

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

December 31, 2007 and 2006

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

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Independent Auditors' Report

The Board of Directors of the
United Methodist Committee on Relief of the
General Board of Global Ministries of
The United Methodist Church

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

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

We have audited the accompanying consolidated statements of financial position of United Methodist Committee on Relief of the General Board of Global Ministries of The United Methodist Church ("UMCOR") as of December 31, 2007 and 2006, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of UMCOR's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of a certain subsidiary, whose statements reflect total assets constituting \$17,359,562 and \$9,690,444 and total revenues constituting \$4,657,357 and \$2,011,533 of the related consolidated totals for 2007 and 2006, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to amounts included for such subsidiary, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Methodist Committee on Relief of the General Board of Global Ministries of The United Methodist Church as of December 31, 2007 and 2006, and the consolidated changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary Schedule of Relief Projects Expenses on page 15 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Crosslin + Associates, P.C.

June 26, 2008

Nashville, Tennessee

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

Consolidated Statements of Financial Position

December 31, 2007 and 2006

Assets

| | 2007 | 2006 |
|---|----------------------|----------------------|
| Cash and cash equivalents (Note 3) | \$ 38,801,903 | \$ 56,285,521 |
| Investments (Notes 3 and 4) | 47,170,549 | 53,291,060 |
| Investments in debt securities of United Methodist Development Fund (Note 5) | 1,713,690 | 1,713,551 |
| Receivables: | | |
| Advanced Special Gifts | 4,255,115 | 2,936,845 |
| One Great Hour of Sharing | 207,921 | 261,074 |
| Accrued interest | 612,273 | 848,332 |
| Grants and contracts | 3,198,431 | 5,402,257 |
| Other | 1,073,929 | 713,007 |
| Program loans, net (Note 6) | 14,322,161 | 10,206,930 |
| Inventory and other assets (Note 9) | 3,770,551 | 2,696,000 |
| Buildings and equipment, net (Note 7) | 1,946,032 | 1,613,858 |
| Perpetual trust held by others | 649,133 | 526,909 |
| Total assets | \$117,721,688 | \$136,495,344 |

Liabilities and Net Assets

| | | |
|--|----------------------|----------------------|
| Liabilities: | | |
| Due to General Board of Global Ministries and related entities (Note 3) | \$ 2,183,328 | \$ 2,843,163 |
| Accounts payable and accrued expenses | 2,218,273 | 7,239,757 |
| Accounts held on behalf of others | 3,246,392 | 3,690,455 |
| Deferred revenue and amounts held under grants and contracts (Notes 6, 9, and 12) | 33,490,607 | 27,593,605 |
| Total liabilities | 41,138,600 | 41,366,980 |
| Net assets: | | |
| Unrestricted | 21,622,920 | 15,022,086 |
| Temporarily restricted (Note 8) | 53,631,133 | 78,906,233 |
| Permanently restricted (Note 8) | 1,329,035 | 1,200,045 |
| Total net assets | 76,583,088 | 95,128,364 |
| Total liabilities and net assets | \$117,721,688 | \$136,495,344 |

