GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

As of and for the Years Ended December 31, 2017 and 2016

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH AND AFFILIATES

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

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

We have audited the accompanying consolidated financial statements of the General Council on Finance and Administration of The United Methodist Church and affiliates, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, the related consolidated statements of activities and cash flows for the years ended December 31, 2017 and 2016, the related consolidated statement of functional expenses for the year ended December 31, 2017, 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 controlled nonprofit affiliate, United Methodist Insurance Company, Inc. ("UMI"), whose statements reflect total assets of $42,677,511 and $29,497,695 as of December 31, 2017 and 2016, respectively, and total support and revenues of $4,554,840 and $3,654,399 for the years then ended, respectively. Those statements were prepared in accordance with accounting practices prescribed or permitted by the Vermont Department of Financial Regulation, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Those statements were audited by other auditors whose report has been furnished to us. We have applied audit procedures on the conversion adjustment to the financial statements of UMI, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to amounts included for UMI, prior to the conversion adjustment, is based solely on the report of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the General Council on Finance and Administration of The United Methodist Church and affiliates as of December 31, 2017 and 2016, the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Changes in Financial Statement Presentation

As discussed in Note 1, the General Council on Finance and Administration of The United Methodist Church and affiliates adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities.* The ASU has been applied retrospectively to all periods presented with the exception of the consolidated statement of functional expense and the disclosure of liquidity and availability of resources, which have been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming an opinion on the 2017 consolidated financial statements as a whole. The schedules on pages 40 – 43 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the disclosures about short-duration insurance contracts on pages 44 – 47 be presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. The required supplementary information has been subjected to certain limited procedures performed by other auditors in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to inquiries, the consolidated financial statements, and other knowledge obtained during the audit of the consolidated financial statements. The other auditors did not express an opinion or provide any assurance on the information, insofar as it relates to UMI, because the limited procedures did not provide them with sufficient evidence to express an opinion or provide any assurance.

Cherry Bekaert LLP

Charlotte, North Carolina
September 14, 2018

GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 33,060,982	$ 21,582,168
Short-term investment portfolio	53,551,993	51,627,721
Accrued interest and dividends receivable	521,685	532,933
Due from annual conferences	27,159,123	25,871,440
Accounts receivable	1,514,946	2,413,980
Prepaid expenses and other assets	858,302	465,252
Long-term investment portfolio	75,222,291	68,205,117
General Agency Benefit Trust assets	165,804,984	149,293,565
Land and fixed assets, net	5,954,409	6,510,453
Premiums receivable, net of allowance for doubtful accounts	9,319,791	6,271,168
Reinsurance recoverable - paid losses	2,468,349	1,695,756
Reinsurance recoverable - unpaid losses	13,110,235	6,664,511
Commission receivable	1,039,345	651,986
Deferred policy acquisition costs	718,843	573,105
Prepaid reinsurance premium	8,096,790	6,894,438
Loss escrow	745,000	745,000
Total Assets	$ 399,147,068	$ 349,998,593
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 2,428,425	$ 1,832,140
Due to Related Organizations:		
General agencies	35,361,606	34,913,519
Other affiliated organizations	186,059	285,574
General advance specials	16,173,998	8,442,269
General Funds	60,815,311	55,410,747
Capital lease obligations	16,240	30,324
General Agency Benefit Trust obligations	165,804,984	149,293,565
Funds held for investors in the UMC Foundation	56,031,407	49,483,898
Liability for losses and loss adjustment expenses	14,597,432	8,119,731
Losses payable	851,481	546,623
Unearned premiums	9,065,549	7,608,498
Reinsurance premiums payable	9,570,261	7,524,198
Commission payable	865,559	651,986
Contingent ceding commissions accrual	2,421,096	1,966,326
Deferred ceding commissions	1,884,101	1,609,603
Surplus notes	2,387,000	2,387,000
Total Liabilities	378,460,509	330,106,001
Net Assets:		
Without Donor Restrictions:		
Invested in property and equipment	5,954,409	6,510,453
Board-designated	290,396	316,460
Undesignated	597,163	444,711
Total Without Donor Restrictions	6,841,968	7,271,624
With Donor Restrictions:		
Subject to purpose restrictions	13,725,450	12,512,617
Endowment	119,141	108,351
Total With Donor Restrictions	13,844,591	12,620,968
Total Net Assets	20,686,559	19,892,592
Total Liabilities and Net Assets	$ 399,147,068	$ 349,998,593

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

GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support:						
Allocation from UMC:						
Allocation from the General Funds	$ 6,683,327	$ -	$ 6,683,327	$ 6,617,705	$ -	$ 6,617,705
Other Operating Income:						
Investment return, net	1,587,624	10,426	1,598,050	2,155,304	(746)	2,154,558
Distribution from Benefit Trust	779,493	-	779,493	844,351	-	844,351
Contributions and other	619,966	364	620,330	610,865	-	610,865
Premiums earned, net of reinsurance	1,865,852	-	1,865,852	1,461,621	-	1,461,621
Ceding commission revenue	2,613,038	-	2,613,038	2,170,389	-	2,170,389
Other service fee income	1,903,449	-	1,903,449	1,028,975	-	1,028,975
Net assets released from restriction	-	-	-	6,390	(6,390)	-
Total Other Operating Income	9,369,422	10,790	9,380,212	8,277,895	(7,136)	8,270,759
Total Operating Revenue and Support	16,052,749	10,790	16,063,539	14,895,600	(7,136)	14,888,464
Operating Expenses:						
Administration	5,488,890	-	5,488,890	6,878,097	-	6,878,097
Financial services	1,536,570	-	1,536,570	1,009,491	-	1,009,491
Management information systems	3,576,948	-	3,576,948	3,044,610	-	3,044,610
Statistics and records	478,857	-	478,857	622,066	-	622,066
Fundraising	521,751	-	521,751	433,273	-	433,273
United Methodist Church Foundation:						
Funds management	175,235	-	175,235	181,705	-	181,705
Management and general	19,472	-	19,472	25,958	-	25,958
Vital congregations	-	-	-	51,916	-	51,916
United Methodist Insurance Company:						
Insurance services	4,870,355	-	4,870,355	3,240,591	-	3,240,591
Total Operating Expenses	16,668,078	-	16,668,078	15,487,707	-	15,487,707
Excess (deficiency) of operating revenue over operating expenses	(615,329)	10,790	(604,539)	(592,107)	(7,136)	(599,243)
Nonoperating Revenues (Expenses):						
Net increase (decrease) in Permanent Fund	-	1,212,833	1,212,833	-	(250,300)	(250,300)
Unrealized gain (loss) on debt securities to be held to maturity	181,194	-	181,194	(599,697)	-	(599,697)
Other comprehensive gain (loss)	4,479	-	4,479	(16,311)	-	(16,311)
Total Nonoperating Revenues (Expenses)	185,673	1,212,833	1,398,506	(616,008)	(250,300)	(866,308)
Change in net assets	(429,656)	1,223,623	793,967	(1,208,115)	(257,436)	(1,465,551)
Net assets, beginning of year	7,271,624	12,620,968	19,892,592	8,479,739	12,878,404	21,358,143
Net assets, end of year	$ 6,841,968	$ 13,844,591	$ 20,686,559	$ 7,271,624	$ 12,620,968	$ 19,892,592

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

GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

						UMCF		UMI	
	Administration	**Financial Services**	**Management Information Systems**	**Statistics and Records**	**Fundraising**	**Funds Management**	**Management and General**	**Insurance Services**	**Total**
Salaries	$ 2,968,394	$ 852,441	$ 1,789,390	$ 338,334	$ 275,021	$ 120,267	$ 13,363	$ 337,146	$ 6,694,356
Employee benefits	894,008	289,734	485,297	116,849	93,397	20,183	2,243	-	1,901,711
Continuing education	40,317	2,714	25,639	2,770	4,050	62	7	-	75,559
Moving expenses	172,084	-	-	-	-	-	-	-	172,084
Grants	1,471	-	-	-	-	1,213	135	-	2,819
Telephone	32,441	2,411	194,271	1,571	3,763	1,702	189	-	236,348
Postage and freight	43,099	2,906	3,547	-	1,396	276	31	-	51,255
Printing	18,738	-	-	123	-	175	20	-	19,056
Office supplies	21,185	3,466	10,353	149	10	946	105	-	36,214
Equipment replacement/maintenance	104,066	-	494,685	-	20,427	3,791	421	-	623,390
Building repair and maintenance	198,555	-	-	-	-	-	-	-	198,555
Promotional materials/other office expense	8,731	-	-	-	9,278	1,761	196	59,418	79,384
Depreciation	216,517	-	623,468	-	23,992	-	-	-	863,977
Professional fees	858,660	12,344	51,357	651	73,606	1,512	168	643,687	1,641,985
Meeting expense	212,380	-	-	-	8,965	2,758	306	53,192	277,601
Staff travel	240,087	4,794	66,253	5,055	15,428	10,130	1,126	-	342,873
Insurance	172,578	-	-	-	-	3,670	408	102,512	279,168
Bank/financing charges	-	-	1,436	-	640	358	40	16,800	19,274
Bad debt expense (recovery)	-	400,000	-	-	-	-	-	(17,359)	382,641
Overhead allocation	(733,486)	(35,994)	(192,995)	-	(9,372)	-	-	-	(971,847)
Policy acquisition and underwriting expenses	-	-	-	-	-	-	-	3,639,601	3,639,601
Other	19,065	1,754	24,247	13,355	1,150	6,431	714	35,358	102,074
Total Expenses for Operations	$ 5,488,890	$ 1,536,570	$ 3,576,948	$ 478,857	$ 521,751	$ 175,235	$ 19,472	$ 4,870,355	$ 16,668,078

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

GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 793,967	$ (1,465,551)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	863,977	829,684
Net (gain) loss on investments	(408,397)	8,882
Other comprehensive (gain) loss	(4,479)	16,311
(Increase) decrease in operating assets:		
Accrued interest and dividends receivable	11,248	(131,755)
Due from annual conferences	(1,287,683)	2,323,734
Accounts receivable	899,034	(1,301,886)
Prepaid expenses and other assets	(393,050)	335,165
General Agency Benefit Trust assets	(16,511,419)	(2,245,320)
Premiums receivable, net	(3,048,623)	(1,758,610)
Reinsurance recoverable - paid losses	(772,593)	(426,563)
Reinsurance recoverable - unpaid losses	(6,445,724)	(1,683,196)
Commission receivable	(387,359)	(189,624)
Deferred policy acquisition costs	(145,738)	(69,287)
Prepaid reinsurance premium	(1,202,352)	(1,911,236)
Loss escrow	-	(320,000)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	596,285	432,725
Due to various agencies	8,080,301	(2,201,339)
Due to General Funds	5,404,564	(9,667,246)
General Agency Benefit Trust obligations	16,511,419	2,245,320
Liability for losses and loss adjustment expenses	6,477,701	1,805,974
Losses payable	304,858	342,167
Unearned premiums	1,457,051	2,002,589
Reinsurance premiums payable	2,046,063	2,708,328
Commission payable	213,573	189,624
Contingent ceding commissions	454,770	962,592
Deferred ceding commissions	274,498	350,459
Advanced prefunding	-	(799,065)
Net cash flows from operating activities	13,781,892	(9,617,124)
Cash flows from investing activities:		
Increase (decrease) in funds held by investors in UMC Foundation	6,547,509	(2,799,643)
Increase (decrease) in participant balances in short-term investment portfolio	448,087	(1,327,235)
Net (purchases) sales of investments	(8,976,657)	14,158,878
Acquisition of fixed assets	(307,933)	(302,385)
Net cash flows from investing activities	(2,288,994)	9,729,615

GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from financing activities:		
Payments on capital lease obligation	$ (14,084)	$ (205,755)
Net change in cash and cash equivalents	11,478,814	(93,264)
Cash and cash equivalents, beginning of year	21,582,168	21,675,432
Cash and cash equivalents, end of year	$ 33,060,982	$ 21,582,168

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

Note 1—Nature of the organization

The General Council on Finance and Administration of The United Methodist Church ("GCFA") is an Illinois not-for-profit corporation. GCFA's primary function is to hold in trust and distribute certain monies voluntarily given by individual church members through their local churches for general church benevolences and programs of the general agencies. GCFA serves as a conduit for these monies, which are transmitted to GCFA by annual conference treasurers and are distributed directly to The General Funds of The United Methodist Church (the "General Funds"), as specified. Revenue arising from receipt and expenses related to the distribution of such monies are recorded in the financial statements of the General Funds and not by GCFA. As defined in the Book of Discipline of The United Methodist Church, the General Funds are in actuality a series of restricted trust funds donated for specified purposes and benevolences to be carried out at the general level of the denomination. Such amounts aggregated $214,178,223 and $180,523,181 for 2017 and 2016, respectively.

