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, 2019 and 2018

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, 2019 and 2018, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of a controlled nonprofit affiliate, United Methodist Insurance Company, Inc. ("UMI"), whose statements reflect total assets of $38,341,161 and $45,556,237 as of December 31, 2019 and 2018, respectively, and total support and revenues of $4,149,470 and $6,200,807 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

We believe 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, 2019 and 2018, 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

Other Information

Our audit was conducted for the purpose of forming an opinion on the 2019 consolidated financial statements as a whole. The schedules on pages 40 – 45 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 46 – 49 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
August 14, 2020

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 18,501,720	$ 21,943,938
Short-term investment portfolio	63,663,250	64,602,844
Accrued interest and dividends receivable	599,052	659,710
Due from annual conferences	27,131,283	27,571,811
Accounts receivable	811,222	935,364
Prepaid expenses and other assets	386,765	866,643
Long-term investment portfolio	67,961,558	63,426,900
General Agency Benefit Trust assets	167,448,911	146,628,370
Land and fixed assets, net	5,363,335	5,512,414
Premiums receivable, net of allowance for doubtful accounts	9,344,368	7,859,044
Reinsurance recoverable - paid losses	2,966,817	3,123,905
Reinsurance recoverable - unpaid losses	13,672,241	17,103,689
Commission receivable	71,774	851,778
Deferred policy acquisition costs	1,384,824	930,837
Prepaid reinsurance premium	8,920,046	8,899,953
Loss escrow	545,000	745,000
Total Assets	$ 388,772,166	$ 371,662,200
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 1,701,527	$ 1,512,495
Due to Related Organizations:		
General agencies	43,681,402	38,221,984
Other affiliated organizations	221,565	187,247
General advance specials	6,186,423	14,942,676
General Funds	56,065,601	60,181,774
Capital lease obligations	-	1,287
General Agency Benefit Trust obligations	167,448,911	146,628,370
Funds held for investors in the UMC Foundation	50,472,628	46,524,673
Liability for losses and loss adjustment expenses	14,716,937	18,684,256
Losses payable	141,094	609,274
Unearned premiums	9,004,077	9,902,656
Reinsurance premiums payable	8,081,528	10,326,090
Commission payable	1,605,860	826,213
Deferred ceding commissions	1,381,041	1,709,124
Deferred agency revenue	296,207	-
Surplus notes	2,028,950	2,387,000
Total Liabilities	363,033,751	352,645,119
Net Assets:		
Without Donor Restrictions:		
Invested in property and equipment	5,363,335	5,512,414
Board-designated	241,859	241,859
Undesignated	6,411,592	942,856
Total Without Donor Restrictions	12,016,786	6,697,129
With Donor Restrictions:		
Subject to purpose restrictions	19,410	19,410
Endowment	13,702,219	12,300,542
Total With Donor Restrictions	13,721,629	12,319,952
Total Net Assets	25,738,415	19,017,081
Total Liabilities and Net Assets	$ 388,772,166	$ 371,662,200

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, 2019 AND 2018

	2019			2018		
	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	$ 6,369,449	$ -	$ 6,369,449	$ 6,718,962	$ -	$ 6,718,962
Other Operating Income:						
Investment return, net	1,935,030	15,303	1,950,333	2,062,181	1,942	2,064,123
Distribution from Benefit Trust	811,974	-	811,974	949,351	-	949,351
Contributions and other	1,030,582	250	1,030,832	808,321	250	808,571
Premiums earned, net of reinsurance	1,031,985	-	1,031,985	2,165,247	-	2,165,247
Ceding commission revenue	2,757,008	-	2,757,008	3,955,184	-	3,955,184
Other service fee income	1,814,713	-	1,814,713	2,045,868	-	2,045,868
Total Other Operating Income	9,381,292	15,553	9,396,845	11,986,152	2,192	11,988,344
Total Operating Revenue and Support	15,750,741	15,553	15,766,294	18,705,114	2,192	18,707,306
Operating Expenses:						
Program Services:						
Administration	4,873,057	-	4,873,057	5,415,329	-	5,415,329
Financial services	1,209,134	-	1,209,134	1,146,372	-	1,146,372
Management information systems	2,784,751	-	2,784,751	3,503,191	-	3,503,191
Statistics and records	339,737	-	339,737	529,463	-	529,463
Total Program Services	9,206,679	-	9,206,679	10,594,355	-	10,594,355
Fundraising	810	-	810	301,678	-	301,678
United Methodist Church Foundation:						
Funds management	201,611	-	201,611	136,314	-	136,314
Management and general	22,401	-	22,401	15,146	-	15,146
United Methodist Insurance Company:						
Insurance services	4,219,688	-	4,219,688	5,500,218	-	5,500,218
Total Operating Expenses	13,651,189	-	13,651,189	16,547,711	-	16,547,711
Excess of operating revenue over operating expenses	2,099,552	15,553	2,115,105	2,157,403	2,192	2,159,595
Nonoperating Revenues (Expenses):						
Net increase (decrease) in Permanent Fund	-	1,386,124	1,386,124	-	(1,513,895)	(1,513,895)
Unrealized gains (losses) on debt securities to be held to maturity	3,158,250	-	3,158,250	(2,270,231)	(12,936)	(2,283,167)
Other comprehensive gain (loss)	61,855	-	61,855	(32,011)	-	(32,011)
Total Nonoperating Revenues (Expenses)	3,220,105	1,386,124	4,606,229	(2,302,242)	(1,526,831)	(3,829,073)
Change in net assets	5,319,657	1,401,677	6,721,334	(144,839)	(1,524,639)	(1,669,478)
Net assets, beginning of year	6,697,129	12,319,952	19,017,081	6,841,968	13,844,591	20,686,559
Net assets, end of year	$ 12,016,786	$ 13,721,629	$ 25,738,415	$ 6,697,129	$ 12,319,952	$ 19,017,081

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, 2019

	Program Services					Supporting Services	UMCF Program Services	UMCF Supporting Services	UMI Program Services	
	Administration	Financial Services	Management Information Systems	Statistics and Records	Total Program Services	Fundraising	Funds Management	Management and General	Insurance Services	Total
Salaries	$ 2,720,952	$ 909,269	$ 1,408,321	$ 239,169	$ 5,277,711	$ -	$ 76,909	$ 8,545	$ 177,267	$ 5,540,432
Employee benefits	826,945	305,892	339,889	96,285	1,569,011	-	14,063	1,563	36,461	1,621,098
Continuing education	17,933	8,764	16,091	115	42,903	-	-	-	64	42,967
Moving	103,626	-	-	-	103,626	-	-	-	-	103,626
Telephone	20,785	1,593	164,215	800	187,393	-	1,501	167	485	189,546
Postage and freight	12,630	611	2,937	-	16,178	-	27	3	45	16,253
Printing	5,426	-	-	-	5,426	-	74	8	-	5,508
Office supplies	15,659	1,560	10,747	356	28,322	-	739	82	-	29,143
Subscriptions and memberships	25,003	570	346	-	25,919	-	11,088	1,232	101	38,340
Equipment replacement and maintenai	9,636	174	274,909	-	284,719	-	-	-	-	284,719
Software support and maintenance	114,348	-	407,517	619	522,484	646	17,593	1,955	-	542,678
Building repair and maintenance	160,340	-	-	-	160,340	-	-	-	260	160,600
Promotional materials/other office	3,570	-	-	-	3,570	-	6,480	720	500	11,270
Depreciation	152,478	-	203,166	-	355,644	-	-	-	-	355,644
Professional fees	853,070	35,573	39,266	182	928,091	-	64,418	7,158	203	999,870
Meeting	126,916	-	-	-	126,916	-	1,029	114	5,443	133,502
Staff travel	237,813	6,142	65,599	2,011	311,565	-	13,963	1,551	10,313	337,392
Insurance	193,324	-	-	-	193,324	-	3,693	410	6,323	203,750
Bank/financing charges	-	34,389	6	-	34,395	164	33	4	112,595	147,191
Bad debt recovery	-	(13,000)	-	-	(13,000)	-	-	-	-	(13,000)
Overhead allocation	(730,729)	(82,985)	(148,258)	-	(961,972)	-	-	-	-	(961,972)
Policy acquisition and underwriting	-	-	-	-	-	-	-	-	3,975,028	3,975,028
Other	3,332	582	-	200	4,114	-	3,861	429	-	8,404
Intercompany eliminations	-	-	-	-	-	-	(13,860)	(1,540)	(105,400)	(120,800)
Total Expenses for Operations	$ 4,873,057	$ 1,209,134	$ 2,784,751	$ 339,737	$ 9,206,679	$ 810	$ 201,611	$ 22,401	$ 4,219,688	$ 13,651,189