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Activities

Year Ended December 31, 2007

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|----------------------|-----------------------------------|-----------------------------------|----------------------|
| Operating revenues: | | | | |
| General Funds of The United Methodist Church (Note 3): | | | | |
| Advance Special Gifts | \$ 4,663,293 | \$ 8,191,875 | \$ - | \$ 12,855,168 |
| One Great Hour of Sharing | 3,124,679 | - | - | 3,124,679 |
| Donated commodities (Note 9) | 11,433,211 | - | - | 11,433,211 |
| Grants and contracts | 14,283,640 | - | - | 14,283,640 |
| National Case Management Consortium (FEMA) (Note 12) | 30,273,416 | - | - | 30,273,416 |
| Gifts and bequests | 1,236,375 | 100,000 | - | 1,336,375 |
| Women's Division grants (Note 3) | 169,533 | - | - | 169,533 |
| GBGM grants (Note 3) | 38,853 | - | - | 38,853 |
| United Methodist Women's gift | - | 101,689 | - | 101,689 |
| Interest and dividends, net of investment fees | 2,590,289 | - | - | 2,590,289 |
| Sager-Brown income | 758,334 | - | - | 758,334 |
| Other income | 804,532 | - | - | 804,532 |
| | <u>69,376,155</u> | <u>8,393,564</u> | <u>-</u> | <u>77,769,719</u> |
| Net assets released from restrictions | <u>33,682,944</u> | <u>(33,682,944)</u> | <u>-</u> | <u>-</u> |
| Total operating revenue | <u>103,059,099</u> | <u>(25,289,380)</u> | <u>-</u> | <u>77,769,719</u> |
| Operating expenses: | | | | |
| Program services: | | | | |
| Special ministries | 4,265,246 | - | - | 4,265,246 |
| Advance special projects | 33,381,808 | - | - | 33,381,808 |
| Relief projects (grant funds) | 24,917,152 | - | - | 24,917,152 |
| National Case Management Consortium (FEMA) (Note 12) | 30,273,416 | - | - | 30,273,416 |
| Total program services | <u>92,837,622</u> | <u>-</u> | <u>-</u> | <u>92,837,622</u> |
| Supporting services: | | | | |
| Management and general | 4,280,344 | - | - | 4,280,344 |
| Fundraising | 834,163 | - | - | 834,163 |
| Total supporting services | <u>5,114,507</u> | <u>-</u> | <u>-</u> | <u>5,114,507</u> |
| Total operating expenses | <u>97,952,129</u> | <u>-</u> | <u>-</u> | <u>97,952,129</u> |
| Increase (decrease) in net assets from operations | 5,106,970 | (25,289,380) | - | (20,182,410) |
| Nonoperating activities: | | | | |
| Net appreciation in fair value of investments (Note 4) | 1,493,864 | 14,280 | - | 1,508,144 |
| Net appreciation in fair value of perpetual trust | - | - | 24,829 | 24,829 |
| Endowment contributions | <u>-</u> | <u>-</u> | <u>104,161</u> | <u>104,161</u> |
| Increase (decrease) in net assets | 6,600,834 | (25,275,100) | 128,990 | (18,545,276) |
| Net assets at beginning of year | <u>15,022,086</u> | <u>78,906,233</u> | <u>1,200,045</u> | <u>95,128,364</u> |
| Net assets at end of year | <u>\$ 21,622,920</u> | <u>\$ 53,631,133</u> | <u>\$ 1,329,035</u> | <u>\$ 76,583,088</u> |

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Activities

Year Ended December 31, 2006

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|----------------------|-----------------------------------|-----------------------------------|----------------------|
| Operating revenues: | | | | |
| General Funds of The United Methodist Church (Note 3): | | | | |
| Advance Special Gifts | \$ 5,037,721 | \$ 9,482,741 | \$ - | \$ 14,520,462 |
| One Great Hour of Sharing | 3,306,591 | - | - | 3,306,591 |
| Donated commodities (Note 9) | 5,832,693 | - | - | 5,832,693 |
| Grants and contracts | 9,831,597 | - | - | 9,831,597 |
| National Case Management Consortium (FEMA) (Note 12) | 27,569,963 | - | - | 27,569,963 |
| Gifts and bequests | 961,532 | 28,219 | - | 989,751 |
| Women's Division grants (Note 3) | 175,751 | - | - | 175,751 |
| GBGM grants (Note 3) | 40,723 | - | - | 40,723 |
| United Methodist Women's gift | - | 187,387 | - | 187,387 |
| Interest and dividends, net of investment fees | 2,163,270 | - | - | 2,163,270 |
| Sager-Brown income | 798,005 | - | - | 798,005 |
| Other income | 131,951 | - | - | 131,951 |
| | <u>55,849,797</u> | <u>9,698,347</u> | <u>-</u> | <u>65,548,144</u> |
| Net assets released from restrictions | <u>40,149,622</u> | <u>(40,149,622)</u> | <u>-</u> | <u>-</u> |
| Total operating revenue | <u>95,999,419</u> | <u>(30,451,275)</u> | <u>-</u> | <u>65,548,144</u> |
| Operating expenses: | | | | |
| Program services: | | | | |
| Special ministries | 3,989,539 | - | - | 3,989,539 |
| Advance special projects | 39,905,358 | - | - | 39,905,358 |
| Relief projects (grant funds) | 16,032,051 | - | - | 16,032,051 |
| National Case Management Consortium (FEMA) (Note 12) | 27,569,963 | - | - | 27,569,963 |
| Total program services | <u>87,496,911</u> | <u>-</u> | <u>-</u> | <u>87,496,911</u> |
| Supporting services: | | | | |
| Management and general | 3,621,425 | - | - | 3,621,425 |
| Fundraising | 790,019 | - | - | 790,019 |
| Total supporting services | <u>4,411,444</u> | <u>-</u> | <u>-</u> | <u>4,411,444</u> |
| Total operating expenses | <u>91,908,355</u> | <u>-</u> | <u>-</u> | <u>91,908,355</u> |
| Increase (decrease) in net assets from operations | 4,091,064 | (30,451,275) | - | (26,360,211) |
| Nonoperating activities: | | | | |
| Net depreciation in fair value of investments (Note 4) | (85,872) | - | - | (85,872) |
| Endowment contributions | <u>-</u> | <u>-</u> | <u>175,748</u> | <u>175,748</u> |
| Increase (decrease) in net assets | 4,005,192 | (30,451,275) | 175,748 | (26,270,335) |
| Net assets at beginning of year | <u>11,016,894</u> | <u>109,357,508</u> | <u>1,024,297</u> | <u>121,398,699</u> |
| Net assets at end of year | <u>\$ 15,022,086</u> | <u>\$ 78,906,233</u> | <u>\$1,200,045</u> | <u>\$ 95,128,364</u> |