GCFA also performs accounting and reporting functions for general agencies and related organizations; establishes policy governing the functions of banking, payroll, accounting, and budget control; performs oversight functions for invested funds of general agencies receiving general Church funds; takes legal steps to safeguard and protect the interests and rights of the denomination; publishes denominational statistics; and maintains an accurate record of the mailing addresses of active clergy and others.

In 1999, The United Methodist Church Foundation (the "Foundation") was incorporated as a Missouri nonprofit corporation. The purpose of the Foundation is to: 1) further the principles of stewardship throughout the life of The United Methodist Church, 2) allow for the collective long-term investment of funds belonging to the Church and to other eligible affiliated groups within the Church, and 3) develop endowment funds for the support of specified ministries of the Church. The Foundation is consolidated with GCFA because GCFA is the sole member of the corporation and controls board appointments for the Foundation.

During 2004, in order to help fulfill connectional, missional, and stewardship imperatives through the local church, GCFA implemented a long-term property and casualty insurance and risk management strategy for The United Methodist Church in the United States. This was implemented by the creation of a Church-owned and operated insurance company (all lines captive) with reinsurance partners who understand the denomination's need for flexibility, inclusiveness, and ownership. This insurance company was incorporated as The United Methodist Property and Casualty Trust ("PACT") in December 2004, as a District of Columbia not-for-profit corporation.

The United Methodist Insurance Company, Inc. ("UMI") was organized as a non-profit under the laws of the State of Vermont on April 5, 2011 and received a Certificate of Authority to conduct captive insurance operations from the State of Vermont Department of Financial Regulation (the "Department") on August 2, 2011. UMI commenced operations on August 26, 2011. UMI is wholly-owned by GCFA. UMI was formed to provide cost effective risk management and an insurance program for the benefit of GCFA's members, which include annual conferences, local churches, and other organizations associated with the United Methodist denomination.

Note 1—Nature of the organization (continued)

Effective December 18, 2013, UMI merged with PACT. Prior to the merger, PACT was an association captive domiciled in the District of Columbia. PACT was owned 75% by GCFA with the remaining interest owned by 20 funding members that are members or affiliates of GCFA. The merger was approved by the Department and the District of Columbia Department of Insurance, Securities, and Banking. In connection with the merger, UMI issued surplus notes to 18 former funding members of PACT totaling an original amount of $2,395,700 in exchange for their membership in PACT, as more fully described in Note 15.

In May 2018, GCFA decided to change the direction of the property and casualty insurance program of the United Methodist Church. As a consequence, the intention is to put UMI into a runoff status as soon as an agreement can be implemented. That is expected to occur by the end of 2018. Management does not believe that any adjustments to the carrying value of assets and liabilities reported in these financial statements are required as a result of this matter.

Due to the nature of UMI's operations and business purpose, there are no donor-imposed restrictions associated with the UMI's net assets. As such, all net asset balances are considered to be without donor restrictions. UMI has two employees who serve as the president and vice president of UMI. UMI operates utilizing various service provider agreements with GCFA, Church Insurance Agency Corporation ("CIAC"); Artex Risk Solutions ("Artex"); Gallagher Bassett Services, Inc. ("Gallagher Bassett"); Zurich American Insurance Company ("Zurich"); and York Risk Services Group ("York").

Effective December 31, 1996, as directed by action of the 1996 General Conference, Wespath Benefits and Investments ("Wespath") transferred certain excess pension assets to the General Agency Benefit Trust ("Benefit Trust"). Wespath and GCFA, on behalf of agencies which have voting rights on GCFA's Committee on Personnel Policies and Practices at the time of the creation of the Benefit Trust and their successors, are the beneficiaries of the Trust assets. Although the Trust is a separate legal entity, it has no financial reporting obligations and the value of the assets of the Benefit Trust would therefore not be reported unless included on the consolidated financial statements of GCFA. As such, GCFA has reflected the value of the Benefit Trust assets on the accompanying consolidated statements of financial position as well as an equal and offsetting obligation since the funds will ultimately benefit the agencies that are beneficiaries of the Benefit Trust's assets.

Funding for GCFA's operations is principally provided by allocations received from the General Funds, which are allocated to GCFA based on a four-year budget developed from projections of expected program costs. The allocation accounts for approximately 41% and 46% of GCFA's total operating revenue in 2017 and 2016, respectively. GCFA's continued existence is dependent upon the Church's future financial support. The Church's financial support of GCFA is dependent upon contributions from its congregations (i.e., congregational participation in the apportionment covenant).

Note 2—Summary of significant accounting policies

These consolidated financial statements include the accounts of GCFA, the Foundation, and UMI (collectively referred to as GCFA throughout these consolidated financial statements) and have been prepared on the accrual basis of accounting using the significant accounting policies described below.

Basis of Presentation – GCFA maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified into funds that are in accordance with activities or objectives of GCFA. Separate accounts are maintained for each fund. For reporting purposes, however, GCFA's consolidated financial statements have been prepared to focus on the organization as a whole and to classify balances and transactions into two net asset categories based on the existence or absence of donor-imposed restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category are 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 GCFA. These net assets may be used at the discretion of GCFA's management and the board of directors. GCFA 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 Property and Equipment – Represents net assets invested in property and equipment, net of accumulated depreciation.

Board-Designated – Represents resources set aside by the board of directors to be used for specific activities within guidelines established by the board.

Undesignated – Represents the cumulative net assets without donor restrictions excluding those net assets invested in property and equipment and designated for specific activities.

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 GCFA or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue – Revenue from sources other than grants and contributions is reported as an increase in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. 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 law. Expirations of temporary restrictions on net assets are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions.

Private gifts, including unconditional pledges, are recognized as revenue in the period received. Conditional pledges are recognized when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift.

Grants and contributions received with donor-imposed restrictions are reported as revenue of the net assets with donor restrictions class. Contributions of fixed assets without donor-imposed restrictions concerning the use of such long-lived assets are reported as revenue of the net assets without donor restrictions class. Contributions of cash or other assets to be used to acquire land, building, and equipment without such donor restrictions are reported as revenue of the net assets with donor restrictions class, and the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Note 2—Summary of significant accounting policies (continued)

GCFA is reimbursed for services performed for the general agencies and related organizations through an allocation from the General Administration Fund and earnings on invested funds. Additionally, GCFA is reimbursed through fixed charges to the World Service Fund, the Episcopal Fund, the Interdenominational Cooperation Fund, and the Youth Services Fund, as well as from Special Sundays.

Allowance for Doubtful Accounts – Allowances for doubtful accounts total $423,055 and $35,414 as of December 31, 2017 and 2016, respectively, to provide for the potential non-payment of outstanding amounts due from an affiliated organization and premium receivable balances in excess of 90 days outstanding.

Cash and Cash Equivalents – Cash and cash equivalents are all highly liquid investments with original maturities of three months or less at date of purchase.

Concentration of Credit Risk – Financial instruments that potentially subject GCFA to concentrations of credit risk consist of cash and cash equivalent accounts in financial institutions, which from time to time exceed the Federal Deposit Insurance Corporation ("FDIC") limits, money market accounts with investment companies, and direct investments in obligations of individual businesses or quasi-governmental organizations. Management monitors balances in excess of limits insured by the FDIC and believes that these balances do not represent a significant credit risk.

Investments – Investments are carried at fair value based on quoted market prices or audited financial statements of the investee. Purchases and sales of investments are recorded on the trade date. Dividend income is recorded on the ex-dividend date. Interest income is recognized on the accrual basis. Realized gains and losses are determined on the basis of first-in, first-out methodology.

GCFA has placed long-term investments with the Foundation for their management. The Foundation has established, for accounting purposes, an initial unit value for an accounting unit of the common investment funds held by the Foundation. The Foundation assigns units to participants based on the participants' net assets divided by the unit value. At all times, the total value of the common investment funds' net assets divided by the total of all participants' units will equal the unit value. The unit value of the common investment funds' net assets will be determined on each valuation date. The valuation of the assets of the Foundation is based on the fair value of the common investment fund investments as of the valuation date, which is the last day of each month.

Land and Fixed Assets – Fixed assets are reported at cost at date of acquisition, or fair value at date of donation in the case of gifts. GCFA capitalizes and depreciates property and equipment of $5,000 or more. Depreciation is provided over the estimated useful lives (3 to 40 years) of the respective assets, using the straight-line method with a modified half-year convention. The modified half-year convention treats property placed in service or retired during the first half of the year as being made on the first day of the year. Thus, a full-year's depreciation under this method is allowed on property placed in service in the first six months, and no depreciation is allowed on property placed in service in the second six months.

Due to General Agencies – The amount due to general agencies represents amounts due to participants in the short-term investment portfolio which is managed by GCFA on behalf of certain general agencies and related organizations. GCFA allocates interest earned on such short-term investments to the general agencies and related organizations. Interest earned is calculated and distributed annually and is based on monthly account balances for these agencies and related organizations.

Note 2—Summary of significant accounting policies (continued)

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

Functional Allocation of Expenses – GCFA's costs of providing administrative services on behalf of the general agencies and The United Methodist Church have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort

Premiums – Premiums written are earned ratably over the terms of the policies to which they relate. Premiums written relating to the unexpired portion of policies in force at the balance sheet date are recorded as unearned premiums. Premiums ceded pursuant to reinsurance agreements are expensed over the terms of the underlying policies to which they relate and are netted against earned premiums. Ceded premiums relating to the unexpired portion of underlying reinsurance agreements are recorded as prepaid reinsurance premiums.

GCFA recognizes premium deficiencies when there is a probable loss on an insurance contract. Premium deficiencies are recognized if the sum of expected losses and loss adjustment expenses, expected dividends to policyholders, unamortized deferred acquisition costs, and maintenance costs exceeded unearned premiums and anticipated investment income. No premium deficiency reserve has been recorded as of December 31, 2017 and 2016.

Ceding Commission Revenue – Commissions on ceded reinsurance are earned over the terms of the underlying policies to which they relate. Commissions relating to the unexpired portion of underlying policies in force at the balance sheet date are recorded as deferred ceding commission income.

Based on an agreement with CIAC, a percentage of UMI's ceding commission income is paid to CIAC to cover underwriting expenses and service fees.