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

							UMCF		UMI	
	Program Services					Supporting Services	Program Services	Supporting Services	Program Services	
	Administration	Financial Services	Management Information Systems	Statistics and Records	Total Program Services	Fundraising	Funds Management	Management and General	Insurance Services	Total
Salaries	$ 2,972,855	$ 873,142	$ 1,826,802	$ 361,382	$ 6,034,181	$ 204,821	$ 77,885	$ 8,654	$ 213,878	$ 6,539,419
Employee benefits	905,781	285,052	533,236	128,636	1,852,705	57,824	15,662	1,740	50,125	1,978,056
Continuing education	37,826	3,821	3,137	-	44,784	27	218	24	804	45,857
Moving	145,128	-	-	-	145,128	-	-	-	-	145,128
Grants	17,001	-	-	-	17,001	-	-	-	-	17,001
Telephone	22,459	1,765	132,378	480	157,082	1,764	-	-	1,509	160,355
Postage and freight	15,360	2,041	7,782	-	25,183	538	18	2	66	25,807
Printing	6,149	-	-	400	6,549	-	1,143	127	-	7,819
Office supplies	15,272	3,423	19,074	482	38,251	-	666	74	42	39,033
Equipment replacement and maintenai	120,812	-	637,868	28,889	787,569	11,191	3,875	431	-	803,066
Building repair and maintenance	190,559	-	-	-	190,559	-	-	-	-	190,559
Promotional materials/other office	8,792	-	-	-	8,792	426	11,636	1,293	1,193	23,340
Depreciation	209,964	-	336,178	-	546,142	4,083	-	-	-	550,225
Professional fees	850,631	6,988	41,943	4,189	903,751	14,094	62,226	6,914	23,763	1,010,748
Meeting	156,142	-	-	-	156,142	5,208	7,094	788	11,283	180,515
Staff travel	369,863	5,711	103,539	4,775	483,888	11,394	6,987	776	14,938	517,983
Insurance	195,268	-	-	-	195,268	-	3,803	423	5,929	205,423
Bank/financing charges	-	-	568	-	568	682	314	35	1,706	3,305
Bad debt expense (recovery)	-	(4,000)	-	-	(4,000)	-	-	-	-	(4,000)
Overhead allocation	(837,801)	(85,002)	(144,395)	-	(1,067,198)	(12,353)	-	-	-	(1,079,551)
Policy acquisition and underwriting	-	-	-	-	-	-	-	-	5,309,517	5,309,517
Other	13,268	1,622	5,081	230	20,201	1,979	8,897	988	32,676	64,741
Intercompany eliminations	-	51,809	-	-	51,809	-	(64,110)	(7,123)	(167,211)	(186,635)
Total Expenses for Operations	$ 5,415,329	$ 1,146,372	$ 3,503,191	$ 529,463	$ 10,594,355	$ 301,678	$ 136,314	$ 15,146	$ 5,500,218	$ 16,547,711

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 6,721,334	$ (1,669,478)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	355,644	550,225
Net (gains) losses on investments	(4,061,995)	2,315,201
Other comprehensive (gain) loss	(61,855)	32,011
(Increase) decrease in operating assets:		
Accrued interest and dividends receivable	60,658	(138,025)
Due from annual conferences	440,528	(412,688)
Accounts receivable	124,142	579,581
Prepaid expenses and other assets	479,878	(8,341)
General Agency Benefit Trust assets	(20,820,541)	19,176,614
Premiums receivable, net	(1,485,324)	1,460,747
Reinsurance recoverable - paid losses	157,088	(655,556)
Reinsurance recoverable - unpaid losses	3,431,448	(3,993,454)
Commission receivable	780,004	187,567
Deferred policy acquisition costs	(453,987)	(211,994)
Prepaid reinsurance premium	(20,093)	(803,163)
Loss escrow	200,000	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	189,032	(915,930)
Due to various agencies	(3,262,517)	1,630,244
Due to General Funds	(4,116,173)	(633,537)
General Agency Benefit Trust obligations	20,820,541	(19,176,614)
Liability for losses and loss adjustment expenses	(3,967,319)	4,086,824
Losses payable	(468,180)	(242,207)
Unearned premiums	(898,579)	837,107
Reinsurance premiums payable	(2,244,562)	755,829
Commission payable	779,647	(39,346)
Contingent ceding commissions	-	(2,421,096)
Deferred ceding commissions	(328,083)	(174,977)
Deferred agency revenue	296,207	-
Net cash flows from operating activities	(7,353,057)	115,544
Cash flows from investing activities:		
Increase (decrease) in funds held by investors in UMC Foundation	3,947,955	(9,506,734)
Increase in participant balances in short-term investment portfolio	5,459,418	2,860,378
Net purchases of investments	(4,930,632)	(4,463,050)
Acquisition of fixed assets	(206,565)	(108,229)
Net cash flows from investing activities	4,270,176	(11,217,635)
Cash flows from financing activities:		
Payments on capital lease obligation	(1,287)	(14,953)
Payment of surplus notes	(358,050)	-
Net cash flows from financing activities	(359,337)	(14,953)
Net change in cash and cash equivalents	(3,442,218)	(11,117,044)
Cash and cash equivalents, beginning of year	21,943,938	33,060,982
Cash and cash equivalents, end of year	$ 18,501,720	$ 21,943,938

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 $170,859,132 and $191,447,503 for 2019 and 2018, 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 not-for-profit 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 United Methodist Church (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 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 not-for-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 14.

Effective July 27, 2018, UMI formed United Methodist Insurance Agency, Inc. (“UMIA”) as a wholly-owned company. UMIA was formed to become the conduit between UMI and the third party insurance agent contracted to place new and renewal coverage for their members effective January 1, 2019.

In May 2018, GCFA decided to change the direction of the property and casualty insurance program of the Church. As a consequence, effective January 1, 2019, UMI ceased providing new and renewal coverage with the intention of having UMI’s operations consist solely of the run-off of its insurance business. Effective March 1, 2019, due to lower than projected renewal rates into UMIA third party insurer placements, UMI began writing property and casualty insurance coverage and ceded 100% of the risk to an approved reinsurer as more fully described in Note 14.

Due to the nature of UMI’s operations and business purpose, there are no donor-imposed restrictions associated with UMI’s net assets. As such, all net asset balances are considered to be without donor restrictions.

UMI operates utilizing dedicated employees and service providers. The 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 36% of GCFA’s total operating revenue in 2019 and 2018, 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).

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.

Note 2—Summary of significant accounting policies

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.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions.

Contributions are recognized when cash, other assets or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

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.

Note 2—Summary of significant accounting policies (continued)

Allowance for Doubtful Accounts – Allowances for doubtful accounts total $388,000 and $401,000 as of December 31, 2019 and 2018, 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.

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.

Note 2—Summary of significant accounting policies (continued)

Functional Allocation of Expenses – GCFA's costs of providing administrative services on behalf of the general agencies and the 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	Time and effort
Employee 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, 2019 and 2018.

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 Suracy and CIAC, respectively, a percentage of UMI's ceding commission income is paid to the service provider to cover underwriting expenses and service fees.

Contingent Ceding Commissions
Ceding commissions earned on the reinsurance contract with Swiss Re America Corporation ("Swiss Re") prior to December 31, 2018 were adjustable based on loss experience within the respective treaties. Effective January 1, 2018, the Swiss Re agreement was revised to replace the contingent ceding commission with a profit commission. Contingent ceding commission accrued for at the years ended December 31, 2019 and 2018 was $71,695 and $-0-, respectively. As adjustments to the ultimate losses projected under the treaty are revised, associated adjustments to the commissions will be reflected in current operations.

Agency Commission Revenue
Effective January 1, 2019, the Suracy agreement was amended to include agency commission royalty revenue payable to UMIA as a percentage of net written premium for each eligible policy written within 30 days of the end of each month. The royalty percentage is equal to 1% of the work's compensation eligible policies and 3% for all other commercial eligible policies. Such revenue is earned over the terms of the policies to which the royalties relate. Unearned portions of agency commission royalties are recorded as deferred agency revenue.