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

Years Ended December 31, 2007 and 2006

| | 2007 | 2006 |
|--|----------------------|----------------------|
| Cash flows from operating activities: | | |
| Decrease in net assets | \$(18,545,276) | \$(26,270,335) |
| Adjustments to reconcile decrease in net assets to net cash used in operating activities: | | |
| Net (appreciation) depreciation in fair value of investments | (1,508,144) | 85,872 |
| Depreciation | 192,225 | 126,002 |
| Donated commodities | (11,433,211) | (9,831,597) |
| Changes in operating assets and liabilities: | | |
| Decrease in receivables | 813,846 | 1,164,986 |
| Change in due to GBGM | (659,835) | 3,152,276 |
| Decrease in inventory and other assets | 10,358,660 | 7,892,061 |
| Increase in perpetual trust held by others | (122,224) | (181,979) |
| (Decrease) increase in accounts payable and accrued expenses | (5,021,484) | 5,274,618 |
| Decrease in amounts held on behalf of others | (444,063) | (1,182,881) |
| Increase in deferred revenue and amounts held under grants and contracts | <u>5,897,002</u> | <u>2,445,759</u> |
| Net cash used in operating activities | <u>(20,472,504)</u> | <u>(13,446,146)</u> |
| Cash flows from investing activities: | | |
| Purchases of equipment | (524,399) | (430,261) |
| Purchases of investments | (65,653,108) | (72,442,477) |
| Proceeds from sales of investments | 73,281,624 | 70,255,037 |
| Increase in program loans receivable | <u>(4,115,231)</u> | <u>(3,406,193)</u> |
| Net cash provided by (used in) investing activities | <u>2,988,886</u> | <u>(6,023,894)</u> |
| Net decrease in cash and cash equivalents | (17,483,618) | (19,470,040) |
| Cash and cash equivalents at beginning of year | <u>56,285,521</u> | <u>75,755,561</u> |
| Cash and cash equivalents at end of year | <u>\$ 38,801,903</u> | <u>\$ 56,285,521</u> |

See accompanying notes to consolidated financial statements.

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

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(1) Nature of the Organization

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

The consolidated financial statements of UMCOR include the accounts of UMCOR and its wholly-owned subsidiary, Aregak UCO CJSC (Aregak). All intercompany transactions and amounts are eliminated in consolidation. Aregak was formed as a microlending program in Armenia whose purpose is to support women in small business enterprises, allowing them to better provide for their families.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of UMCOR are prepared on the accrual basis of accounting.

UMCOR considers the net appreciation/(depreciation) in fair value of investments and endowment contributions to be nonoperating activities.

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturity dates of 90 days or less that are readily convertible to known amounts of cash, except for short-term investments held by UMCOR's investment manager as part of a long-term investment strategy.

(c) Investments

Securities purchased for investment and those received as gifts are recorded at fair market value, as determined by quoted market prices.