Contingent Ceding Commissions – Ceding commissions earned on the reinsurance contract with Swiss Re America Corporation ("Swiss Re") effective January 1, 2015, more fully described in Note 15, are adjustable based on the loss experience within the treaty. For the years ending December 31, 2017 and 2016, the Company recorded estimated ceding commission income in connection with this agreement of $2,162,480 and $1,711,274, respectively, that was included in commission revenue on the consolidated statements of activities and an estimated contingent ceding commission accrual expected to be returned to Swiss Re of $2,421,096 and $1,966,326 on the consolidated statements of financial position, based on the ultimate losses under the treaty, respectively. As adjustments to the ultimate losses under the treaty are made, associated adjustments to the contingent ceding commissions will be reflected in current operations.

Note 2—Summary of significant accounting policies (continued)

Policy Acquisition and Other Underwriting Expenses – Policy acquisition and other underwriting expenses include program administration fees, underwriting fees and commissions, premium taxes, and policy issuance expenses. Such expenses incurred in the production of new or renewal business are deferred and amortized over the terms of the policies to which they relate. Unamortized portions of policy acquisition costs and other underwriting expenses are recorded as deferred policy acquisition costs.

Liability for Losses and Loss Adjustment Expenses – The liability for unpaid losses and loss adjustment expenses reported in the consolidated financial statements includes case-basis estimates of reported losses, plus supplemental amounts for projected incurred but not reported ("IBNR") losses, estimated using loss projections prepared by a consulting actuary utilizing certain actuarial assumptions. Actuarial methods utilized include the estimated ultimate incurred, paid, and case methods. Management believes that its aggregate liability for unpaid losses and loss adjustment expenses at year-end represents its best estimate of the amount necessary to cover the ultimate cost of losses. However, because of uncertainty related to the limited population of insured risks, limited historical data, economic conditions, judicial decisions, legislation, and other matters, it is not presently possible to determine whether actual loss experience will conform to the assumptions used in estimating the liability. As a result, the actual liability may be significantly in excess or less than the amount indicated in the consolidated financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

Reinsurance Recoverable - Unpaid Losses – Reinsurance recoverable on unpaid losses includes estimated amounts of unpaid losses and loss adjustment expenses, which are expected to be recoverable from reinsurers pursuant to reinsurance agreements. Such amounts have been estimated using actuarial assumptions consistent with those used in establishing the liability for losses and loss adjustment expenses. Management believes that reinsurance recoverable, as recorded, represents its best estimate of such amounts; however, as changes in the estimated ultimate liability for losses and loss adjustment expenses are determined, the estimated ultimate amount recoverable from reinsurers will also change. Accordingly, the ultimate recoverable could be significantly in excess of or less than the amount indicated in the consolidated financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

UMI relies on ceded reinsurance to limit its insurance risk as described further in Note 15. In the event that any or all of the reinsuring companies are unable to meet their obligations under existing reinsurance agreements, UMI would be contingently liable for such amounts. In preparing consolidated financial statements, management makes estimates of the amounts recoverable from reinsurers, which includes consideration of amounts, if any, estimated to be uncollectible based on assessment of factors including management's assessment of the creditworthiness of the reinsurers. Management evaluated the creditworthiness of its reinsurers and determined that no specific valuation allowance was required at December 31, 2017 and 2016.

Reinsurance Recoverable - Paid Losses – Reinsurance recoverable on paid losses includes amounts of losses and loss adjustment expenses paid by UMI, which are expected to be recoverable from the reinsurers pursuant to reinsurance agreements. Management has determined that no provision for uncollectible reinsurance recoveries is necessary as of December 31, 2017 or 2016.

Reinsurer Prefunded Losses – In the event UMI receives notice of a large anticipated loss with their reinsurance layer, UMI receives prefunding from the reinsurers to manage the required cash flow to meet the current obligations of the loss as they become due. No prefund was received for December 31, 2017 or 2016.

Loss Escrow Account – The loss escrow fund represents funds held by Gallagher Bassett, Zurich, and York, which are utilized to pay losses and loss adjustment expenses.

Note 2—Summary of significant accounting policies (continued)

Losses Payable – Losses payable represent the liability associated with the payment for loss and loss adjustment expenses that are due and have been approved by UMI for payment, for which payments are in process at year-end.

Financial Instruments – Assets recorded at fair value in the consolidated statements of financial position are categorized based on the level of judgment used in the measurement of their fair value. These judgment levels, as defined by Financial Accounting Standards Board Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, are as follows:

> Level 1 – Quoted prices in active markets that are accessible at the measurement date for identical securities.
>
> Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly. Inputs include quoted prices for similar assets and liabilities in active markets, inputs that are derived from investment manager reporting or corroborated by an independent advisor, and inputs obtained with benchmarks for similar assets for substantially the full term on the financial investments. If market quotations are not readily available for valuations, assets may be valued by a method the investment manager of the fund believes accurately reflects fair value.
>
> Level 3 – Prices or valuations that require using significant unobservable inputs in determining fair value. The inputs into the determination of fair value require significant judgment or estimation by the investment manager. The investment manager uses either the market approach, which generally consists of using comparable market transactions, or the income approach which generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market, and/or other risk factors.

Income Taxes – GCFA and the Foundation are organized exclusively for charitable, religious, and educational purposes and has received a determination letter for the denomination from the Internal Revenue Service indicating it is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code"). UMI is also a tax exempt entity under Section 501(c)(3) of the Code. GCFA, the Foundation, and UMI are also exempt from filing a form 990 due to their affiliation with a religious organization as described in Section 509(a) of the Code.

GCFA 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 GCFA include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, GCFA has determined that such tax positions do not result in an uncertainty requiring recognition.

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Note 2—Summary of significant accounting policies (continued)

New Accounting Pronouncement – On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. GCFA has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented with the exception of the consolidated statement of functional expense and the disclosure of liquidity and availability of resources, which have been implemented prospectively as allowed under the provisions of ASU 2016-14.

On May 21, 2015, FASB issued ASU 2015-09, *Financial Services - Insurance (Topic 944) - Disclosures about Short-Duration Contracts.* The guidance requires insurance entities to disclose additional information for the purpose of providing better insight into an insurer's initial claim estimates and subsequent adjustments and to help financial statements users understand the frequency, severity, and timing of future cash flows related to the estimated claim costs. Adoption of the guidance had no material effect on the Company's results of operations or financial position, as it affected disclosure only.

Note 3—Liquidity and availability of resources

The table below represents financial assets available for general expenditures within one year at December 31, 2017:

Financial assets at year-end:	
Cash and cash equivalents	$ 33,060,982
Investments, at fair value	128,774,284
Accrued interest and dividends receivable	521,685
Due from annual conferences	27,159,123
Accounts receivable	1,514,946
General Agency Benefit Trust assets	165,804,984
Premiums receivable, net of allowance for doubtful accounts	9,319,791
Commissions receivable	1,039,345
Total financial assets	367,195,140
Less amounts not available to be used for general expenditures within one year:	
Net assets in endowments subject to donor restriction	119,141
Net assets subject to purpose restriction	13,725,450
Due to related organizations:	
General agencies	35,361,606
General advance specials	16,173,998
General Funds	60,815,311
Board-designated net assets limited to use	290,396
General Agency Benefit Trust obligations	165,804,984
Funds held for investors in the UMC Foundation	56,031,407
Financial assets not available to be used within one year	348,322,293
Financial assets available to meet general expenditures within one year	$ 18,872,847

Note 3—Liquidity and availability of resources (continued)

GCFA has certain board-designated and donor-restricted assets limited to use which are not available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above as general expenditures within one year. These assets, which are limited to use, are more fully described in Notes 12 and 13.

Included in GCFA's financial assets are funds that are held for other related organizations, since these funds represent amounts due to these related organizations, the funds are not available for use by GCFA and are therefore included in assets not available for general expenditure within one year.

General Agency Benefit Trust assets are investments to be used for the benefit of certain general agencies of the United Methodist Church to partially fund retiree and active employee benefit costs. Although GCFA is a co-trustee of these funds, the funds cannot be used for general expenditures of GCFA and are therefore included in assets not available for general expenditure within one year.

Funds held for investors in the UMC Foundation are investments held by the UMC Foundation as fiduciary. These assets are only available to the applicable investor for which the UMC Foundation holds the funds and accordingly are included in assets not available for general expenditure within one year.

Note 4—Investments

Short-Term Investments Portfolio – The operating cash requirements of substantially all entities of The United Methodist Church are managed on a central basis by GCFA. When an organization has surplus funds, they are deposited with GCFA for investment. When additional funds are required, funds will be returned by GCFA or GCFA may loan required funds to the entity. GCFA allocates interest earned on such short-term investments to the general agencies and related organizations. Interest income allocated to agencies and related organizations totaled $1,767,312 and $1,544,963 in 2017 and 2016, respectively, and has been reported as a reduction in investment return in the accompanying consolidated statements of activities.

The short-term pooled investment fund at December 31, 2017 and 2016 consists of the following:

	2017		2016	
	Fair Value	**Cost**	**Fair Value**	**Cost**
Texas Methodist Foundation Loan Fund	$ 13,826,597	$ 13,826,597	$ 13,632,906	$ 13,632,906
Mutual funds	1,703,140	2,061,833	1,535,682	2,002,492
Short-term collateralized loan fund	274,319	274,319	271,423	271,423
Fixed income	6,098,462	5,897,197	6,056,739	5,948,046
Corporate bonds	31,649,475	30,454,375	30,012,082	29,502,923
United Methodist Development Fund	-	-	118,889	118,889
Total investments	$ 53,551,993	$ 52,514,321	$ 51,627,721	$ 51,476,679

Note 4—Investments (continued)

When an agency has surplus funds, they are invested by GCFA in the short-term pooled investment fund. GCFA allocates interest earned to the agencies invested in the pool based upon their pro-rata share of the pool on a monthly basis. The overall return for the short-term pooled investment fund for the years ended December 31, 2017 and 2016 was 4.38% and 4.13%, respectively. The overall rate of return for each agency may fluctuate due to fluctuating balances throughout the year and the timing of investment gains and losses. The allocation of funds in the short-term investment pool as of December 31, 2017 and 2016 were as follows:

	2017	2016
Texas Methodist Foundation Loan Fund	25.8%	26.4%
Mutual funds	3.2%	3.0%
Short-term collateralized loan fund	0.5%	0.5%
Fixed income	11.4%	11.7%
Corporate bonds	59.1%	58.2%
United Methodist Development Fund	0.0%	0.2%
	100.0%	100.0%

Investment return consisted of the following for the years ended December 31, 2017 and 2016:

	2017	2016
Interest and dividends, net of fees and interest paid to depositors	$ 1,381,174	$ 1,430,304
Realized and unrealized gains (losses)	408,397	142,877
Investment fees	(10,327)	(18,320)
	$ 1,779,244	$ 1,554,861

	2017	2016
Operating investment return	$ 1,598,050	$ 2,154,558
Unrealized gain (loss) on debt securities to be held to maturity	181,194	(599,697)
	$ 1,779,244	$ 1,554,861

It is GCFA's policy to classify any unrealized gains or losses resulting from debt securities that are intended to be held to maturity as non-operating income on the statements of activities.