Commission adjustments for policy cancellations are recorded when they become known as an offset to deferred agency revenue. Agency commission revenue is recorded as a component of other service fee income on the consolidated statement of comprehensive (loss) income. There were no changes to UMI's recognition policies as a result of adopting Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*.

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 14. 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, 2019 and 2018.

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, 2019 or 2018. At December 31, 2019, amounts overpaid by reinsurers to be refunded in the future totaled $1,083,904 and included as a component of reinsurance recoverable - paid losses.

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

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.

Note 2—Summary of significant accounting policies (continued)

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.

Current Pronouncements – The Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers*. This standard, along with all subsequent amendments to the ASU (collectively ASC 606), creates a single framework for recognizing revenue from contracts with customers that fall within its scope of exchange transactions. There were no material impacts to the consolidated financial statements and underlying accounting as a result of this implementation, which has been applied retrospectively to these consolidated financial statements.

The FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made. GCFA adopted this standard during the year ended December 31, 2019, and has adjusted the presentation of the consolidated financial statements accordingly. The update had no impact on prior year net assets.

Note 3—Liquidity and availability of resources

The table below represents financial assets available for general expenditures within one year at December 31, 2019 and 2018:

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	$ 18,501,720	$ 21,943,938
Investments, at fair value	131,624,808	128,029,744
Accrued interest and dividends receivable	599,052	659,710
Due from annual conferences	27,131,283	27,571,811
Accounts receivable	811,222	935,364
General Agency Benefit Trust assets	167,448,911	146,628,370
Premiums receivable, net of allowance for doubtful accounts	9,344,368	7,859,044
Commissions receivable	71,774	851,778
Total financial assets	355,533,138	334,479,759
Less amounts not available to be used for general expenditures within one year:		
Net assets in endowments subject to donor restriction	13,702,219	12,300,542
Net assets subject to purpose restriction	19,410	19,410
Due to related organizations:		
General agencies	43,681,402	38,221,984
General advance specials	6,186,423	14,942,676
General Funds	56,065,601	60,181,774
Board-designated net assets limited to use	241,859	241,859
General Agency Benefit Trust obligations	167,448,911	146,628,370
Funds held for investors in the UMC Foundation	50,472,628	46,524,673
Financial assets not available to be used within one year	337,818,453	319,061,288
Financial assets available to meet general expenditures within one year	$ 17,714,685	$ 15,418,471

As part of GCFA's liquidity management plan, it structures its financial assets to be available as its obligations become due. 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 assets not available for general expenditures within one year. These assets, which are limited to use, are more fully described in Notes 10 and 11.

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 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 Foundation are investments held by the Foundation as fiduciary. These assets are only available to the applicable investor for which the 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 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 $1,662,415 and $561,191 in 2019 and 2018, respectively, and has been reported as a reduction in investment return in the accompanying consolidated statements of activities.

The short-term pooled investments portfolio at December 31, 2019 and 2018 consists of the following:

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Texas Methodist Foundation Loan Fund	$ 14,215,822	$ 14,215,822	$ 14,034,044	$ 14,034,044
Mutual funds	1,866,333	2,187,560	1,441,618	1,937,304
Short-term collateralized loan fund	285,637	285,637	279,471	279,471
Fixed income	11,664,914	11,244,981	14,981,948	14,951,464
Corporate bonds	35,630,544	33,761,572	33,865,763	34,443,793
Cash	13,552,472	13,552,472	7,233,713	7,233,713
Total investments	$ 77,215,722	$ 75,248,044	$ 71,836,557	$ 72,879,789

Cash reflected above represents cash held in investment accounts and is included in cash and cash equivalents on the consolidated statements of financial position. Cash held in the short-term investments portfolio does not include cash on deposit in other operating depository bank accounts.

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, 2019 and 2018 was 4.17 % and 1.14%, 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, were as follows:

	2019	2018
Texas Methodist Foundation Loan Fund	18.4%	19.5%
Mutual funds	2.4%	2.0%
Short-term collateralized loan fund	0.4%	0.4%
Fixed income	15.1%	20.9%
Corporate bonds	46.1%	47.1%
Cash	17.6%	10.1%
	100.0%	100.0%

Note 4—Investments (continued)

Investment return consisted of the following for the years ended December 31, 2019 and 2018:

	2019	2018
Interest and dividends, net of interest paid to depositors	$ 1,055,279	$ 2,104,618
Realized and unrealized gains (losses)	4,061,994	(2,315,185)
Investment fees	(8,690)	(8,477)
	$ 5,108,583	$ (219,044)

	2019	2018
Operating investment return	$ 1,950,333	$ 2,064,123
Unrealized gains (losses) on debt securities to be held to maturity	3,158,250	(2,283,167)
	$ 5,108,583	$ (219,044)

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 nonoperating gains or losses on the consolidated statements of activities.

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, 2019 and 2018:

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Long-term investments portfolio				
UMC Foundation:				
Cash and cash equivalents	$ 2,226,151	$ 2,226,151	$ 4,660,577	$ 4,660,577
Mutual funds	4,907,308	4,883,059	9,323,083	9,743,539
Common stocks	41,161,894	36,362,836	33,929,864	36,997,953
Government securities	9,292,761	9,089,045	7,227,247	7,336,802
Corporate bonds	3,057,391	2,921,216	2,305,935	2,497,639
Alternative investments	6,259,233	5,523,250	4,699,238	4,199,255
Total UMC Foundation	66,904,738	61,005,557	62,145,944	65,435,765
Investments held in trust for UMI:				
Domestic corporate bonds	204,134	199,327	313,240	317,617
Foreign corporate bonds	86,670	85,291	93,194	94,149
Domestic government securities	725,569	714,102	825,332	831,571
Foreign government securities	40,447	40,197	49,190	50,181
Total UMI	1,056,820	1,038,917	1,280,956	1,293,518
Total long-term investments portfolio	$ 67,961,558	$ 62,044,474	$ 63,426,900	$ 66,729,283
General Agency Benefit Trust assets:				
Multiple Asset Fund (held with Wespath)	$ 167,448,911	$ 58,933,004	$ 146,628,370	$ 62,482,039

Note 4—Investments (continued)

Investment return that was solely attributable to the Foundation and not to the participants consisted of the following for the years ended December 31, 2019 and 2018 :

	2019	2018
Interest and dividends	$ 5,362	$ 4,197
Realized and unrealized gains (losses)	21,637	(21,466)
Investment fees	(780)	(746)
	$ 26,219	$ (18,015)

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.

Balanced Passive Fund - The Balanced Passive Fund's objective is to provide a reasonable level of current income and simultaneously to protect the purchasing power of the principal against inflation, while following the underlying benchmarks investments. This model is designed for those investors who are seeking a single asset allocation to provide broad diversification, reasonable current income, and protection against inflation.

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, 2019 and 2018.

Note 4—Investments (continued)

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.

Balanced Plus Passive Fund - The Balanced Plus Passive 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, including fund of hedge funds, long short hedge fund managers, credit and equity relative value strategies and managed futures that can utilize currency and commodity forwards and futures. This model is designed for those investors who are seeking an option 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:

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Balanced Fund	$ 5,611,644	$ 5,178,101	$ 28,424,000	$ 30,478,774
Balanced Passive Fund	26,998,686	24,596,151	-	-
Equity Fund	2,788,087	2,438,328	2,209,201	2,399,682
Fixed Income Fund	1,864,825	1,823,289	2,733,345	2,832,094
Short-Term Income Fund	1,106,758	1,101,412	1,095,540	1,092,052
International Equity Fund	90,906	96,965	77,368	95,922
Balanced Plus Fund	14,326,147	12,768,385	27,428,939	28,335,131
Balanced Plus Passive Fund	13,895,574	12,803,126	-	-
Small/Mid Cap Domestic Equity Growth Portfolio	123,527	98,754	94,163	100,118
Small/Mid Cap Domestic Equity Value Portfolio	98,584	101,046	83,388	101,990
Total investments	$ 66,904,738	$ 61,005,557	$ 62,145,944	$ 65,435,764

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.