(d) Buildings and Equipment

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

| | |
|------------------------|---------------|
| Office Equipment | 5 - 12 years |
| Vehicles | 5 - 10 years |
| Buildings | 25 years |
| Leasehold Improvements | 10 - 20 years |

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

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(e) *Gifts and Bequests*

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

(f) *Grants and Contracts*

UMCOR receives funding under grants and contracts principally from federal government sources, for direct and indirect program costs. Grants and contracts are deemed to be exchange transactions, i.e., revenue is recognized as expenses are incurred. Grants and contracts receivable represent amounts due from funding organizations for reimbursable expenses incurred. Deferred revenue and amounts held under grants and contracts represent cash received in advance of incurring the related expenses, as well as donated commodities held in inventory.

(g) *Net Assets*

Unrestricted net assets represent resources over which the Board of Directors has full discretion to use. Temporarily restricted net assets represent expendable resources which have been time or purpose restricted by the donor. Permanently restricted net assets represent contributions which require that the corpus be maintained intact and that only the income be used as specified by the donor.

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

UMCOR's Unrestricted Net Assets increased significantly due to increased undesignated gifts and investment income. This will enhance UMCOR's Unrestricted Budget in future years and give it the capacity to undertake programs where funding is not available.

Temporarily Restricted Net Assets released from restrictions consists primarily of Advance Special gifts released for the purposes for which they were received.

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

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(h) Federal Income Tax Exemption

UMCOR is covered under the General Council on Finance and Administration's (GCFA) group determination letter from the Internal Revenue Service indicating that it is a nonprofit corporation and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. UMCOR had no significant unrelated business income during the years ended December 31, 2007 and 2006.

(i) Concentrations of Credit Risk

Financial instruments which potentially subject UMCOR to concentrations of credit risk consist principally of cash and cash equivalents and investments held by UMCOR and the General Board of Global Ministries. Cash and cash equivalents at December 31, 2007 and 2006 includes cash, demand deposits and short-term investments at high quality financial institutions. The cash and cash equivalents possess credit risk to the extent they exceed federally insured limits. The exposure to concentrations of credit risk relative to securities is dependent on UMCOR's investment objectives and policies. Credit risk also extends to uncollateralized receivables, net of allowances.

(j) Use of Estimates

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

(k) Fair Value of Financial Instruments

The estimated fair value amounts for specific groups of financial instruments are presented within the footnotes applicable to such items. The fair value of financial instruments for which estimated fair value amounts have not been specifically presented is estimated to approximate the related book value.

(l) Reclassifications

Certain reclassifications of the 2006 amounts in the financial statements have been made to conform to the presentation adopted for 2007.

**UNITED METHODIST COMMITTEE ON RELIEF OF
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Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(3) Transactions With Related Entities

UMCOR is one of two functional areas of the Health and Relief Unit of the General Board of Global Ministries of The United Methodist Church (GBGM). UMCOR reimburses GBGM's financial services division for providing certain administrative services.

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

Amounts received from the other United Methodist units accounted for 21% and 28% of UMCOR's total operating revenue in 2007 and 2006, respectively. The United Methodist Church's support of UMCOR is dependent upon contributions from its congregations (i.e., congregational participation in the apportionment covenant).

During 2007 and 2006, UMCOR appropriated to GBGM \$3,388,674 and \$2,550,310, respectively. These payments are included in special ministries, and management and general in the accompanying consolidated statements of activities.

Cash and cash equivalents at December 31, 2007 and 2006 include UMCOR's participation in a pooled cash management program, which is administered by GBGM for certain divisions, departments, and agencies. The pooled funds are invested principally in interest-bearing demand notes and short-term time deposits. Interest income allocated based upon the weighted average percentage that UMCOR's balance bears to the total of the entire pool. At December 31, 2007 and 2006, UMCOR had \$26,690,300 and \$43,645,785, respectively, in the pooled cash management program. In 2007 and 2006, UMCOR earned \$1,146,580 and \$1,346,701, respectively in interest income from its participation in the pooled cash management program.

At December 31, 2007 and 2006, amounts due to GBGM were \$2,183,328 and \$2,843,165 respectively.

During 2007 and 2006, UMCOR transferred \$1,300,000 and \$3,000,000 of investment income to GBGM for support of the Advance for Christ and His Church based on the action of the GBGM Finance Committee.

