually and \$2,000 annually for their spouse, if applicable. Unused reimbursement funds continue to roll-over to subsequent years until death of the retiree or their spouse, whichever is later.

All of UMCOR's active employees are covered by the Plan. The cost of the benefits is recognized as an expense as premiums are paid. The total cost of benefits for active employees was \$296,665 and \$474,769 for the years ended December 31, 2020 and 2019, respectively, which is included in fringe benefits in the consolidated statements of functional expenses.

The Plan's unfunded accumulated postretirement benefit obligation was approximately \$71,430,000 and \$76,725,000 as of December 31, 2020 and 2019, respectively. The Plan's unfunded expected postretirement benefit obligation was approximately \$106,750,000 and \$106,750,000 as of December 31, 2020 and 2019, respectively.

Note 11—Lease commitments

UMCOR has noncancelable operating leases for its west coast office and depot, which expired in 2020. NJFON has a cancelable lease, which is renewable on a quarterly basis.

Rent expense incurred by UMCOR totaled \$148,212 and \$123,845 for the years ended December 31, 2020 and 2019, respectively, which is included in rent and maintenance on the consolidated statements of functional expenses.

Note 12—Endowments

UMCOR's endowment consists of 28 individual funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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Note 12—Endowments (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 net assets with donor restrictions as follows:

- (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.

As of December 31, 2020 and 2019, UMCOR had the following endowment net asset composition:

	December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 2,270,031	\$ 2,270,031
Accumulated investment earnings	-	918,721	918,721
Endowment net assets	<u>\$ -</u>	<u>\$ 3,188,752</u>	<u>\$ 3,188,752</u>

	December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 2,316,275	\$ 2,316,275
Accumulated investment earnings	-	593,975	593,975
Endowment net assets	<u>\$ -</u>	<u>\$ 2,910,250</u>	<u>\$ 2,910,250</u>

Changes in endowment net assets for the years ended December 31, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2018	\$ -	\$ 2,563,584	\$ 2,563,584
Investment return, net	-	346,666	346,666
Endowment net assets, December 31, 2019	-	2,910,250	2,910,250
Investment return, net	-	324,746	324,746
Redesignation of endowment funds	-	(46,244)	(46,244)
Endowment net assets, December 31, 2020	<u>\$ -</u>	<u>\$ 3,188,752</u>	<u>\$ 3,188,752</u>

Underwater Endowment Funds – 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. UMCOR has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no underwater endowments as of December 31, 2020 and 2019.

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Note 12—Endowments (continued)

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 to 3 year 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% to 8% 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 – 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% to 3% 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 13—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, 2020 and 2019 for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

	Fair Value Measurements at Reporting Date Using			
	Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020				
Assets:				
Investments:				
Multiple Asset Fund (I Series) - Wespath *	\$ 58,046,517	\$ -	\$ -	\$ -
Fixed Income Fund (I Series) - Wespath *	20,419,899	-	-	-
Total Investments	<u>\$ 78,466,416</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Perpetual trusts held by others	<u>\$ 1,530,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,530,704</u>

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Note 13—Fair value of financial instruments (continued)

	Fair Value Measurements at Reporting Date Using			
	Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2019				
Assets:				
Investments:				
Multiple Asset Fund (I Series) - Wespath *	\$ 64,653,369	\$ -	\$ -	\$ -
Fixed Income Fund (I Series) - Wespath *	27,845,594	-	-	-
Total Investments	<u>\$ 92,498,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Perpetual trusts held by others	<u>\$ 1,452,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,452,679</u>

* 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.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Perpetual Trusts Held by Others – Fair value is based on the fair value of the underlying investments. Because timing of realization is an unobservable input, the fair value is determined using primarily Level 3 inputs.