	2019			
	Balanced Fund	Equity Fund	Fixed Income Fund	Balanced Plus Fund
Investment return on the average participant's account, net of total expenses	21.80%	31.68%	9.33%	17.87%
Total expenses for the average participant's account	1.06%	1.05%	0.83%	1.17%

	2018			
	Balanced Fund	Equity Fund	Fixed Income Fund	Balanced Plus Fund
Investment return on the average participant's account, net of total expenses	-7.88%	-11.51%	-0.89%	-5.77%
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, 2019 and 2018:

	2019	2018
Interest and dividends	$ 112,384	$ 88,566
Amortization expense	1,467	488
Realized and unrealized losses	(6,663)	(25,823)
Investment fees	(6,404)	(11,536)
	$ 100,784	$ 51,695

Note 5—Land and fixed assets

Land and fixed assets consist of the following as of December 31, 2019 and 2018:

	2019	2018
Land	$ 1,752,408	$ 1,752,408
Building	4,547,406	4,547,406
Equipment	2,306,859	2,124,595
Software	1,386,170	1,451,233
Building improvements	980,361	956,061
Office furniture	372,844	372,844
Total land and fixed assets	11,346,048	11,204,547
Less accumulated depreciation and amortization	(5,982,713)	(5,692,133)
Land and fixed assets, net	$ 5,363,335	$ 5,512,414

Depreciation expense totaled $355,644 and $550,225 for the years ended December 31, 2019 and 2018, respectively.

Note 6—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 bi-weekly 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 $488,962 and $586,884 in 2019 and 2018, respectively.

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

Note 6—Employee benefits (continued)

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

All of 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 $757,977 and $938,992 in 2019 and 2018, respectively, exclusive of reimbursement from the Benefit Trust.

The Plan's unfunded accumulated postretirement benefit obligation was approximately $76,725,000 and $94,500,000 and the Plan's unfunded expected postretirement benefit obligation was approximately $106,750,000 and $131,500,000 as of December 31, 2019 and 2018, respectively.

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 $167,449,000 and $146,625,000 as of December 31, 2019 and 2018, 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 2019 and 2018) 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 $8,797,702 and $9,948,300 in 2019 and 2018, respectively. GCFA's retained share of the 2019 and 2018 amount was $811,974 and $949,351, 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 7—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 8—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 9—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 2019 and 2018 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 2019 and 2018, 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.

The activity of the Permanent Fund for the years ended December 31, 2019 and 2018 was as follows:

	2019	2018
Contributions	$ 2,015	$ 100
Dividends and interest income	596,193	924,634
Unrealized investment gains (losses)	1,810,377	(1,840,272)
Gas royalties	7,279	7,745
Distributions to General Funds	(1,029,598)	(605,951)
Property taxes	(142)	(151)
Net increase (decrease) in permanent funds	$ 1,386,124	$ (1,513,895)

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 consolidated statements of financial position.

Note 10—Board-designated net assets

Certain net assets without donor restrictions at December 31, 2019 and 2018 have been designated by the Board of Directors for the following purposes:

	2019	2018
Annual Conference Administrative and Financial Support	$ 241,859	$ 241,859

Note 11—Net assets with donor restrictions

Net assets with donor restrictions at December 31, 2019 and 2018 have been restricted by the donors for the following purpose restrictions:

	2019	2018
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
Total subject to purpose restriction	19,410	19,410
Endowments:		
The Professional Association of UMC Secretaries endowment	50	50
Permanent Fund endowment fund held in perpetuity	5,507,590	5,505,575
Accumulated earnings on Permanent Fund endowment fund	8,070,680	6,686,571
UMC Foundation endowment fund held in perpetuity	79,347	79,097
Accumulated earnings on UMC Foundation endowment fund	44,552	29,249
Total endowments	13,702,219	12,300,542
Total net assets with donor restrictions	$ 13,721,629	$ 12,319,952

Note 12—Endowment

The Foundation has established an endowment solely for the charitable purposes of the Church, with its principal objectives being the promotion and development of religious, charitable, and educational activities. In addition, the Permanent Fund held by GCFA, which is more fully described in Note 9, is a donor-restricted endowment fund established from various gifts from third parties for the benefit of the Church.

The Board of Directors of GCFA 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, GCFA 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, GCFA 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 GCFA
- The investment policies of GCFA

Note 12—Endowment (continued)

As of December 31, 2019 and 2018, GCFA had the following endowment net asset composition by type of fund:

	2019		
	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	$ -	$ 5,586,987	$ 5,586,987
Accumulated investment gains	-	8,115,232	8,115,232
Endowment net assets, December 31,	$ -	$ 13,702,219	$ 13,702,219

	2018		
	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	$ -	$ 5,584,722	$ 5,584,722
Accumulated investment gains	-	6,715,820	6,715,820
Endowment net assets, December 31,	$ -	$ 12,300,542	$ 12,300,542

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, 2019 and 2018, GCFA had no underwater endowments.

Investment and Spending Policies – GCFA may choose to make distributions of the income to any proper recipient. 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 Church which is based on a policy of total long-term return of 6.5%. The following percentages may be used to guide GCFA'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, GCFA 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 – GCFA 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 GCFA 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. GCFA expects its endowment funds, over time, to produce current income within the total return strategy. Actual returns may vary.

Note 12—Endowment (continued)

Strategies Employed for Achieving Objectives – 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 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, 2019 and 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2017	$ -	$ 13,825,183	$ 13,825,183
Investment return, net	-	(918,889)	(918,889)
Contributions	-	350	350
Appropriation of endowment assets for expenditure pursuant to spending-rate policy	-	(606,102)	(606,102)
Endowment net assets, December 31, 2018	-	12,300,542	12,300,542
Investment return, net	-	2,429,151	2,429,151
Contributions	-	2,265	2,265
Appropriation of endowment assets for expenditure pursuant to spending-rate policy	-	(1,029,739)	(1,029,739)
Endowment net assets, December 31, 2019	$ -	$ 13,702,219	$ 13,702,219

During the year ended December 31, 2019, management determined that the Permanent Fund, discussed in Note 9, was more properly classified as an endowment and reclassified the Permanent Fund to endowment net assets. The impact of the reclassification was a decrease in purpose restricted net assets and an increase in endowment net assets of $13,706,042 as of December 31, 2017.

Note 13—Fair value of financial instruments

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on GCFA's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at December 31, 2019 and 2018 for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

December 31, 2019	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	$ 14,215,822	$ -	$ -	$ 14,215,822
Mutual funds	1,866,333	1,866,333	-	-
Short-term collateralized loan fund	285,637	285,637	-	-
Fixed income	11,664,914	11,664,914	-	-
Corporate bonds	35,630,544	-	35,630,544	-
Total short-term investment portfolio	63,663,250	$ 13,816,884	$ 35,630,544	$ 14,215,822
Long-term investment portfolio:				
Cash and cash equivalents	2,226,151	2,226,151	-	-
Mutual funds	4,907,308	4,907,308	-	-
Common stocks	41,161,894	41,161,894	-	-
Government securities	10,058,777	10,058,777	-	-
Corporate bonds	3,348,195	-	3,348,195	-
	61,702,325	$ 58,354,130	$ 3,348,195	$ -
Alternative investments:				
Renaissance Access*	2,096,410			
Skybridge Multi-Advisor*	1,235,516			
CQS ABS*	1,027,547			
Summit Partners*	600,760			
Blackstone Alternative Alpha*	1,143,949			
Arden Investment Advisors*	155,051			
Total long-term investment portfolio	67,961,558			
Benefit Trust Assets - Multiple Asset Fund (Held with Wespath)*	167,448,911			
Total investments at fair value	$ 299,073,719			

Note 13—Fair value of financial instruments (continued)

December 31, 2018	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	$ 14,034,044	$ -	$ -	$ 14,034,044
Mutual funds	1,441,618	1,441,618	-	-
Short-term collateralized loan fund	279,471	279,471	-	-
Fixed income	14,981,948	14,981,948	-	-
Corporate bonds	33,865,763	-	33,865,763	-
Total short-term investment portfolio	64,602,844	$ 16,703,037	$ 33,865,763	$ 14,034,044
Long-term investment portfolio:				
Cash and cash equivalents	4,660,577	4,660,577	-	-
Mutual funds	9,323,083	9,323,083	-	-
Common stocks	33,929,864	33,929,864	-	-
Government securities	8,101,769	8,101,769	-	-
Corporate bonds	2,712,369	-	2,712,369	-
	58,727,662	$ 56,015,293	$ 2,712,369	$ -
Alternative investments:				
Renaissance Access*	1,684,970			
Skybridge Multi-Advisor*	1,206,269			
Carlson Double Black Diamond*	540,281			
Blackstone Alternative Alpha*	1,108,660			
Arden Investment Advisors*	159,058			
Total long-term investment portfolio	63,426,900			
Benefit Trust Assets - Multiple Asset Fund (Held with Wespath)*	146,628,370			
Total investments at fair value	$ 274,658,114			