Note 4—Investments (continued)

Long-Term Investments Portfolio – Long-term investments represents amounts held by the Foundation on behalf of the participants invested with the Foundation as well as investments held in trust related to UMI and consist of the following as of December 31, 2017 and 2016:

	2017		2016	
	Fair Value	Cost	Fair Value	Cost
UMC Foundation:				
Cash and cash equivalents	$ 3,186,236	$ 3,186,236	$ 2,521,728	$ 2,521,728
Mutual funds	9,693,220	9,719,353	3,564,889	3,634,331
Common stocks	44,909,348	39,019,014	39,031,419	38,124,200
Government securities	6,349,737	6,378,148	8,236,617	8,478,840
Corporate bonds	3,409,932	3,415,769	7,268,377	7,590,700
Alternative investments	5,837,416	5,439,215	5,652,253	5,642,912
Total UMC Foundation	73,385,889	67,157,735	66,275,283	65,992,711
Investments held in trust for UMI:				
Domestic corporate bonds	473,883	478,286	517,691	522,699
Foreign corporate bonds	79,415	80,370	219,940	221,745
Domestic government securities	1,073,633	1,058,405	1,132,296	1,143,679
Foreign government securities	209,471	207,895	59,907	59,987
Total UMI	1,836,402	1,824,956	1,929,834	1,948,110
Multiple Asset Fund (Wespath)	165,804,984	66,317,475	149,293,565	70,451,602
Total investments	$ 241,027,275	$ 135,300,166	$ 217,498,682	$ 138,392,423

Investment return that was solely attributable to the Foundation and not to the participants consisted of the following for the years ended December 31, 2017 and 2016:

	2017	2016
Interest and dividends	$ 4,300	$ 421
Realized and unrealized gains (losses)	15,939	(2,705)
Credit income rebate	-	7,919
Investment fees	(736)	(932)
	$ 19,503	$ 4,703

The Foundation offers a variety of common investment funds and specialized portfolios, each managed by one or more professional investment managers. The following is a summary of the primary funds in which participants may invest through the Foundation.

Balanced Fund – The objective of the Balanced Fund is to provide a reasonable level of current income and, simultaneously, to protect the purchasing power of the principal against inflation. The targeted allocation of the fund is 35% invested in a fixed income fund, 30% in a domestic large capitalization equity portfolio, 10% in a domestic small/mid-capitalization equity portfolio, and 25% in an international equity portfolio. This fund is designed for those investors who are seeking a single fund to provide broad diversification, reasonable current income, and protection against inflation.

Note 4—Investments (continued)

Equity Fund – The primary objective of the Equity Fund is growth of principal. Current income is low and of secondary importance. The fund's targeted allocation is approximately 45% in domestic large capitalization stocks (both value and growth), 20% in domestic small/mid-capitalization stocks (both value and growth), and 35% in international stocks.

International Equity Fund – The International Equity Portfolio offers investment in non-U.S. equities, primarily in large capitalization stocks in developed countries and emerging market countries, and uses the MSCI All Country World Free ex-U.S. Index as a benchmark for comparison. The portfolio is broadly diversified, investing in both non-U.S. value and non-U.S. growth equity security styles, seeking to provide enhanced portfolio stability independent of global equity style leadership. The portfolio is also diversified to include an allocation to middle capitalization sized non-U.S. equities and specific emerging market equities. The portfolio may carry substantial risk over and above that of a domestic portfolio, most notably currency and political risks. The portfolio is designed for investors who already have a balanced, diversified core domestic portfolio in place, and are looking for additional diversification through socially responsible international exposure. There were no direct participants in the International Equity Fund for the years ended December 31, 2017 and 2016.

Fixed Income Fund – The Fixed Income Fund's objective is current income and preservation of nominal capital. No provision is made for protection against inflation. The fund is primarily invested in government and corporate bonds, commercial paper, mortgage-backed securities, and collateralized mortgage securities. The fund is permitted to invest up to 10% in securities with "BB" or "B" ratings. The fund may invest up to 5% of portfolio market value in bank loans, interest-only or principal only securities, as conditions warrant. The fund is designed for investors whose main objective is current income.

Short-Term Income Fund – The Short-Term Income Fund's objective is liquidity and a reasonable rate of return. This fund is designed for short-term investment of funds when the timing of the investor's liquidity needs is uncertain or variable.

Balanced Plus Fund – The Balanced Plus Fund's objective is to provide similar investment returns as the Balanced Fund, but to reduce the volatility of the returns by increased portfolio diversification through the use of alternative investment strategies. The targeted allocation of the fund is 30% invested in a fixed income fund, 25% in a domestic large cap equity portfolios, 10% in domestic small/mid-cap equity portfolios, 15% in an international equity portfolio, and 20% in alternative investments consisting of funds of hedge funds and managed futures portfolios. This fund is designed for those investors who are seeking a single fund to provide broad diversification, reasonable current income, and protection against inflation.

Small/Mid Cap Domestic Equity Growth Portfolio – The Small/Mid Cap Domestic Equity Growth Portfolio's objective is long-term growth of capital. Its assets are invested in small capitalization growth stocks. It uses the Russell 2000 Growth Index as a benchmark for comparison, but invests only in companies that meet the Foundation's socially responsible investment requirements. Investors in this Portfolio should have a high tolerance for risk, a long-term investment horizon, and low liquidity requirements.

Small/Mid Cap Domestic Equity Value Portfolio – The Small/Mid Cap Domestic Equity Value Portfolio's objective is to seek consistent above average returns with below average risk by identifying companies selling at significant discounts to their intrinsic business values. Its assets are invested in small and mid-capitalization value stocks. It uses the Russell 2000 Value Index as a benchmark for comparison, but invests only in companies that meet the Foundation's socially responsible investment requirements. Investors in this Portfolio should have a high tolerance for risk, a long-term investment horizon, and low liquidity requirements.

Note 4—Investments (continued)

The following table presents all of the investments of the Foundation by investment fund at December 31:

	2017		2016	
	Fair Value	Cost	Fair Value	Cost
Balanced Fund	$ 32,422,431	$ 29,620,147	$ 29,656,269	$ 29,601,884
Equity Fund	2,495,116	2,183,343	2,139,539	2,092,487
Fixed Income Fund	2,768,890	2,756,771	1,681,424	1,742,697
Short-Term Income Fund	2,079,885	2,077,372	1,078,434	1,077,932
Balanced Plus Fund	29,458,038	26,996,400	28,148,655	28,094,934
Small/Mid Cap Domestic Equity Growth Portfolio	2,089,116	1,743,172	1,695,713	1,715,961
Small/Mid Cap Domestic Equity Value Portfolio	2,072,413	1,780,530	1,875,249	1,666,816
Total investments	$ 73,385,889	$ 67,157,735	$ 66,275,283	$ 65,992,711

The following table summarizes the investment returns and expense ratios for certain funds managed by the Foundation. The yield information presented was taken from reports provided to the Foundation by its third-party investment consultant and was not included in the scope of the Foundation's audit.

	2017 (unaudited)			
	Balanced Fund	Equity Fund	Fixed Income Fund	Balanced Plus Fund
Investment return on the average participant's account, net of total expenses	14.25%	19.61%	4.42%	13.01%
Total expenses for the average participant's account	0.94%	1.00%	0.83%	1.11%

	2016 (unaudited)			
	Balanced Fund	Equity Fund	Fixed Income Fund	Balanced Plus Fund
Investment return on the average participant's account, net of total expenses	3.20%	5.24%	-0.73%	0.89%
Total expenses for the average participant's account	0.94%	1.00%	0.83%	1.11%

The expenses for the Participant's account and the net investment return on the average Participant's account above include the Foundation fees of 0.35% for all investors with $10 million or more under management and 0.40% for all other investors, which are assessed monthly.

Note 4—Investments (continued)

Investment return attributable to investments held in trust for UMI consisted of the following for the years ended December 31, 2017 and 2016:

	2017	2016
Interest and dividends	$ 58,978	$ 45,192
Amortization expense	(9,604)	(20,825)
Realized and unrealized gains (losses)	(4,265)	875
Investment fees	(12,880)	(9,738)
	$ 32,229	$ 15,504

Note 5—Land and fixed assets

Land and fixed assets consist of the following as of December 31, 2017 and 2016:

	2017	2016
Land	$ 1,752,408	$ 1,752,408
Building	4,547,406	4,547,406
Equipment	2,056,906	2,048,106
Software	1,464,414	1,313,357
Building improvements	929,119	756,150
Office furniture	372,844	372,841
Total land and fixed assets	11,123,097	10,790,268
Less accumulated depreciation and amortization	(5,168,688)	(4,279,815)
Land and fixed assets, net	$ 5,954,409	$ 6,510,453

Depreciation expense totaled $863,977 and $829,684 for the years ended December 31, 2017 and 2016, respectively.

Note 6—Capital lease obligations

GCFA leases IT equipment with a net book value of $14,158 under a capital lease agreement. The agreement requires monthly payments of $1,293 and expires February 2019. At December 31, 2017, future minimum lease payments due under the capital lease agreements are as follows:

Years Ending December 31,	Amount
2018	$ 14,227
2019	2,587
Total minimum lease payments	16,814
Less amount representing interest	574
	$ 16,240

Note 7—Employee benefits

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

The board makes semi-monthly contributions to each eligible employee's account held by Wespath based on 8% of annual employee compensation. Additionally, GCFA matches up to 2% of each employee's contribution to their United Methodist Personal Investment Plan (UMPIP). Contributions made by GCFA for both components totaled $582,098 and $548,200 in 2017 and 2016, respectively.

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

The General Agencies of The United Methodist Church Benefit Plan (the "Plan") provides medical, dental, life, and long- and short-term disability defined benefits to participants of 11 general agencies, all Bishops covered by the Episcopal Fund, and employees of other United Methodist related organizations. Effective January 1, 2013, Plan amendments were made to change the retiree benefits offered and increase the related premiums paid by retirees.

The Plan's unfunded accumulated postretirement benefit obligation (APBO) was approximately $98,600,000 and $91,600,000 and the Plan's unfunded expected postretirement benefit obligation (EPBO) was approximately $148,700,000 and $127,500,000 as of December 31, 2017 and 2016, respectively.

All of the GCFA 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 $938,533 and $873,980 in 2017 and 2016, respectively, exclusive of reimbursement from the Benefit Trust.

General Agency Benefit Trust – The Benefit Trust assets are invested in the Multiple Asset Fund at Wespath maintained for the benefit of (1) the Plan participants and (2) with regard to any excess assets, for the benefit of GCFA and various general agencies of the Church. These net excess assets have been reflected on the books of GCFA with a corresponding, offsetting liability of approximately $165,800,000 and $149,300,000 as of December 31, 2017 and 2016, respectively. While no liability is explicit under the terms of the Benefit Trust, GCFA does not believe the assets inure solely to its benefit. GCFA serves as beneficiary on behalf of the participating general agencies of the Church.

Annually, the Benefit Trust allows a stated percentage (6% for both 2017 and 2016) of the fair market value of Benefit Trust assets at year-end to be available for distribution in order to reimburse the participating agencies described above for their funding of active and retiree employee benefits. The distribution to GCFA was $8,957,614 and $8,822,895 in 2017 and 2016, respectively. GCFA's retained share of the 2017 and 2016 amount was $779,493 and $844,351, respectively, and is reflected in the accompanying consolidated statements of activities as operating revenue of GCFA. In each period, the difference between the total amount distributed and the retained GCFA share is distributed by GCFA to the other participating agencies.

Note 8—Scarritt-Bennett Center

In 1987, Scarritt Graduate School (the "School") transferred the Nashville, Tennessee property formerly occupied by the School to GCFA and United Methodist Women ("UMW"). The property currently is known as the Scarritt-Bennett Center (the "Center") and operates as a conference, retreat, and educational center. As UMW has continued to support the Center through capital expenditures, GCFA's ownership interest has decreased. GCFA has recorded no value for this property on the consolidated statements of financial position.