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

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(4) Investments

At December 31, 2007 and 2006, the cost and fair value of investments are as follows:

| | <u>2007</u> | | <u>2006</u> | |
|-----------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Short-term securities | \$ 979,135 | \$ 979,135 | \$ 1,355,327 | \$ 1,350,539 |
| U.S. Government Bonds | 34,314,902 | 35,108,189 | 41,193,823 | 41,234,425 |
| Corporate Bonds | <u>10,949,368</u> | <u>11,083,225</u> | <u>10,762,693</u> | <u>10,706,096</u> |
| Total investments | <u>\$46,243,405</u> | <u>\$47,170,549</u> | <u>\$53,311,843</u> | <u>\$53,291,060</u> |

Return on investments for the years ended December 31, 2007 and 2006 consisted of the following:

| | <u>2007</u> | <u>2006</u> |
|--|---------------------|-------------------|
| Interest and dividends | <u>\$ 1,570,325</u> | <u>\$ 944,963</u> |
| Net appreciation (depreciation) of investments: | | |
| Realized (losses) gains on sale of investments | 559,652 | (580,695) |
| Increase in accumulated unrealized loss on investments | <u>948,492</u> | <u>494,823</u> |
| Net appreciation (depreciation) in fair value of investments | <u>1,508,144</u> | <u>(85,872)</u> |
| Total return on investments | 3,078,469 | 859,091 |
| Investment management expenses | <u>(126,616)</u> | <u>(128,394)</u> |
| Return on investments, net | <u>\$ 2,951,853</u> | <u>\$ 730,697</u> |

(5) Investments in Debt Securities of United Methodist Development Fund

Investments in the United Methodist Development Fund (the "Development Fund") at December 31, 2007 and 2006 include four-year term notes bearing interest at rates ranging from 2% to 6% per annum, payable semiannually on June 30 and December 31.

The principal amount of the notes is repaid at the maturity date; however, in accordance the provisions of the notes, the Development Fund reserves the right to repay the principal amount in five annual installments beginning 30 days after the maturity date. The Development Fund may pay a 2 - 2 1/2% premium on the face amount of the notes to recall the notes after 30 days' written notice to the investor.

At December 31, 2007 and 2006, the fair value of these investments approximates cost.

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

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(6) Program Loans Receivable

As part of its relief efforts, UMCOR provides loans, principally funded by government grants, supporting women, micro-urban and rural businesses, and minorities.

(7) Buildings and Equipment

Buildings and equipment consist of the following at December 31:

| | 2007 | 2006 |
|------------------------------------|---------------------|---------------------|
| Buildings | \$ 1,351,377 | \$ 1,356,777 |
| Leasehold improvements | 733,719 | 699,994 |
| Equipment | <u>1,665,742</u> | <u>1,169,668</u> |
| | 3,750,838 | 3,226,439 |
| Less accumulated depreciation | <u>(1,804,806)</u> | <u>(1,612,581)</u> |
| Total buildings and equipment, net | <u>\$ 1,946,032</u> | <u>\$ 1,613,858</u> |

(8) Temporarily Restricted and Permanently Restricted Net Assets

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

| | 2007 | 2006 |
|---|---------------------|---------------------|
| Hurricanes 2005 | \$24,328,188 | \$39,138,641 |
| South Asia emergency | 4,715,740 | 17,511,781 |
| Hurricanes 2004 | 934,603 | 1,568,237 |
| Hope for the Children of Africa | 1,938,928 | 2,150,413 |
| Pakistan Earthquake | 47,550 | 618,037 |
| Material Resource Ministry | 1,053,386 | 1,207,150 |
| USA National Disaster Fund | 423,962 | 138,121 |
| Love in the Midst of Tragedy | - | 177,868 |
| Disaster Response International | 438,138 | 242,883 |
| World Hunger/Poverty | - | 100,897 |
| Other Advance Special Projects | <u>19,750,638</u> | <u>16,052,205</u> |
| Total temporarily restricted net assets | <u>\$53,631,133</u> | <u>\$78,906,233</u> |

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

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(9) Donated Commodities

Donated commodities, which principally represent pharmaceuticals and food donated to UMCOR's relief projects generally through government grants, are recorded at fair value on the accompanying consolidated statements of financial position as inventory and deferred revenue under grants and contracts upon receipt and included in donated commodities revenue and relief projects' expenses in the accompanying consolidated statements of activities upon distribution.