* 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 13—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, 2019:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multiple Asset Fund (Wespath) [a]	$ 167,448,911	none	daily	daily
Renaissance Access [b]	2,096,410	none	quarterly	50 days
Skybridge Multi-Advisor [c]	1,235,516	none	quarterly	65 days
CQS ABS [d]	1,027,547	none	quarterly	65 days
Summit Partners [e]	600,760	none	quarterly	65 days
Blackstone Alternative Alpha [f]	1,143,949	none	quarterly	April 20, June 20, September 20
Arden Investment Advisors [g]	155,051	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) CQS ABS operates as a feeder fund and invests in asset backed securities and related markets using a range of securities, derivatives and other financial instruments. The investment objective of the fund is to achieve attractive risk adjusted returns over the medium to long term.

(e) Summit Partners Sustainable Opportunities L/S Fund Limited is an alternative investment fund primarily invested in long and short investments in global equity securities and other equity-related instruments of public companies. The fund seeks to make investments based on individual themes and focus on companies that offer disruptive, market-driven solutions to global sustainability challenges. The primary investment objective is to achieve capital appreciation and deliver strong risk-adjusted returns over a market cycle.

Note 13—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 2019 and 2018 for assets measured at fair value based on Level 3 significant unobservable information:

	Texas Methodist Foundation Loan Fund
December 31, 2017	$ 13,826,597
Purchases	7,500,000
Interest income	207,447
Withdrawals	(7,500,000)
December 31, 2018	14,034,044
Interest income	425,936
Withdrawals	(244,158)
December 31, 2019	$ 14,215,822

Note 14—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 14—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	10/1/12-3/31/17	100% of $1 million per occurrence, $25 million in aggregate
	4/1/17-12/31/18	90% of $1 million per occurrence, $25 million in aggregate
	1/1/19-12/31/19	100% of $1 million per occurrence
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
	1/1/18-12/31/18	95% of $5 million per occurrence, $25 million in aggregate
		100% of $25 million in excess of $5 million per occurrence and $50 million in aggregate
	1/1/19-12/31/19	100% of insured values
General liability (including casualty 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
	1/1/15-12/31/18	95% of $3 million per occurrence
	1/1/19-12/31/19	100% of $3 million per occurrence
Equipment breakdown	10/1/12-12/31/19	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
	1/1/18-12/31/18	95% of $5 million per occurrence
	1/1/19-12/31/19	100% of $5 million per occurrence
Terrorism	10/1/12-12/31/14	100% of $40 million per occurrence and annually in aggregate
	1/1/15-12/31/18	100% of $55 million in excess of $25,000 per occurrence and $55 million annually in aggregate
	1/1/19-12/31/19	100% of insured values plus liability limits

Note 14—Insurance activity (continued)

In May 2018, GCFA decided to change the direction of the property and casualty insurance program of the Church. As a consequence, effective January 1, 2019, UMI ceased providing new and renewal coverage with the intention of having UMI's operations consist solely of the run-off of its insurance business. Effective March 1, 2019, due to lower than projected renewal rates into UMIA third party insurer placements, UMI began writing on a direct basis at varying limits, self-insured retentions, and deductibles, D&O, EPL, property liability, general liability, sexual misconduct, equipment breakdown, umbrella, and terrorism coverage to members of GCFA. UMI reinsures 100% of all lines of coverage with an unaffiliated reinsurer.

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 $1,081,285 and $1,283,291 as of December 31, 2019 and 2018, 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, 2019 and 2018.

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, 2019 and 2018 are as follows:

	2019		2018	
	Written	**Earned**	**Written**	**Earned**
Direct	$ 15,862,104	$ 16,760,684	$ 21,842,001	$ 21,004,894
Ceded	(15,748,793)	(15,728,699)	(19,642,810)	(18,839,647)
Net	$ 113,311	$ 1,031,985	$ 2,199,191	$ 2,165,247

Note 14—Insurance activity (continued)

The components of the liability for losses and loss adjustment expenses and related reinsurance recoverable as of December 31, 2019 and 2018 are as follows:

	2019		2018	
	Gross Liability	Reinsurance Recoverable	Gross Liability	Reinsurance Recoverable
Case-basis reserves	$ 5,985,046	$ 5,422,828	$ 10,076,212	$ 9,225,922
IBNR reserves	8,647,691	8,249,413	8,405,244	7,877,767
Claim handling fees	84,200	-	202,800	-
Net	$ 14,716,937	$ 13,672,241	$ 18,684,256	$ 17,103,689

Losses and loss adjustment expense activity for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Liabilities as of January 1, net of reinsurance recoverable of $17,103,689 and $13,110,235, respectively	$ 1,580,567	$ 1,487,197
Incurred related to:		
Current year	256,300	1,114,249
Development of prior years	47,926	(102,713)
Claim handling fees	285,337	457,216
Total incurred during the year	589,563	1,468,752
Paid related to:		
Current year	(163,949)	(401,394)
Prior years	(676,148)	(516,772)
Claim handling fees	(285,337)	(457,216)
Total paid during the year	(1,125,434)	(1,375,382)
Liability as of December 31, net of reinsurance recoverable of $13,672,241 and $17,103,689, respectively	$ 1,044,696	$ 1,580,567

The unfavorable prior year development of $47,926 recorded in 2019 is predominantly attributable to development on the 2018 and 2017 property coverage, the 2006 sexual misconduct coverage assumed from Zurich and 2017 general liability coverage off set by generally favorable development on other lines of business.

The favorable prior year development of $102,713 recorded in 2018 is predominantly attributable to development on the 2016 and 2017 property coverage and the 2006 sexual misconduct coverage assumed from Zurich off set by generally favorable development on other lines of business.

Note 14—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 consolidated statements of financial position as of December 31, 2019 and 2018 is as follows:

	2019	2018
Net outstanding liabilities:		
Property and Crime	$ 350,518	$ 656,836
General Liability	54,125	62,119
Sexual Misconduct	110,410	137,388
Other short-duration insurance lines	445,443	521,424
Liabilities for unpaid losses and loss adjustment expenses, net of reinsurance	960,496	1,377,767
Reinsurance recoverable:		
Property and Crime	9,861,535	12,479,889
General Liability	1,354,467	1,182,233
Sexual Misconduct	1,313,544	1,269,603
Other short-duration insurance lines	1,142,695	2,171,964
Total reinsurance recoverable on unpaid losses and loss adjustment expenses	13,672,241	17,103,689
Unallocated loss adjustment expenses	84,200	202,800
Total gross liability for unpaid losses and loss adjustment expenses	$ 14,716,937	$ 18,684,256

Other short-duration insurance lines above includes liabilities for unpaid losses and loss adjustment expenses, net of reinsurance of $408,365 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 six years requiring disclosure by ASU 2015-09, *Disclosures about Short-Duration Contracts*.

Note 14—Insurance activity (continued)

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, 2019, 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	-	-	-	151
2015	284,928	284,928	-	233
2016	455,000	434,507	20,493	373
2017	720,000	707,021	12,979	446
2018	1,110,000	978,779	131,221	505
2019	345,000	159,175	185,825	322
Total	$ 2,914,928	$ 2,564,410	$ 350,518	

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	11,619	11,619	-	34
2016	6,466	6,466	-	56
2017	47,500	14,015	33,485	74
2018	16,500	5,986	10,514	79
2019	14,500	4,374	10,126	48
Total	$ 96,585	$ 42,460	$ 54,125	

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	7,000	1,785	5,215	1
2016	10,000	-	10,000	-
2017	15,500	397	15,103	1
2018	19,500	-	19,500	-
2019	10,000	-	10,000	-
Total	$ 62,000	$ 2,182	$ 59,818	

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

Note 15—Related party transactions and service providers

During the years ended December 31, 2019 and 2018, 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 $239,912 and $331,471 for the years ending December 31, 2019 and 2018, respectively, and are included as a component of insurance services on the consolidated statements of activities. UMI reimburses GCFA for expenses quarterly, and the payable amount as of December 31, 2019 and 2018 totaled $68,402 and $73,684, respectively, and are eliminated on the consolidated statements of financial position. This expense includes salaries, benefits, and related payroll expenses totaling $213,728 and $264,003 for 2019 and 2018, respectively, associated with UMI's president and CEO.