Note 9—Sale of Nashville building

In December 2005, United Methodist Men ("UMMen") purchased land and a building from GCFA for $750,000, which was estimated to be approximately $130,000 below the appraised value. In conjunction with this land and building purchase, UMMen entered into a deferred consideration agreement with GCFA. Under the agreement, UMMen agreed to pay GCFA 15% of the greater of (1) the net sales price, (2) the fair market value, or (3) the appraised value of the property if the property is conveyed. No amount has been accrued under this agreement as it cannot presently be determined whether UMMen will ultimately have any obligation under this agreement.

Note 10—Permanent Fund

The Permanent Fund was established in prior years from various gifts from third parties. Since their receipt, the funds have been held by GCFA for the benefit of the general church. Earnings from the investment of these funds are held in these accounts until periodically designated by General Conference to be used for particular purposes. In 2008, by action of General Conference, all of the remaining assets of the Methodist Corporation Fund were transferred to the Permanent Fund.

GCFA has adopted investment and distribution policies for restricted assets that attempt to provide a predictable stream of funding to programs supported by the assets while seeking to maintain the purchasing power of the assets. GCFA's distribution policies in 2017 and 2016 assumed that the long-term rate of return on the invested assets for the foreseeable future would average approximately 6.5% annually. Actual returns in any given year routinely vary from estimated amounts. To satisfy its long-term rate of return objectives, GCFA 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). GCFA targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

During 2017 and 2016, GCFA had a policy of distributing an amount to the World Service Fund equal to 3.5% of the average balance of the invested assets for the twenty fiscal quarter-ends preceding the beginning of the distribution year. Periodically, if funds are available, other distributions may occur. This is consistent with GCFA's objective to maintain the purchasing power of the assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 10—Permanent Fund (continued)

The activity of the permanent fund for the years ended December 31, 2017 and 2016 was as follows:

	2017	2016
Contributions	$ 71,082	$ 92,112
Dividends and interest income	527,378	1,281,284
Unrealized investment gain (loss)	1,166,997	(1,078,271)
Gas royalties	15,294	3,751
Distributions to General Funds	(566,695)	(520,774)
Property taxes	(220)	(312)
Marketing	(1,003)	(28,090)
Net increase (decrease) in permanent funds	$ 1,212,833	$ (250,300)

The permanent fund assets are included in the long-term investment portfolio on the consolidated statements of financial position. The net assets of the permanent fund are included in net assets with donor restrictions on the statements of financial position.

Note 11—Board designated net assets

Certain net assets without donor restrictions at December 31, 2017 and 2016 have been designated by the board of directors for the following purposes:

	2017	2016
Annual Conference Administrative and Financial Support	$ 290,396	$ 316,460

Note 12—Net assets with donor restrictions

Net assets with donor restrictions at December 31, 2017 and 2016 have been restricted by the donors for the following purpose restrictions:

	2017	2016
Subject to purpose restriction:		
The Professional Association of UMC Secretaries Scholarship Fund	$ 200	$ 200
The Professional Association of UMC Secretaries Adv Certification Program Fund	2,352	2,352
Data Services Study	7,475	7,475
UMC Foundation Summitt Christian Stewardship	9,383	9,383
Permanent Fund	13,706,040	12,493,207
Total subject to purpose restriction	13,725,450	12,512,617
Endowments:		
The Professional Association of UMC Secretaries endowment	50	50
Accumulated earnings on UMC Foundation endowment fund	40,244	29,818
UMC Foundation endowment fund held in perpetuity	78,847	78,483
Total endowments	119,141	108,351
Total net assets with donor restrictions	$ 13,844,591	$ 12,620,968

Note 12—Net assets with donor restrictions (continued)

Net assets with donor restrictions for the years ended December 31, 2017 and 2016 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2017	2016
Appropriation of endowment for expenditure	$ -	$ 6,390

Note 13—Endowment

The Foundation has established an endowment solely for the charitable purposes of The United Methodist Church, with its principal objectives being the promotion and development of religious, charitable, and educational activities.

The board of directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Foundation classifies as donor-restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with applicable state laws, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Note 13—Endowment (continued)

As of December 31, 2017 and 2016, the Foundation had the following endowment net asset composition by type of fund:

	December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 78,897	$ 78,897
Accumulated investment gains	-	40,244	40,244
Endowment net assets, December 31, 2017	$ -	$ 119,141	$ 119,141

	December 31, 2016		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 78,533	$ 78,533
Accumulated investment gains	-	29,818	29,818
Endowment net assets, December 31, 2016	$ -	$ 108,351	$ 108,351

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). GCFA has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2017 and 2016, GCFA had no underwater endowments.

Investment and Spending Policies – The Foundation may choose to make distributions of the income to any proper recipient, including the Foundation itself. Distributions may only be made after the corpus of the endowment has reached $50,000 with the exception of special approval by the board of directors to distribute earnings prior to reaching $50,000. Distributions from the endowment will follow the distribution policy of The United Methodist Church which is based on a policy of total long-term return of 6.5%. The following percentages may be used to guide the Foundation's distribution policy: 3.5% for Ministry distributions; 2.0% for inflation; and 1% for fees and expenses. To smooth the allowable annual distributions based on valuation of the underlying assets, the Foundation uses a five-year moving average of quarterly portfolio values. The moving average is determined for the five-year period immediately preceding the fiscal year in which the funds are to be spent.

Return Objectives and Risk Parameters – The Foundation 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 the Foundation must hold in perpetuity or for a donor-specified period(s). 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 provide for the preservation of capital and income for support of programs while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to produce current income within the total return strategy. Actual returns may vary.

Note 13—Endowment (continued)

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Foundation 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). The Foundation targets a diversified asset allocation that places a greater emphasis on corporate bonds and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Changes in endowment net assets for the years ended December 31, 2017 and 2016 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2015	$ -	$ 115,487	$ 115,487
Investment return, net	-	(746)	(746)
Appropriation of endowment assets for expenditure pursuant to spending-rate policy	-	(6,390)	(6,390)
Endowment net assets, December 31, 2016	-	108,351	108,351
Investment return, net	-	10,426	10,426
Contributions	-	364	364
Endowment net assets, December 31, 2017	$ -	$ 119,141	$ 119,141

Note 14—Fair value of financial instruments

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on the GCFA's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at December 31, 2017 and 2016 for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

December 31, 2017	Total 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)
Investments:				
Short-term investment portfolio:				
Texas Methodist Foundation Loan Fund	$ 13,826,597	$ -	$ -	$ 13,826,597
Mutual funds	1,703,140	1,703,140	-	-
Short-term collateralized loan fund	274,319	274,319	-	-
Fixed income	6,098,462	6,098,462	-	-
Corporate bonds	31,649,475	-	31,649,475	-
Total short-term investment portfolio	53,551,993	$ 8,075,921	$ 31,649,475	$ 13,826,597
Long-term investment portfolio:				
Cash and cash equivalents	3,186,236	3,186,236	-	-
Mutual funds	9,693,220	9,693,220	-	-
Common stocks	44,909,348	44,909,348	-	-
Government securities	7,632,841	7,632,841	-	-
Corporate bonds	3,963,230	-	3,963,230	-
	69,384,875	$ 65,421,645	$ 3,963,230	$ -
Alternative investments:				
Multiple Asset Fund (Wespath)*	165,804,984			
Renaissance Access*	1,574,062			
Skybridge Multi-Advisor*	1,136,843			
Carlson Double Black Diamond*	1,001,614			
ML Winton Future Access*	782,623			
Blackstone Alternative Alpha*	1,114,040			
Arden Investment Advisors*	228,234			
Total long-term investment portfolio	241,027,275			
Total investments	$ 294,579,268			

Note 14—Fair value of financial instruments (continued)

December 31, 2016	Total 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)
Investments:				
Short-term investment portfolio:				
Texas Methodist Foundation Loan Fund	$ 13,632,906	$ -	$ -	$ 13,632,906
Mutual funds	1,535,682	1,535,682	-	-
Short-term collateralized loan fund	271,423	271,423	-	-
Fixed income	6,056,739	6,056,739	-	-
Corporate bonds	30,012,082	-	30,012,082	-
United Methodist Development Fund	118,889	-	-	118,889
Total short-term investment portfolio	51,627,721	$ 7,863,844	$ 30,012,082	$ 13,751,795
Long-term investment portfolio:				
Cash and cash equivalents	2,521,728	2,521,728	-	-
Mutual funds	3,564,889	3,564,889	-	-
Common stocks	39,031,419	39,031,419	-	-
Government securities	9,368,839	9,368,839	-	-
Corporate bonds	8,065,989	-	8,065,989	-
	62,552,864	$ 54,486,875	$ 8,065,989	$ -
Alternative investments:				
Multiple Asset Fund (Wespath)*	149,293,565			
Renaissance Access*	1,283,735			
Skybridge Multi-Advisor*	1,049,796			
Carlson Double Black Diamond*	1,047,868			
ML Winton Future Access*	748,176			
Blackstone Alternative Alpha*	1,034,765			
Arden Investment Advisors*	290,936			
Abbey Capital*	173,248			
K-2 Overseas*	23,729			
Total long-term investment portfolio	217,498,682			
Total investments	$ 269,126,403			

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

Note 14—Fair value of financial instruments (continued)

For entities that calculate net asset value per share (or its equivalent), the following table provides information about the probability of investments being sold at amounts different from the net asset value per share for the year ended December 31, 2017:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multiple Asset Fund (Wespath) [a]	$ 165,804,984	none	daily	daily
Renaissance Access [b]	1,574,062	none	quarterly	50 days
Skybridge Multi-Adivsor [c]	1,136,843	none	quarterly	65 days
Carlson Double Black Diamond [d]	1,001,614	none	quarterly	65 days
ML Winton Future Access [e]	782,623	none	semi-monthly	8 days
Blackstone Alternative Alpha [f]	1,114,040	none	quarterly	April 20, June 20, September 20
Arden Investment Advisors [g]	228,234	none	quarterly	65 days

(a) The investments in Wespath's Multiple Asset Fund are a composite of U.S. equity funds (34.8%), fixed income funds (24.6%), international equity funds (30.3%), inflation protection funds (9.9%), and cash (0.4%).

(b) Renaissance Access LLC operates as a feeder fund, enabling clients to gain access to Renaissance Institutional Equities Fund LLC with a substantially smaller minimum investment than the $20 million that is generally required for persons investing directly in RIEF. The Fund over the long term seeks to achieve a risk-adjusted return that exceeds that of the Standard & Poor's 500 index (with dividends reinvested), by investing in a diversified portfolio consisting almost exclusively of listed equity securities publicly traded in the U.S. The manager of the Underlying Fund currently expects RIEF to run with long-term leverage of approximately 2.5 to 1.0, and RIEF is designed to remain net long $100 for each $100 of equity except during periods of large investor capital flows. RIEF also seeks to provide diversification from capitalization-weighted equity portfolios.

(c) Skybridge is designed to serve as a core hedge fund holding with the goal of providing additional diversification to an overall investment portfolio. The investment objective is to seek capital appreciation. In doing so, the fund seeks to realize attractive risk-adjusted returns, net of fees and expenses, over a three- to five-year investment horizon. To achieve the objectives the fund seeks to allocate assets across a diverse set of hedge fund strategies. The fund also aims to provide low correlation to global securities markets.

(d) The investment objective of the Carlson Double Black Diamond fund is to seek returns that exceed those derived from low risk investments, without a substantial increase in overall risk. The underlying fund implements a multi-strategy approach that seeks to identify and utilize inefficiencies in global financial markets while minimizing exposure to market risk through hedging and other investment strategies that are generally intended not to be market-sensitive. The underlying fund's principal strategies include equity relative value, credit relative value and event-driven.