For entities that calculate the net asset value (“NAV”) per share (or its equivalent), the following table provides information about the probability of investments being sold at amounts different from NAV per share for the year ended December 31, 2020:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multiple Asset Fund (I Series) - Wespath ^(a)	\$ 58,046,517	none	daily	daily
Fixed Income Fund (I Series) - Wespath ^(b)	20,419,899	none	daily	daily
Total	<u>\$ 78,466,416</u>			

(a) Wespath’s Multiple Asset Fund (I series) is a composite of U.S. equity funds (35%), international equity funds (30%), fixed income funds (25%) and inflation protection funds (10%). The fund seeks to maximize long-term investment returns, including current income and capital appreciation, while reducing short-term risk by investing in a broad mix of investments.

(b) Wespath’s (I Series) Fixed Income Fund seeks to provide current income by investing in a broadly diversified portfolio of fixed-income instruments. Holds publicly traded U.S. fixed-income securities, and fixed-income securities denominated in currencies other than the U.S. dollar. The fund holds privately placed loans originated by the Positive Social Purpose Lending Program (e.g., affordable housing and community development loans).

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Note 13—Fair value of financial instruments (continued)

The following is a reconciliation of activity for 2020 and 2019 for assets measured at fair value based on significant unobservable information:

	Perpetual Trusts Held by Others
Balance, January 1, 2019	\$ 1,325,071
Contributions	51,532
Net appreciation in fair value	76,076
Balance, December 31, 2019	1,452,679
Contributions	-
Net appreciation in fair value	78,025
Balance, December 31, 2020	<u>\$ 1,530,704</u>

Note 14—Contingencies and uncertainties/COVID-19 pandemic

During 2020, an outbreak of a novel strain of coronavirus (“COVID-19”) emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact UMCOR’s revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

The Protocol of Reconciliation and Grace Through Separation was introduced as legislation in early 2020 for the upcoming General Conference. This joins other legislative proposals that if adopted by the General Conference would provide an alternative way for churches to separate from the United Methodist Church. These proposals include a provision for new denominations to receive financial payments from the United Methodist Church and retain their real estate. The scheduled General Conference has been delayed until 2022, and the financial impact resulting from these potential separations on the General Funds is unknown at this time.

Note 15—Subsequent events

Management has evaluated subsequent events through July 28, 2021, the date the consolidated financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.

COMPLIANCE REPORTS

**Report of Independent Auditor on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
United Methodist Committee on Relief
Global Ministries, Inc.

To the Audit Committee
General Board of Global Ministries
The United Methodist Church

To the Committee on Audit and Review
General Council on Finance and Administration
The United Methodist Church

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of United Methodist Committee on Relief of Global Ministries, Inc. and affiliates (collectively, "UMCOR") (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 28, 2021. Our report includes reference to other auditors who audited the financial statements of a certain division, UMCOR at Sager Brown, as described in our report on UMCOR's consolidated financial statements. The financial statements of UMCOR at Sager Brown were not audited in accordance with *Government Audit Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered UMCOR's internal control over financial reporting ("internal control") as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of UMCOR's internal control. Accordingly, we do not express an opinion on the effectiveness of the UMCOR's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether UMCOR's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UMCOR's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UMCOR's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cherry Bekart LLP".

Atlanta, Georgia
July 28, 2021

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
United Methodist Committee on Relief
Global Ministries, Inc.

To the Audit Committee
General Board of Global Ministries
The United Methodist Church

To the Committee on Audit and Review
General Council on Finance and Administration
The United Methodist Church

Report on Compliance for Each Major Federal Program

We have audited United Methodist Committee of Relief of Global Ministries, Inc. and affiliate's (collectively, "UMCOR") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of UMCOR's major federal programs for the year ended December 31, 2020. UMCOR's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of UMCOR's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about UMCOR's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of UMCOR's compliance.