GCFA received administration fees of $6,500 and $35,200 during 2019 and 2018, respectively, based on a fixed fee arrangement agreed to by UMI and GCFA. This fee is eliminated in consolidation of UMI.

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 $144,250 and $133,000 for the years ending December 31, 2019 and 2018, 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 Suracy to provide program administration, brokerage, policy issuance, underwriting, and loss control services for its Members. Expenses incurred related to Suracy services totaled $2,224,269 during 2019, of which $1,979,983 is included as a component of policy acquisition and other underwriting expenses and $244,286 is included as a component of general and administrative expenses on the consolidated statement of activities.

Prior to 2019, 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 $2,420,078 during 2018, of which $1,997,307 is included as a component of policy acquisition and other underwriting expenses and $422,771 is included as a component of general and administrative expenses on the consolidated statements of activities.

Note 15—Related party transactions and service providers (continued)

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

	2019	2018
Consolidated Statements of Financial Position:		
Due from annual conferences	$ 27,131,283	$ 27,571,811
Due from UMI	68,402	73,684
General Agency Benefit Trust assets	167,448,911	146,628,370
Due to related organizations:		
General agencies	43,681,402	38,221,984
Other affiliated organizations	221,565	187,247
General advance specials	6,186,423	14,942,676
General Funds	56,065,601	60,181,774
General Agency Benefit Trust obligations	167,448,911	146,628,370
Consolidated Statements of Activities - Revenues:		
Allocation from The General Funds	6,369,449	6,718,962
Distribution from Benefit Trust	811,974	949,351
Consolidated Statements of Activities - Expenses:		
Group insurance expense	757,977	938,992

Note 16—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 (“U.S. 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, 2019 and 2018, UMI’s net assets without donor restrictions amounted to $2,560,627 and $3,032,440, 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, and is required to be paid annually until the notes have been fully paid. Upon approval from the Department, a surplus note totaling $8,700 was settled with one former member during 2014. Upon approval of the Department, surplus notes totaling $358,050 were repaid to former members during 2019. Interest payments of $10,390 and $11,935 were made on the surplus notes in 2019 and 2018, respectively, upon approval from the Department. Interest payable totaling $362 and $425 was accrued at December 31, 2019 and 2018, respectively. Interest payable is included as a component of accounts payable and accrued expenses on the statements of financial position.

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 $100,000 and $125,000 were made on the surplus note in 2019 and 2018, respectively, upon approval from the Department. Interest payable of $-0- was due and accrued on the surplus note at December 31, 2019 and 2018, respectively. Interest payable is included as a component of accounts payable and accrued expenses on the consolidated statements of financial position. This surplus note and related interest have been eliminated in these consolidated financial statements.

Note 16—Net assets – UMI (continued)

All principal and interest payments are subject to approval by the Department. Interest expense totaled $110,326 and $111,935 in 2019 and 2018, respectively, and is included as a component of general and administrative expenses on the consolidated statements of activities. For regulatory purposes, the note is considered contributed capital in accordance with accounting practices prescribed by the Department. However, such inclusion in net assets without donor restrictions is not in accordance with U.S. GAAP, which requires the surplus notes to be carried as a liability. As such, the surplus notes have been presented as a liability in the consolidated statements of financial position as of December 31, 2019 and 2018.

Note 17—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 18—Subsequent events

Management has evaluated subsequent events through August 14, 2020, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure except for those disclosed below.

In December 2019, the Protocol of Reconciliation and Grace Through Separation was signed in response to a decision reached at the February 2019 Special Session of the General Conference for the Church to separate. The vote on the details of the division of the Church's assets will take place at the next General Conference of The United Methodist Church. The financial impact of the decision on GCFA is unknown at this time.

In accordance with Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the ''CARES Act''), GCFA applied for and received a Paycheck Protection Program loan on April 16, 2020, totaling $2,653,756. Section 1106 of the CARES Act provides for forgiveness of up to the full principal amount of qualifying loans including accrued interest to the extent GCFA incurs certain qualifying expenses and maintains a certain level of average full-time equivalent employees during the measurement period following closing of the loan. Any portion of the loan that is not forgiven has a term of two years with an interest rate of 1%.

As a result of the spread of COVID-19 in early 2020, economic uncertainties have arisen, which are likely to negatively impact operating results of GCFA. Other financial impacts could occur though such potential impact is unknown at this time.

SUPPLEMENTAL INFORMATION

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

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	2019							
	GCFA	UMC Foundation	UMI	Permanent Fund	Benefit Trust	Eliminations	TOTAL	2018 TOTAL
ASSETS								
Cash and cash equivalents	$ 18,227,067	$ -	$ 274,653	$ -	$ -	$ -	$ 18,501,720	$ 21,943,938
Short-term investment portfolio	63,663,250	-	-	-	-	-	63,663,250	64,602,844
Accrued interest and dividends receivable	599,052	-	-	-	-	-	599,052	659,710
Due from annual conferences	27,131,283	-	-	-	-	-	27,131,283	27,571,811
Accounts receivable	786,556	24,574	-	92	-	-	811,222	935,364
Prepaid expenses and other assets	282,147	-	104,618	-	-	-	386,765	866,643
Long-term investment portfolio	2,452,242	66,904,738	1,056,820	13,820,882	-	(16,273,124)	67,961,558	63,426,900
Notes receivable	2,000,000	-	-	-	-	(2,000,000)	-	-
General Agency Benefit Trust assets	-	-	-	-	167,448,911	-	167,448,911	146,628,370
Land and fixed assets, net	5,363,335	-	-	-	-	-	5,363,335	5,512,414
Investment in subsidiary	3,664,690	-	-	-	-	(3,664,690)	-	-
Premiums receivable, net of allowance for doubtful account	-	-	9,344,368	-	-	-	9,344,368	7,859,044
Reinsurance recoverable - paid losses	-	-	2,966,817	-	-	-	2,966,817	3,123,905
Reinsurance recoverable - unpaid losses	-	-	13,672,241	-	-	-	13,672,241	17,103,689
Commission receivable	-	-	71,774	-	-	-	71,774	851,778
Deferred policy acquisition costs	-	-	1,384,824	-	-	-	1,384,824	930,837
Prepaid reinsurance premium	-	-	8,920,046	-	-	-	8,920,046	8,899,953
Loss escrow	-	-	545,000	-	-	-	545,000	745,000
Total Assets	$ 124,169,622	$ 66,929,312	$ 38,341,161	$ 13,820,974	$ 167,448,911	$ (21,937,814)	$ 388,772,166	$ 371,662,200