(e) The investment objective of Winton's Futures Program is to achieve long-term capital appreciation through compound growth. Winton seeks to achieve this goal by pursuing a diversified trading scheme that does not rely upon favorable conditions in any particular market, or on market direction. The Futures Program seeks to combine liquid financial instruments offering positive but low Sharpe ratios, meaning that it seeks to achieve profits with a certain level of risk and generally low correlation over the long term to other markets such as equities and fixed income. The Futures Program blends short-term trading with long-term trend following, using multiple time frames in addition to multiple models. The Futures Program seeks to allocate for maximum diversification.

Note 14—Fair value of financial instruments (continued)

(f) Blackstone Alternative Alpha Fund ("BAAF") is an equity-focused registered fund of hedge funds that seeks attractive risk-adjusted returns through investments in globally oriented hedge fund managers that employ primarily equity investment strategies. The fund seeks to maintain a core exposure to long/short equity managers with a dynamic allocation to diversifying strategies that have exhibited low correlation to equity markets. BAAF benefits from the viewpoint and experience of investment teams across the broader Blackstone organization. Blackstone Alternative Asset Management L.P. ("BAAM") utilizes a multi-faceted approach to investment management that combines a top down allocation process guided by macro analysis of global economic conditions and bottom up manager specific research. In addition, Blackstone is able to negotiate structures/transactions: customized exposures created exclusively for BAAM and ability to manufacture capacity.

(g) The Foundation is invested in the Low Volatility Fund of Arden Investment Advisors. The fund is a diversified, multi-strategy investment program designed to provide investors with consistent return with low volatility and low beta to equity and fixed income indices. The fund is primarily invested in long and short positions in equity, fixed income, options, futures, derivatives, and other securities or instruments.

The following is a reconciliation of activity for 2017 and 2016 for assets measured at fair value based on Level 3 significant unobservable information:

	Texas Methodist Foundation Loan Fund	United Methodist Development Fund
Balance, December 31, 2015	$ 13,602,600	$ 118,002
Purchases	5,000,000	-
Interest income	412,514	887
Withdrawals	(5,382,208)	-
Balance, December 31, 2016	13,632,906	118,889
Purchases	5,000,000	-
Interest income	193,691	518
Withdrawals	(5,000,000)	(119,407)
Balance, December 31, 2017	$ 13,826,597	$ -

Note 15—Insurance activity

Effective October 1, 2012, UMI provides, on a direct basis at varying limits, self-insured retentions, and deductibles, directors & officers ("D&O"), employment practices liability ("EPL"), property liability, general liability, sexual misconduct, equipment breakdown, umbrella, and terrorism coverage to members of GCFA. UMI reinsures all lines of coverage with various unaffiliated reinsurers subject to retentions.

Effective October 1, 2017, UMI began providing insured policyholders with access to cyber liability coverage with limits of $250,000 per occurrence and $20 million in the aggregate. Coverage is provided to insureds through a master agreement with GCFA and GCFA is 100% reinsured by third party reinsurance. UMI administers the cyber liability program on behalf of GCFA.

Note 15—Insurance activity (continued)

The various coverages, percentage of reinsurance layer placed, and limits of reinsurance are as follows:

Coverage	Years	Percentage of Coverage Placed and Reinsurance Limits
D&O and EPL	10/1/12-12/31/16	100% of $1 million per occurrence, $25 million in aggregate
	10/1/12-12/31/17	90% of $1 million per occurrence, $25 million in aggregate
Property	10/1/12-12/31/14	100% of $20 million per occurrence
	1/1/15-12/31/17	95% of $5 million per occurrence, $30 million in aggregate
		100% of $10 million in excess of $5 million per occurrence
		100% of $15 million in excess of $15 million per occurrence and $30 million in aggregate
General liability (including employee benefits & non-owned auto) and sexual misconduct	10/1/12-12/31/14	100% of $1 million per occurrence, $3 million annually per church, $5 million annually in aggregate
	1/1/15-12/31/17	95% of $3 million per occurrence
Equipment breakdown	10/1/12-10/1/18	100% of $100 million per occurrence and annually in aggregate
Umbrella	10/1/12-12/31/13	100% of $500,000 to $1 million per occurrence, $3 million to $15 million annually in the aggregate, dependent on the underlying coverage
	1/1/14-12/31/14	97.5% of first $1 million per occurrence, $3 million annually in aggregate
		100% of $4 million in excess of $1 million per occurrence and $8 million annually in aggregate
	1/1/15-12/31/17	95% of $1 million per occurrence, up to a $4 million aggregate, dependent on the underlying coverage
		100% of $4 million in excess of $1 million per occurrence and $8 million annually in aggregate
Terrorism	10/1/12-12/31/14	100% of $40 million per occurrence and annually in aggregate
	1/1/15-12/31/17	100% of $55 million in excess of $25,000 per occurrence and $55 million annually in aggregate

Effective January 1, 2015, UMI entered into a reinsurance agreement with Swiss Re to replace Aspen American Insurance Company ("Aspen") for property liability, general liability, and sexual misconduct coverages. Pursuant to the Swiss Re agreement, UMI retains a 5% interest in lines of business ceded to Swiss Re. Additionally, effective January 1, 2015, UMI and Aspen terminated reinsurance coverage for policies outstanding as of January 1, 2015 and such exposures were assumed pursuant to the agreement with Swiss Re. As such, UMI retained a 5% interest of all property liability, general liability, and sexual misconduct coverages outstanding as of January 1, 2015.

Note 15—Insurance activity (continued)

Effective January 1, 2015, UMI also retains a 5% interest of the first umbrella liability layer. D&O liability, EPL, equipment breakdown, and terrorism coverages were fully reinsured at December 31, 2015.

Effective January 1, 2017, UMI retained an additional 10% of the D&O liability and EPL coverage.

As of December 31, 2014, UMI's retention, net of reinsurance, for the 2014 policy year was limited to a 2.5% share of the first umbrella liability layer. All lines of coverage were fully reinsured for the 2012 and 2013 policy years.

Effective November 14, 2012, UMI entered into an agreement with various syndicates of Lloyds of London to reinsure residual risk of losses for $10 million in excess of $20 million for property coverage and $5 million for casualty coverage. The excess casualty coverage was not renewed during 2015. Effective January 1, 2015, UMI entered into a facultative reinsurance agreement with Swiss Re to fully reinsure property losses of $10 million in excess of $5 million per occurrence. Effective January 1, 2015, UMI entered into a facultative reinsurance agreement with General Reinsurance Corporation to fully reinsure property losses for $15 million in excess of $15 million up to $30 million in aggregate.

Effective January 1, 2005, PACT entered into a reinsurance agreement with Zurich to assume the workers' compensation, general liability (including sexual misconduct), auto, property, and inland marine coverages of its Members at various limits. Effective January 1, 2009, PACT discontinued its assumption of property coverage from Zurich. Effective October 1, 2010, PACT terminated its reinsurance agreement with Zurich and ceased assuming risk on all lines of business. UMI assumed all risk related to the policy years in run-off.

Effective July 13, 2014, per an agreement with Zurich, the letter of credit was cancelled and PACT's obligations were collateralized through an investment trust account held for the benefit of Zurich. The trust is comprised of a money market fund and fixed maturity securities. Total assets held in trust for the benefit of Zurich amounted to $1,859,540 and $2,002,387 as of December 31, 2017 and 2016, respectively.

The Zurich reinsurance agreement also requires UMI to provide a minimum loss fund to be held in a loss escrow account for the benefit of Zurich. The minimum loss fund can be increased up to the balance of outstanding case basis reserves for losses and loss adjustment expenses at the request of Zurich. The loss escrow fund totaled $250,000 as of December 31, 2017 and 2016.

Reinsurance transactions do not relieve UMI of its primary obligation to its policyholders. Reinsurance transactions exclude claim handling fees which are retained by UMI.

A reconciliation of direct to net premiums, on both a written and an earned basis as of December 31, 2017 and 2016 are as follows:

	2017		2016	
	Written	**Earned**	**Written**	**Earned**
Direct	$ 19,837,587	$ 18,380,536	$ 16,562,307	$ 14,559,716
Ceded	(17,717,036)	(16,514,684)	(15,009,331)	(13,098,095)
Net	$ 2,120,551	$ 1,865,852	$ 1,552,976	$ 1,461,621

Note 15—Insurance activity (continued)

The components of the liability for losses and loss adjustment expenses and related reinsurance recoverable as of December 31, 2017 and 2016 are as follows:

	2017		2016	
	Gross Liability	Reinsurance Recoverable	Gross Liability	Reinsurance Recoverable
Case-basis reserves	$ 4,968,431	$ 4,229,994	$ 2,023,685	$ 1,301,050
IBNR reserves	9,483,701	8,880,241	5,984,289	5,363,461
Claim handling fees	145,300	-	111,757	-
Net	$ 14,597,432	$ 13,110,235	$ 8,119,731	$ 6,664,511

Losses and loss adjustment expense activity for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Liabilities as of January 1, net of reinsurance recoverable of $6,664,511 and $4,981,315, respectively	$ 1,455,220	$ 1,332,442
Incurred related to:		
Current year	884,586	499,930
Development of prior years	22,555	437,474
Claim handling fees	331,731	354,449
Total incurred during the year	1,238,872	1,291,853
Paid related to:		
Current year	(304,189)	(190,502)
Prior years	(537,432)	(611,194)
Claim handling fees	(365,274)	(367,379)
Total paid during the year	(1,206,895)	(1,169,075)
Liability as of December 31, net of reinsurance recoverable of $13,110,235 and $6,664,511, respectively	$ 1,487,197	$ 1,455,220

The unfavorable prior year development of $22,555, recorded in 2017, is predominantly attributable to development on the 2009 year for workers' compensation and the 2006 and 2009 years for sexual misconduct coverages assumed from Zurich.

The unfavorable prior year development of $437,474, recorded in 2016, is predominantly attributable to development on the 2009 year for workers' compensation and the 2006 and 2009 years for sexual misconduct coverages assumed from Zurich.

Note 15—Insurance activity (continued)

The reconciliation of the net incurred and paid losses development tables to the liability for losses and loss adjustment expenses on the statement of financial position as of December 31, 2017 is as follows:

Net outstanding liabilities:	
Property and Crime	$ 549,273
General Liability	62,205
Sexual Misconduct	258,342
Other short-duration insurance lines	472,077
Liabilities for unpaid losses and loss adjustment expenses, net of reinsurance	1,341,897
Reinsurance recoverable:	
Property and Crime	10,436,192
General Liability	441,669
Sexual Misconduct	1,135,014
Other short-duration insurance lines	1,097,360
Total reinsurance recoverable on unpaid losses and loss adjustment expenses	13,110,235
Unallocated loss adjustment expenses	145,300
Total gross liability for unpaid losses and loss adjustment expenses	$ 14,597,432

Other short-duration insurance lines above includes liabilities for unpaid losses and loss adjustment expenses, net of reinsurance of $456,059 related to PACT workers' compensation coverage assumed from Zurich from 2006 to 2010. The workers' compensation coverage is not disclosed as a significant category due to the age of the respective coverage which are older than the five years requiring disclosure by ASU 2015-09.