Opinion on Each Major Federal Program

In our opinion, UMCOR complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of UMCOR is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered UMCOR's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of UMCOR's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cheryl Bekacet LLP

Atlanta, Georgia
July 28, 2021

SUPPLEMENTARY INFORMATION

**UNITED METHODIST COMMITTEE ON RELIEF OF
GLOBAL MINISTRIES, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

DECEMBER 31, 2020

Federal/Grantor Program Title	Federal CFDA No.	Award No.	Pass-Through Entity Identifying Number	Amounts Passed Through to Subrecipient	Federal Expenditures
<u>US Agency for International Development</u>					
<i>Direct Programs:</i>					
Promoting Access to Basic Services for New IDP's in East Darfur State	98.001	AID-OFDA-G-15-00093	N/A	\$ -	\$ (44,305)
Responding to Critical Needs of Vulnerable IDPs and Conflict-Affected Communities in East Darfur State	98.001	AID-OFDA-G-17-00090	N/A	-	(16,186)
Life-Saving Emergency Response to Vulnerable IDPs and Conflict	98.001	720FDA18GR00156	N/A	-	(16,048)
Subtotal US Agency for International Development				<u>-</u>	<u>(76,539)</u>
<u>Federal Emergency Management Agency</u>					
<i>Pass-Through from National Voluntary Organizations Active in Disaster:</i>					
Disaster Case Management	97.088	FEMA-DR-4332-TX	PASS - NVOAD	<u>2,454,473</u>	<u>2,527,847</u>
Subtotal Federal Agency Management Agency				<u>2,454,473</u>	<u>2,527,847</u>
Total Expenditures of Federal Awards				<u>\$ 2,454,473</u>	<u>\$ 2,451,308</u>

**UNITED METHODIST COMMITTEE ON RELIEF OF
GLOBAL MINISTRIES, INC. AND AFFILIATES**
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DECEMBER 31, 2020

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity (including indirect cost recovery amounts) of United Methodist Committee on Relief of Global Ministries, Inc. (“UMCOR”), including federal awards passed through other agencies, and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Therefore, certain amounts presented in the Schedule may differ from amounts presented in, or used in the presentation of, UMCOR’s consolidated financial statements.

Indirect Cost Rate – UMCOR has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 2—Reconciliation to consolidated financial statements

Federal awards, including indirect cost recovery, are reported as revenue in net assets without donor restrictions when the related direct costs are incurred. The amounts reported as relief projects’ expenses in the consolidated statement of activities for the year ended December 31, 2020 reconcile to the Schedule as follows:

Program services per consolidated financial statements	\$18,664,220
Less amounts pertaining to non-federal awards	<u>16,212,912</u>
Total expenditures of federal awards	<u>\$ 2,451,308</u>

Note 3—Catalog of Federal Domestic Assistance (“CFDA”) numbers

CFDA numbers that are available for each federal award program are indicated on the schedule of expenditures of federal awards.

Note 4—Contingencies

These award programs are subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, although UMCOR expects such amounts, if any, to be immaterial.

**UNITED METHODIST COMMITTEE ON RELIEF OF
GLOBAL MINISTRIES, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

DECEMBER 31, 2020

Section I—Summary of Auditor’s Results

- a) The type of report issued on the consolidated financial statements: **Unmodified**
- b) Internal control over financial reporting:
Material weaknesses identified: **No**
Significant deficiencies identified that are not considered to be material weaknesses: **None Reported**
- c) Noncompliance which is material to the consolidated financial statements: **No**
- d) Internal control over major programs:
Material weaknesses identified: **No**
Significant deficiencies identified that are not considered to be material weaknesses: **None Reported**
- e) The type of report issued on compliance for major programs: **Unmodified**
- f) Any audit findings which are required to be reported under 2 CFR section 200.516(a): **No**
- g) Identification of major programs:

<u>Major Programs</u>	<u>CFDA Number</u>
Disaster Case Management	97.088
- h) Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**
- i) Auditee qualified as a low-risk auditee: **Yes**

Section II—Financial Statement Findings

None

Section III—Federal Award Findings and Questioned Costs

None

**UNITED METHODIST COMMITTEE ON RELIEF OF
GLOBAL MINISTRIES, INC. AND AFFILIATES**
SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2020

Section IV—Status of Prior Year Findings

None reported.