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

CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	2019							2018
	GCFA	UMC Foundation	UMI	Permanent Fund	Benefit Trust	Eliminations	TOTAL	TOTAL
LIABILITIES AND NET ASSETS								
Liabilities:								
Accounts payable and accrued expenses	$ 1,153,430	$ 5,528	$ 538,538	$ 4,031	$ -	$ -	$ 1,701,527	$ 1,512,495
Due to Related Organizations:								
General agencies	43,681,402	-	-	-	-	-	43,681,402	38,221,984
Other affiliated organizations	31,697	(48,805)	-	238,673	-	-	221,565	187,247
General advance specials	6,186,423	-	-	-	-	-	6,186,423	14,942,676
General Funds	56,065,601	-	-	-	-	-	56,065,601	60,181,774
Capital lease obligations	-	-	-	-	-	-	-	1,287
General Agency Benefit Trust obligations	-	-	-	-	167,448,911	-	167,448,911	146,628,370
Funds held for investors in the UMC Foundation	-	66,745,752	-	-	-	(16,273,124)	50,472,628	46,524,673
Liability for losses and loss adjustment expenses	-	-	14,716,937	-	-	-	14,716,937	18,684,256
Losses payable	-	-	141,094	-	-	-	141,094	609,274
Unearned premiums	-	-	9,004,077	-	-	-	9,004,077	9,902,656
Reinsurance premiums payable	-	-	8,081,528	-	-	-	8,081,528	10,326,090
Commission payable	-	-	1,605,860	-	-	-	1,605,860	826,213
Deferred ceding commissions	-	-	1,381,041	-	-	-	1,381,041	1,709,124
Deferred agency revenue	-	-	296,207	-	-	-	296,207	-
Surplus notes	-	-	4,028,950	-	-	(2,000,000)	2,028,950	2,387,000
Total Liabilities	107,118,553	66,702,475	39,794,232	242,704	167,448,911	(18,273,124)	363,033,751	352,645,119
Net Assets:								
Without Donor Restrictions:								
Invested in property and equipment	5,363,335	-	-	-	-	-	5,363,335	5,512,414
Board-designated	3,906,549	-	-	-	-	(3,664,690)	241,859	241,859
Undesignated	7,771,108	93,555	(1,453,071)	-	-	-	6,411,592	942,856
Total Without Donor Restrictions	17,040,992	93,555	(1,453,071)	-	-	(3,664,690)	12,016,786	6,697,129
With Donor Restrictions:								
Subject to purpose restrictions	10,027	9,383	-	-	-		19,410	19,410
Endowment	50	123,899	-	13,578,270	-		13,702,219	12,300,542
Total With Donor Restrictions	10,077	133,282	-	13,578,270	-	-	13,721,629	12,319,952
Total Net Assets	17,051,069	226,837	(1,453,071)	13,578,270	-	(3,664,690)	25,738,415	19,017,081
Total Liabilities and Net Assets	$ 124,169,622	$ 66,929,312	$ 38,341,161	$ 13,820,974	$ 167,448,911	$ (21,937,814)	$ 388,772,166	$ 371,662,200

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

CONSOLIDATING STATEMENT OF ACTIVITIES BY NET ASSET CATEGORY

YEAR ENDED DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	2019					
	Without Donor Restrictions					
	GCFA	UMC Foundation	UMI	Board Designated	Intercompany Eliminations	Total Without Donor Restrictions
Operating Revenue and Support:						
Allocation from UMC:						
Allocation from the General Funds:						
World Service Fund	$ 1,919,119	$ -	$ -	$ -	$ -	$ 1,919,119
Episcopal	745,656	-	-	-	-	745,656
General Administration	3,516,822	-	-	-	-	3,516,822
Interdenominational Cooperation	50,791	-	-	-	-	50,791
Human Relations Day	13,748	-	-	-	-	13,748
One Great Hour of Sharing	78,966	-	-	-	-	78,966
Student Day	10,789	-	-	-	-	10,789
World Communion Day	19,345	-	-	-	-	19,345
Peace with Justice Sunday	6,317	-	-	-	-	6,317
Native American Ministries Sunday	7,896	-	-	-	-	7,896
Total all General Funds	6,369,449	-	-	-	-	6,369,449
Other Operating Income:						
Investment Return:						
Interest and dividends, net of fees and interest paid to depositors	1,041,221	2,249	100,784	-	(100,000)	1,044,254
Realized gains (losses) on investments	882,108	(11)	-	-	-	882,097
Unrealized gains on investments	-	8,679	-	-	-	8,679
Investment Return, Net	1,923,329	10,917	100,784	-	(100,000)	1,935,030
Distribution from Benefit Trust	811,974	-	-	-	-	811,974
Contribution and other	776,144	345	259,693	-	(5,600)	1,030,582
Premiums earned, net of reinsurance	-	-	1,031,985	-	-	1,031,985
Ceding commission revenue	-	-	2,757,008	-	-	2,757,008
Other service fee income	1,609,309	220,604	-	-	(15,200)	1,814,713
Total Other Operating Income	5,120,756	231,866	4,149,470	-	(120,800)	9,381,292
Total Operating Revenue and Support	11,490,205	231,866	4,149,470	-	(120,800)	15,750,741
Operating Expenses:						
Program Services:						
Administration	4,873,057	-	-	-	-	4,873,057
Financial services	1,209,134	-	-	-	-	1,209,134
Management information systems	2,784,751	-	-	-	-	2,784,751
Statistics and records	339,737	-	-	-	-	339,737
Total Program Services	9,206,679	-	-	-	-	9,206,679
Fundraising	810	-	-	-	-	810
United Methodist Church Foundation:						
Funds management	-	215,471	-	-	(13,860)	201,611
Management and general	-	23,941	-	-	(1,540)	22,401
United Methodist Insurance Company:						
Insurance services	-	-	4,325,088	-	(105,400)	4,219,688
Total Operating Expenses	9,207,489	239,412	4,325,088	-	(120,800)	13,651,189
Excess (deficiency) of operating revenue over operating expenses	2,282,716	(7,546)	(175,618)	-	-	2,099,552
Nonoperating Revenues (Expenses):						
Net increase (decrease) in Permanent Fund	-	-	-	-	-	-
Unrealized gains (losses) on debt securities to be held to maturity	3,158,250	-	-	-	-	3,158,250
Other comprehensive gain (loss)	-	-	61,855	-	-	61,855
Total Nonoperating Revenues (Expenses)	3,158,250	-	61,855	-	-	3,220,105
Change in net assets	5,440,966	(7,546)	(113,763)	-	-	5,319,657
Net assets, beginning of year	7,693,477	101,101	(1,339,308)	241,859	-	6,697,129
Net assets, end of year	$ 13,134,443	$ 93,555	$ (1,453,071)	$ 241,859	$ -	$ 12,016,786

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, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

2019					
With Donor Restrictions					
UMC Foundation	Other	Permanent Fund	Total With Donor Restrictions	2019 Total Consolidated	2018 Total Consolidated
$ -	$ -	$ -	$ -	$ 1,919,119	$ 1,955,812
-	-	-	-	745,656	759,624
-	-	-	-	3,516,822	3,816,846
-	-	-	-	50,791	50,950
-	-	-	-	13,748	13,441
-	-	-	-	78,966	76,122
-	-	-	-	10,789	10,863
-	-	-	-	19,345	19,367
-	-	-	-	6,317	6,955
-	-	-	-	7,896	8,982
-	-	-	-	6,369,449	6,718,962
2,334	-	-	2,334	1,046,588	2,096,157
17	-	-	17	882,114	(32,034)
12,952	-	-	12,952	21,631	-
15,303	-	-	15,303	1,950,333	2,064,123
-	-	-	-	811,974	949,351
250	-	-	250	1,030,832	808,571
-	-	-	-	1,031,985	2,165,247
-	-	-	-	2,757,008	3,955,184
-	-	-	-	1,814,713	2,045,868
15,553	-	-	15,553	9,396,845	11,988,344
15,553	-	-	15,553	15,766,294	18,707,306
-	-	-	-	4,873,057	5,415,329
-	-	-	-	1,209,134	1,146,372
-	-	-	-	2,784,751	3,503,191
-	-	-	-	339,737	529,463
-	-	-	-	9,206,679	10,594,355
-	-	-	-	810	301,678
-	-	-	-	201,611	136,314
-	-	-	-	22,401	15,146
-	-	-	-	4,219,688	5,500,218
-	-	-	-	13,651,189	16,547,711
15,553	-	-	15,553	2,115,105	2,159,595
-	-	1,386,124	1,386,124	1,386,124	(1,513,895)
-	-	-	-	3,158,250	(2,283,167)
-	-	-	-	61,855	(32,011)
-	-	1,386,124	1,386,124	4,606,229	(3,829,073)
15,553	-	1,386,124	1,401,677	6,721,334	(1,669,478)
117,729	10,077	12,192,146	12,319,952	19,017,081	20,686,559
$ 133,282	$ 10,077	$ 13,578,270	$ 13,721,629	$ 25,738,415	$ 19,017,081