The following is information about incurred and cumulative paid losses and loss adjustment expenses, net of reinsurance, and total IBNR liabilities plus expected development on reported claims, net of reinsurance and the cumulative number of reported claims as of December 31, 2017, by significant category for the years presented:

Property and Crime

Accident Year	Net Incurred	Cumulative Net Paid	Net Total IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2013	$ -	$ -	$ -	77
2014	-	-	-	150
2015	284,928	284,928	-	233
2016	480,000	384,050	10,917	365
2017	740,000	286,677	326,442	386
Total	$ 1,504,928	$ 955,655	$ 337,359	

Note 15—Insurance activity (continued)

General Liability

Accident Year	Net Incurred	Cumulative Net Paid	Net Total IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2013	$ -	$ -	$ -	26
2014	-	-	-	35
2015	7,135	7,135	-	34
2016	8,500	5,414	2,403	55
2017	24,000	3,840	14,451	71
Total	$ 39,635	$ 16,389	$ 16,854	

Sexual Misconduct

Accident Year	Net Incurred	Cumulative Net Paid	Net Total IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2013	$ -	$ -	$ -	1
2014	-	-	-	-
2015	9,500	-	7,234	1
2016	19,000	-	19,000	-
2017	24,000	-	24,000	-
Total	$ 52,500	$ -	$ 50,234	

UMI determines the number of reported claims by tracking the number of claims by occurrence and excluding claims closed that are without payment.

Note 16—Related party transactions and service providers

During the years ended December 31, 2017 and 2016, certain expenses incurred related to the operations of UMI were paid by GCFA. Salaries and benefit expenses, travel, and various general and administrative fees were paid by GCFA on the behalf of UMI totaling $493,070 and $482,144 for the years ending December 31, 2017 and 2016, respectively, and are included as a component of administrative expense on the consolidated statements of activities. UMI reimburses GCFA for expenses quarterly, and the payable amount as of December 31, 2017 and 2016 totaled $120,703 and $157,836, respectively, and are included in accounts payable and accrued expenses on the consolidated statements of financial position. This expense includes salaries, benefits, and related payroll expenses totaling $337,146 and $311,220 for 2017 and 2016, respectively, associated with UMI's president and CEO.

GCFA received an administration fee of $14,500 and $15,250 during 2017 and 2016, respectively, based on a fixed fee arrangement agreed to by UMI and GCFA. This fee is eliminated in consolidation of UMI.

Note 16—Related party transactions and service providers (continued)

UMI entered into a line of credit with GCFA on January 1, 2016, to borrow up to $2,000,000 in order to fund the operating needs of UMI. On April 7, 2017, UMI received additional capital in the form of a $2,000,000 surplus note to GCFA. Concurrent with this transaction, the $2,000,000 line of credit agreement with GCFA was rescinded.

Artex provides accounting and regulatory compliance services for UMI, pursuant to an agreement administered by CIAC. Fees for services performed by Artex amounted to $133,000 and $130,000 for the years ending December 31, 2017 and 2016, respectively, and are included as a component of general and administrative expenses on the consolidated statements of activities. An employee of Artex is an officer of UMI.

UMI contracted with CIAC to provide program administration, brokerage, policy issuance, underwriting, and loss control services for its Members. Expenses incurred related to CIAC services totaled $2,504,122 during 2017, of which $2,144,754 is included as a component of policy acquisition and other underwriting expenses and $359,368 is included as a component of administrative expenses on the consolidated statements of activities. Expenses incurred related to CIAC services totaled $2,005,480 during 2016, of which $1,727,518 is included as a component of policy acquisition and other underwriting expenses and $277,962 is included as a component of administrative expenses on the consolidated statements of activities.

Since inception, UMI has contracted with Plesko Consulting, LLC to provide various support services to UMI, including the winding up of the PACT business. The Plesko Consulting, LLC contract ended in November 2015 and those support services were continued by GCFA. Consulting fees incurred amounted to $66,012 for the year ended December 31, 2016 and is included as a component of general and administrative expenses on the consolidated statements of activities. Effective January 1, 2017, these consulting fees were reclassified as part of salaries and various general and administration fees as noted above.

In addition to transactions with UMI, GCFA had the following transactions with other agencies of The United Methodist Church:

	2017	2016
Statements of Financial Position:		
Due from annual conferences	$ 27,159,123	$ 25,871,440
General Agency Benefit Trust assets	165,804,984	149,293,565
Due to related organizations:		
General agencies	35,361,606	34,913,519
Other affiliated organizations	186,059	285,574
General advance specials	16,173,998	8,442,269
General Funds	60,815,311	55,410,747
General Agency Benefit Trust obligations	165,804,984	149,293,565
Statements of Activities - Revenues:		
Allocation from The General Funds	6,683,327	6,617,705
Distribution from Benefit Trust	779,493	844,351
Statements of Activities - Expenses:		
Group insurance expense	938,533	873,980

Note 17—Net assets – UMI

In accordance with laws of the State of Vermont, for the purpose of submitting its financial statements to the State for regulatory purposes, UMI is required to use accounting principles generally accepted in the United States of America ("GAAP") with the exception of variances prescribed by Vermont laws and regulations or permitted by the Department. Pursuant to laws of the State of Vermont, UMI is required to maintain capital and surplus of $250,000, which meets the liquidity requirements of the Department. At December 31, 2017 and 2016, UMI's net assets without donor restrictions amounted to $2,499,062 and $948,796, respectively.

Effective December 18, 2013, UMI issued surplus notes with original principal totaling $2,395,700, payable to eighteen former members of PACT in exchange for their ownership interest in PACT. The notes have a stated interest rate per annum of 0.5%, which compounds quarterly as of the date of issuance. The surplus notes can be re-paid at any time without penalty. Interest is due annually in arrears on December 18, 2014 and is required to be paid annually until the notes have been fully paid.

All principal and interest payments are subject to approval by the Department. Upon the approval from the Department, a surplus note totaling $8,700 was settled with one former member during 2014. Interest payments of $11,935 were made on the surplus notes in 2017 and 2016 upon approval from the Department. Interest expense totaling $425 was accrued at December 31, 2017 and 2016. Interest expense totaled $11,935 for 2017 and 2016. For regulatory purposes, these surplus notes are considered contributed capital in accordance with accounting practices prescribed by the Department. However, these surplus notes have been included in liabilities in the consolidated statements of financial position, which is in accordance with GAAP.

Effective April 7, 2017, UMI issued a $2,000,000 surplus note to GCFA in return for a capital contribution of $2,000,000. The note has a stated interest rate per annum of 5%, payable quarterly. Principal is due in five years, with no prepayment penalty subject to approval from the Department. Interest payments of $45,000 were made on the surplus note in 2017 upon approval from the Department. Interest payable of $25,000 was due and accrued on the surplus note at December 31, 2017. Interest payable is included as a component of accounts payable and accrued expenses on the statements of financial position.

All principal and interest payments are subject to approval by the Department. Interest expense totaled $81,935 and $11,935 in 2017 and 2016 and is included as a component of general and administrative expenses on the statements of activities.

Note 18—Commitments and contingencies

Various lawsuits, claims, and other contingent liabilities arise in the course of GCFA's religious, education, insurance and ministry activities. While the ultimate disposition of these contingencies is not determinable at this time, management believes that any resulting liability will not materially affect the consolidated financial position, changes in net assets, and cash flows of GCFA.

Note 19—Subsequent events

Subsequent to December 31, 2017, GCFA decided to change the direction of the property and casualty insurance program of the United Methodist Church. United Methodist Insurance (UMI) has entered into an agreement with AmVenture, a subsidiary of AmTrust Financial Services, Inc., to provide property and casualty insurance to United Methodist churches and affiliated properties. As a consequence, the intention is to put UMI into a runoff status by the end of 2018. An insurer goes into runoff when it stops assuming new risks. Current policies and those renewed through the end of the year will remain effective in the old UMI program until the last policies expire. Liability for these policies and those from prior years' exposures will remain with UMI. Management does not believe that any adjustments to the carrying values of assets and liabilities as reported in these financial statements are required as a result of this matter.

Management has evaluated subsequent events through September 14, 2018, the date the consolidated financial statements were available for issuance.

SUPPLEMENTAL INFORMATION

GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES BY NET ASSET CATEGORY (CONTINUED)

YEAR ENDED DECEMBER 31, 2017 (WITH COMPARATIVE TOTALS FOR 2016)

	2017					
	Without Donor Restrictions					
	GCFA	UMC Foundation	UMI	Board Designated	Intercompany Eliminations	Total Without Donor Restrictions
Operating Revenue and Support:						
Allocation from the General Funds:						
World Service Fund	$ 1,929,366	$ -	$ -	$ -	$ -	$ 1,929,366
Episcopal	744,900	-	-	-	-	744,900
General Administration	3,833,375	-	-	-	-	3,833,375
Interdenominational Cooperation	50,707	-	-	-	-	50,707
Human Relations Day	14,702	-	-	-	-	14,702
One Great Hour of Sharing	63,467	-	-	-	-	63,467
Student Day	11,665	-	-	-	-	11,665
World Communion Day	21,011	-	-	-	-	21,011
Pease with Justice Sunday	5,981	-	-	-	-	5,981
Native American Ministries Sunday	8,153	-	-	-	-	8,153
Youth Service	-	-	-	-	-	-
Total all General Funds	6,683,327	-	-	-	-	6,683,327
Other Operating Income:						
Investment Return:						
Interest and dividends, net of fees and interest paid to depositors	1,405,053	2,318	32,229	-	(70,000)	1,369,600
Realized gain on investments	211,264	832	-	-	-	212,096
Unrealized gain on investments	-	5,928	-	-	-	5,928
Total Investment Return	1,616,317	9,078	32,229	-	(70,000)	1,587,624
Distribution from Benefit Trust	779,493	-	-	-	-	779,493
Contribution and other	565,304	20,841	43,721	-	(9,900)	619,966
Premiums earned, net of reinsurance	-	-	1,865,852	-	-	1,865,852
Ceding commission revenue	-	-	2,613,038	-	-	2,613,038
Other service fee income	1,740,267	233,190	-	-	(70,008)	1,903,449
Total Other Operating Income (Loss)	4,701,381	263,109	4,554,840	-	(149,908)	9,369,422
Total Operating Revenue and Support	11,384,708	263,109	4,554,840	-	(149,908)	16,052,749
Operating Expenses:						
Administration	5,462,826	-	-	26,064	-	5,488,890
Financial services	1,490,344	-	-	-	46,226	1,536,570
Management information systems	3,576,948	-	-	-	-	3,576,948
Statistics and records	478,857	-	-	-	-	478,857
Fundraising	521,751	-	-	-	-	521,751
United Methodist Church Foundation:						
Funds management	-	226,930	-	-	(51,695)	175,235
Management and general	-	25,213	-	-	(5,741)	19,472
Vital congregations	-	-	-	-	-	-
United Methodist Insurance Company:						
Insurance services	-	-	5,009,053	-	(138,698)	4,870,355
Total Operating Expenses	11,530,726	252,143	5,009,053	26,064	(149,908)	16,668,078
Excess (deficiency) of operating revenue over operating expenses	(146,018)	10,966	(454,213)	(26,064)	-	(615,329)
Nonoperating Revenues (Expenses):						
Net increase (decrease) in Permanent Fund	-	-	-	-	-	-
Unrealized gain (loss) on debt securities to be held to maturity	181,194	-	-	-	-	181,194
Other comprehensive gain (loss)	-	-	4,479	-	-	4,479
Total Nonoperating Revenues (Expenses)	181,194	-	4,479	-	-	185,673
Change in net assets	35,176	10,966	(449,734)	(26,064)	-	(429,656)
Net assets, beginning of year	8,342,919	35,199	(1,422,954)	316,460	-	7,271,624
Net assets, end of year	$ 8,378,095	$ 46,165	$ (1,872,688)	$ 290,396	$ -	$ 6,841,968

GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF
THE UNITED METHODIST CHURCH AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES BY NET ASSET CATEGORY (CONTINUED)