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, 2019

	Administration											
	General Secretary's Office	Building & Support Services	Episcopal Services	Legal Services	Audit	Staff Benefits/ Recruitment	Shared Services	Association Training And Other	Meetings	Annual Conference Support	Total	Budget (Unaudited)
Salaries	$ 612,093	$ 647,651	$ 204,223	$ 407,911	$ -	$ 493,678	$ 355,396	$ -	$ -	$ -	$ 2,720,952	$ 2,776,880
Employee benefits	166,032	222,017	63,623	126,663	-	178,455	70,155	-	-	-	826,945	897,584
Continuing education	7,455	2,329	-	370	-	7,524	255	-	-	-	17,933	34,495
Retiree benefits	-	-	-	-	-	103,626	-	-	-	-	103,626	141,336
Telephone	6,721	4,523	1,440	1,320	-	2,385	3,710	-	686	-	20,785	20,884
Postage and freight	155	11,120	79	21	-	112	1,143	-	-	-	12,630	8,870
Printing	334	69	-	-	-	-	1,338	-	3,685	-	5,426	16,520
Office supplies	70	9,933	-	38	-	371	843	-	4,404	-	15,659	24,900
Subscriptions and memberships	8,205	1,242	-	1,737	-	1,939	11,880	-	-	-	25,003	25,605
Equipment replacement/maintenance	3,199	6,437	-	-	-	-	-	-	-	-	9,636	7,109
Software support and maintenance	236	114,109	-	-	-	3	-	-	-	-	114,348	107,291
Building repair and maintenance	-	160,340	-	-	-	-	-	-	-	-	160,340	168,015
Promotional materials/other office expense	2,070	-	-	-	-	-	1,500	-	-	-	3,570	7,100
Depreciation	-	150,478	-	-	-	2,000	-	-	-	-	152,478	152,853
Professional fees	1,469	6,734	-	71,731	761,585	832	149	-	10,570	-	853,070	789,973
Meeting	-	34	-	1,455	-	31	2,788	20,475	102,133	-	126,916	146,517
Staff travel	8,074	3,053	6,722	6,419	-	2,770	33,777	7,335	169,663	-	237,813	394,031
Insurance	-	-	-	193,324	-	-	-	-	-	-	193,324	201,762
Bank/financing charges	-	-	-	-	-	-	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-
Overhead allocation	(24,048)	(210,134)	-	(10,398)	-	(443,399)	(42,750)	-	-	-	(730,729)	(528,057)
Other	-	3,000	-	-	-	-	-	-	332	-	3,332	500
Total Expenses for Operations	$ 792,065	$ 1,132,935	$ 276,087	$ 800,591	$ 761,585	$ 350,327	$ 440,184	$ 27,810	$ 291,473	$ -	$ 4,873,057	$ 5,394,168

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, 2019

	Operations						Fundraising			
	Financial Services	**Budget (Unaudited)**	**Management Information Systems**	**Budget (Unaudited)**	**Statistics and Records**	**Budget (Unaudited)**	**Development Center Actual**	**Budget (Unaudited)**	**Total**	**Budget (Unaudited)**
Salaries	$ 909,269	$ 890,466	$ 1,408,321	$ 1,698,306	$ 239,169	$ 244,713	$ -	$ -	$ 5,277,711	$ 5,610,365
Employee benefits	305,892	295,205	339,889	573,039	96,285	112,342	-	-	1,569,011	1,878,170
Continuing education	8,764	5,450	16,091	21,320	115	5,500	-	-	42,903	66,765
Retiree benefits	-	-	-	-	-	-	-	-	103,626	141,336
Telephone	1,593	1,716	164,215	125,689	800	960	-	-	187,393	149,249
Postage and freight	611	3,120	2,937	3,000	-	-	-	-	16,178	14,990
Printing	-	-	-	-	-	-	-	-	5,426	16,520
Office supplies	1,560	2,400	10,747	14,000	356	3,130	-	-	28,322	44,430
Subscriptions and memberships	570	1,544	346	130	-	3,765	-	-	25,919	31,044
Equipment replacement/maintenance	174	-	274,909	269,002	-	-	-	-	284,719	276,111
Software support and maintenance	-	-	407,517	406,615	619	2,880	646	-	523,130	516,786
Building repair and maintenance	-	-	-	-	-	-	-	-	160,340	168,015
Promotional materials/other office expense	-	-	-	-	-	-	-	-	3,570	7,100
Depreciation	-	-	203,166	208,674	-	-	-	-	355,644	361,527
Professional fees	35,573	-	39,266	20,000	182	7,500	-	-	928,091	817,473
Meeting	-	-	-	-	-	-	-	-	126,916	146,517
Staff travel	6,142	7,420	65,599	89,585	2,011	4,755	-	-	311,565	495,791
Insurance	-	-	-	-	-	-	-	-	193,324	201,762
Bank/financing charges	34,389	-	6	-	-	-	164	-	34,559	-
Bad debt expense	(13,000)	-	-	-	-	-	-	-	(13,000)	-
Overhead allocation	(82,985)	(83,000)	(148,258)	(148,258)	-	-	-	-	(961,972)	(759,315)
Other	582	-	-	19	200	2,000	-	-	4,114	2,519
Total Expenses for Operations	$ 1,209,134	$ 1,124,321	$ 2,784,751	$ 3,281,121	$ 339,737	$ 387,545	$ 810	$ -	$ 9,207,489	$ 10,187,155

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, 2019

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	2018	2019
2013	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2014	-	-	-	-	-	-	-
2015	-	-	275,000	293,000	284,928	284,928	284,928
2016	-	-	-	410,000	480,000	455,000	455,000
2017	-	-	-	-	740,000	715,000	720,000
2018	-	-	-	-	-	990,000	1,110,000
2019	-	-	-	-	-	-	345,000
Total							2,914,928

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

Accident Year	2013	2014	2015	2016	2017	2018	2019
2013	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2014	-	-	-	-	-	-	-
2015	-	-	138,969	281,051	284,928	284,928	284,928
2016	-	-	-	169,600	384,050	430,269	434,507
2017	-	-	-	-	286,677	675,450	707,021
2018	-	-	-	-	-	397,445	978,779
2019	-	-	-	-	-	-	159,175
Total							2,564,410
All outstanding liabilities before 2013, net of reinsurance							-
Liabilities for losses and loss adjustment expenses, net of reinsurance							$ 350,518

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, 2019

General Liability

Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

Accident Year	2013	2014	2015	2016	2017	2018	2019
2013	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2014	-	-	-	-	-	-	-
2015	-	-	35,000	10,000	7,135	12,500	11,619
2016	-	-	-	23,000	8,500	7,500	6,466
2017	-	-	-	-	24,000	36,500	47,500
2018	-	-	-	-	-	30,000	16,500
2019	-	-	-	-	-	-	14,500
Total							96,585

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

Accident Year	2013	2014	2015	2016	2017	2018	2019
2013	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2014	-	-	-	-	-	-	-
2015	-	-	4,642	5,499	7,135	7,135	11,619
2016	-	-	-	3,370	5,414	6,466	6,466
2017	-	-	-	-	3,840	7,274	14,015
2018	-	-	-	-	-	3,506	5,986
2019	-	-	-	-	-	-	4,374
Total							42,460
All outstanding liabilities before 2013, net of reinsurance							-
Liabilities for losses and loss adjustment expenses, net of reinsurance							$ 54,125

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, 2019

Sexual Misconduct

Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

Accident Year	2013	2014	2015	2016	2017	2018	2019
2013	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2014	-	-	-	-	-	-	-
2015	-	-	14,000	13,500	9,500	7,500	7,000
2016	-	-	-	20,500	19,000	11,500	10,000
2017	-	-	-	-	24,000	19,500	15,500
2018	-	-	-	-	-	26,000	19,500
2019	-	-	-	-	-	-	10,000
Total							62,000

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

Accident Year	2013	2014	2015	2016	2017	2018	2019
2013	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2014	-	-	-	-	-	-	-
2015	-	-	-	-	-	1,785	1,785
2016	-	-	-	-	-	-	-
2017	-	-	-	-	-	397	397
2018	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-
Total							2,182
All outstanding liabilities before 2013, net of reinsurance							50,592
Liabilities for losses and loss adjustment expenses, net of reinsurance							$ 110,410

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, 2019

The following is the average annual percentage payout of incurred claims, by age, net of reinsurance as of December 31, 2019 by significant category:

	Average Annual Percentage Payout of Incurred Claims by Age						
Years	**1**	**2**	**3**	**4**	**5**	**6**	**7**
Type of Insurance:							
Property and Crime	29.7%	33.9%	3.2%	0.2%	0.0%	0.0%	0.0%
General Liability	21.7%	12.2%	8.9%	0.0%	12.9%	0.0%	0.0%
Sexual Misconduct	0.0%	0.4%	0.0%	6.4%	0.0%	0.0%	0.0%