YEAR ENDED DECEMBER 31, 2017 (WITH COMPARATIVE TOTALS FOR 2016)

2017 With Donor Restrictions UMC Foundation	Other	Permanent Fund	Total With Donor Restrictions	2017 Total Consolidated	2016 Total Consolidated
$ -	$ -	$ -	$ -	$ 1,929,366	$ 1,902,507
-	-	-	-	744,900	750,000
-	-	-	-	3,833,375	3,778,024
-	-	-	-	50,707	50,774
-	-	-	-	14,702	14,170
-	-	-	-	63,467	71,749
-	-	-	-	11,665	11,761
-	-	-	-	21,011	22,494
-	-	-	-	5,981	6,063
-	-	-	-	8,153	8,942
-	-	-	-	-	1,221
-	-	-	-	6,683,327	6,617,705
1,247	-	-	1,247	1,370,847	1,563,743
(58)	-	-	(58)	212,038	595,977
9,237	-	-	9,237	15,165	(5,162)
10,426	-	-	10,426	1,598,050	2,154,558
-	-	-	-	779,493	844,351
364	-	-	364	620,330	610,865
-	-	-	-	1,865,852	1,461,621
-	-	-	-	2,613,038	2,170,389
-	-	-	-	1,903,449	1,028,975
10,790	-	-	10,790	9,380,212	8,270,759
10,790	-	-	10,790	16,063,539	14,888,464
-	-	-	-	5,488,890	6,878,097
-	-	-	-	1,536,570	1,009,491
-	-	-	-	3,576,948	3,044,610
-	-	-	-	478,857	622,066
-	-	-	-	521,751	433,273
-	-	-	-	175,235	181,705
-	-	-	-	19,472	25,958
-	-	-	-	-	51,916
-	-	-	-	4,870,355	3,240,591
-	-	-	-	16,668,078	15,487,707
10,790	-	-	10,790	(604,539)	(599,243)
-	-	1,212,833	1,212,833	1,212,833	(250,300)
-	-	-	-	181,194	(599,697)
-	-	-	-	4,479	(16,311)
-	-	1,212,833	1,212,833	1,398,506	(866,308)
10,790	-	1,212,833	1,223,623	793,967	(1,465,551)
117,684	10,076	12,493,208	12,620,968	19,892,592	21,358,143
$ 128,474	$ 10,076	$ 13,706,041	$ 13,844,591	$ 20,686,559	$ 19,892,592

GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF
THE UNITED METHODIST CHURCH
STATEMENT OF FUNCTIONAL EXPENSES FOR GCFA (NON-CONSOLIDATED) AND COMPARISON TO BUDGET (UNAUDITED)

YEAR ENDED DECEMBER 31, 2017

	Administration											
	General Secretary's Office	Building & Support Services	Episcopal Services	Legal Services	Audit	Staff Benefits/ Recruitment	Shared Services	Sponsorship	Association Traininig And Other	Meetings	Total	Budget (Unaudited)
Salaries	$ 598,712	$ 943,389	$ 184,829	$ 434,184	$ -	$ 519,925	$ 287,355	$ -	$ -	$ -	$ 2,968,394	$ 2,746,000
Employee benefits	155,351	308,617	57,385	126,279	-	171,635	74,741	-	-	-	894,008	1,031,000
Continuing education	703	12,647	-	2,202	-	19,521	5,244	-	-	-	40,317	62,000
Moving expenses	-	-	-	-	-	172,084	-	-	-	-	172,084	-
Grants	-	-	-	-	-	-	-	-	1,471	-	1,471	-
Telephone	7,222	13,156	1,872	1,974	-	4,231	3,986	-	-	-	32,441	33,000
Postage and freight	63	39,191	-	31	-	440	3,374	-	-	-	43,099	12,000
Printing	5,803	11,077	-	134	-	248	1,476	-	-	-	18,738	10,000
Office supplies	862	17,072	-	257	-	90	1,964	-	-	940	21,185	28,000
Equipment replacement/maintenance	91	102,599	-	450	-	556	370	-	-	-	104,066	111,000
Building repair and maintenance	-	198,555	-	-	-	-	-	-	-	-	198,555	190,000
Promotional materials/other office expense	8,499	150	-	-	-	-	82	-	-	-	8,731	43,000
Depreciation	-	188,453	-	-	-	2,000	-	-	-	-	190,453	196,000
Professional fees	184	742	-	34,086	782,898	33,850	1,000	-	-	5,900	858,660	891,000
Meeting expense	767	6,046	-	3,528	-	33	1,085	-	36,183	164,738	212,380	246,000
Staff travel	18,107	33,351	7,103	9,201	-	30,386	45,608	-	12,132	84,199	240,087	179,000
Insurance	-	-	-	172,578	-	-	-	-	-	-	172,578	174,000
Bank/financing charges	-	-	-	-	-	-	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-
Overhead allocation	(77,971)	(237,618)	-	(31,045)	-	(386,852)	-	-	-	-	(733,486)	(441,000)
Other	6,337	1,463	-	1,906	-	365	8,994	-	-	-	19,065	27,000
Total Expenses for Operations	$ 724,730	$ 1,638,890	$ 251,189	$ 755,765	$ 782,898	$ 568,512	$ 435,279	$ -	$ 49,786	$ 255,777	$ 5,462,826	$ 5,538,000

GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH

STATEMENT OF FUNCTIONAL EXPENSES FOR GCFA (NON-CONSOLIDATED) AND COMPARISON TO BUDGET (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

							Fundraising		Operations	
	Financial Services	Budget (Unaudited)	Management Information Systems	Budget (Unaudited)	Statistics and Records	Budget (Unaudited)	Actual	Budget (Unaudited)	Total	Budget (Unaudited)
Salaries	$ 852,441	$ 840,000	$ 1,789,390	$ 1,461,000	$ 338,334	$ 383,000	$ 275,021	$ 285,000	$ 6,223,580	$ 5,715,000
Employee benefits	289,734	301,000	485,297	502,000	116,849	139,000	93,397	75,000	1,879,285	2,048,000
Continuing education	2,714	11,000	25,639	41,000	2,770	13,000	4,050	6,000	75,490	133,000
Moving expenses	-	-	-	-	-	-	-	-	172,084	-
Grants	-	-	-	-	-	-	-	-	1,471	-
Telephone	2,411	1,000	194,271	101,000	1,571	2,000	3,763	3,500	234,457	140,500
Postage and freight	2,906	2,000	3,547	-	-	-	1,396	2,000	50,948	16,000
Printing	-	-	-	-	123	-	-	-	18,861	10,000
Office supplies	3,466	4,000	10,353	18,000	149	5,000	10	-	35,163	55,000
Equipment replacement/maintenance	-	-	494,685	531,000	-	-	20,427	13,000	619,178	655,000
Building repair and maintenance	-	-	-	-	-	-	-	-	198,555	190,000
Promotional materials/other office expense	-	-	-	-	-	-	9,278	18,000	18,009	61,000
Depreciation	-	-	623,468	628,000	-	-	23,992	24,000	837,913	848,000
Professional fees	12,344	-	51,357	95,000	651	-	73,606	75,000	996,618	1,061,000
Meeting expense	-	-	-	-	-	-	8,965	14,000	221,345	260,000
Staff travel	4,794	16,000	66,253	105,000	5,055	12,000	15,428	22,000	331,617	334,000
Insurance	-	-	-	-	-	-	-	-	172,578	174,000
Bank/financing charges	-	-	1,436	-	-	-	640	-	2,076	-
Bad debt expense	400,000	-	-	-	-	-	-	-	400,000	-
Overhead allocation	(82,220)	(26,000)	(192,995)	(142,000)	-	-	(9,372)	(5,000)	(1,018,073)	(614,000)
Other	1,754	1,000	24,247	29,000	13,355	17,000	1,150	-	59,571	74,000
Total Expenses for Operations	$ 1,490,344	$ 1,150,000	$ 3,576,948	$ 3,369,000	$ 478,857	$ 571,000	$ 521,751	$ 532,500	$ 11,530,726	$ 11,160,500

GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH

INCURRED AND CUMULATIVE PAID LOSSES AND ALLOCATED LOSS ADJUSTMENT EXPENSES, NET OF REINSURANCE, UNAUDITED

YEAR ENDED DECEMBER 31, 2017

The following is information about incurred and paid claims development, net of reinsurance and by significant category for years ended December 31,

Property and Crime

Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

Accident Year	2013	2014	2015	2016	2017
2013	$ -	$ -	$ -	$ -	$ -
2014	-	-	-	-	-
2015	-	-	275,000	293,000	284,928
2016	-	-	-	410,000	480,000
2017	-	-	-	-	740,000
Total					1,504,928

Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

Accident Year	2013	2014	2015	2016	2017
2013	$ -	$ -	$ -	$ -	-
2014	-	-	-	-	-
2015	-	-	138,969	281,051	284,928
2016	-	-	-	169,600	384,050
2017	-	-	-	-	286,677
Total					955,655
All outstanding liabilities before 2013, net of reinsurance					-
Liabilities for losses and loss adjustment expenses, net of reinsurance					$ 549,273

GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH

INCURRED AND CUMULATIVE PAID LOSSES AND ALLOCATED LOSS ADJUSTMENT EXPENSES, NET OF REINSURANCE, UNAUDITED (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

General Liability

Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

Accident Year	2013	2014	2015	2016	2017
2013	$ -	$ -	$ -	$ -	$ -
2014	-	-	-	-	-
2015	-	-	35,000	10,000	7,135
2016	-	-	-	23,000	8,500
2017	-	-	-	-	24,000
Total					39,635

Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

Accident Year	2013	2014	2015	2016	2017
2013	$ -	$ -	$ -	$ -	-
2014	-	-	-	-	-
2015	-	-	4,642	5,499	7,135
2016	-	-	-	3,370	5,414
2017	-	-	-	-	3,840
Total					16,389

All outstanding liabilities before 2013, net of reinsurance	38,959
Liabilities for losses and loss adjustment expenses, net of reinsurance	$ 62,205

GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH

INCURRED AND CUMULATIVE PAID LOSSES AND ALLOCATED LOSS ADJUSTMENT EXPENSES, NET OF REINSURANCE, UNAUDITED (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

Sexual Misconduct

Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

Accident Year	2013	2014	2015	2016	2017
2013	$ -	$ -	$ -	$ -	$ -
2014	-	-	-	-	-
2015	-	-	14,000	13,500	9,500
2016	-	-	-	20,500	19,000
2017	-	-	-	-	24,000
Total					52,500

Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

Accident Year	2013	2014	2015	2016	2017
2013	$ -	$ -	$ -	$ -	$ -
2014	-	-	-	-	-
2015	-	-	-	-	-
2016	-	-	-	-	-
2017	-	-	-	-	-
Total					-

All outstanding liabilities before 2013, net of reinsurance	205,842
Liabilities for losses and loss adjustment expenses, net of reinsurance	$ 258,342

GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH

AVERAGE ANNUAL PERCENTAGE PAYOUT OF INCURRED LOSSES BY AGE, UNAUDITED

YEAR ENDED DECEMBER 31, 2017

The following is the average annual percentage payout of incurred claims, by age, net of reinsurance as of December 31, 2017 by significant category:

Average Annual Percentage Payout of Incurred Claims by Age

Years	1	2	3	4	5
Type of Insurance:					
Property and Crime	40.9%	47.3%	1.4%	0.0%	0.0%
General Liability	40.2%	18.0%	22.9%	0.0%	0.0%
Sexual Misconduct	0.0%	0.0%	0.0%	0.0%	0.0%