(10) Employee Benefits

(a) Retirement Benefits

Full-time laypersons and clergy employed by UMCOR participate in the Retirement Security Program for General Agencies (RSP) administered by the General Board of Pensions and Health Benefits (GBOPHB). The Plan began January 1, 2007 and provides for a two-component benefit. The core program, which it provides to all eligible general agency employees and clergy appointed to general agencies, consists of separate defined contribution and defined benefit plans. GCFA has determined that the defined benefit plan is a multi-employer plan and as a result no liability for future pension obligations has been recorded by the UMCOR.

UMCOR makes semi-monthly contributions to each eligible employee's account held by GBOPHB for the defined contribution component of the plan based on 3% of annual employee compensation. Total contributions made by UMCOR during 2007 were \$53,409.

UMCOR also makes annual contributions to GBOPHB for the defined benefit component of the plan as determined by GBOPHB. Total contributions made by UMCOR during 2007 for this component were \$126,480. (See Note #11 related to USPF regarding distribution from the Uniform Staff Pension Fund).

Prior to January 1, 2007, full-time laypersons and clergy employed by UMCOR participated in the Staff Retirement Benefits Program (SRBP) and the Ministerial Pension Plan (MPP), respectively. These defined contribution plans are also administered by GBOPHB. In 2006 UMCOR made semi-monthly contributions to each eligible employee's account held by GBOPHB based on 12% of annual employee compensation. Total contributions made by UMCOR during 2006 were \$161,988.

(b) Health, Life, and Other Employee Benefits

UMCOR provides health, life and other employee benefits for its active employees and health, dental, and life benefits to retirees through a group plan which qualifies for treatment as a multiemployer plan under Statement of Financial Accounting Standards No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*. Substantially all retired employees are eligible to participate in the Plan if they have attained normal retirement age while in the employ of UMCOR.

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The General Agencies of the United Methodist Church Benefit Plan (the Plan) provides medical, dental, life, and long- and short-term disability defined benefits to participants of the general agencies.

The Plan's unfunded accumulated postretirement benefit obligation was approximately \$128,073,000 and \$121,043,000 and the Plan's unfunded expected postretirement benefit obligation was approximately \$152,436,000 and \$151,091,000 as of December 31, 2007 and 2006, respectively.

All of UMCOR's active employees are covered by the Plan. The cost of the benefit is recognized as expense as premiums are paid. The total cost of benefits for active employees was \$410,696 and \$373,350 in 2007 and 2006, respectively.

Beginning in 2006 UMCOR received a distribution of funds from the Agency Group Insurance Plan (AGI) to offset a portion of the costs of its employee health insurance plan. AGI is a self-insured medical benefits plan which is funded by participating organizations. These distributions were \$3,811 during both 2007 and 2006. All of the organizations participating in the AGI health insurance plan received distributions during 2007 and are expected to receive similar distributions through 2012. The amount of each participating organization's distribution is based upon the organization's proportionate share of the base year health insurance premium cost.

(11) Distribution from Uniform Staff Pension Fund

GBOPHB has identified certain excess pension assets in the Uniform Staff Pension Fund (USPF) that may be used by participating general agencies to cover the Defined Benefit portion of the Retirement Security Program (RSP). The amount of each participating agency's distribution is based upon the agency's defined benefit cost as determined by GBOPHB. Beginning in 2007 and for the foreseeable future, funds will be transferred annually for the benefit of each participating agency. The fair value of the USPF assets was approximately \$38,300,000 as of December 31, 2007. UMCOR's distribution in 2007 was \$126,480.

(12) National Case Management Consortium (FEMA)

UMCOR entered into a multi-year, \$67.6 million, grant agreement with the National Case Management Consortium (FEMA) to lead a case management consortium to serve Katrina - affected victims. In 2007 and 2006, \$30,273,416 and \$27,569,963, respectively, was expended in connection with this grant. At December 31, 2007, \$1,914,507 relating to the grant was included in deferred revenue and amounts held under grants and contracts. At December 31, 2006, \$343,863 was a receivable from FEMA.

SUPPLEMENTARY INFORMATION

**UNITED METHODIST COMMITTEE ON RELIEF OF
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SCHEDULE OF RELIEF PROJECTS EXPENSES

YEAR ENDED DECEMBER 31, 2007

| <u>Grantor</u> | <u>Amount</u> |
|---|-----------------------------|
| Academy for Educational Development | \$ 233,179 |
| United States Agency for International Development | 134,206 |
| United States Bureau of Population Refugees and Migration | 1,903,104 |
| United States Department of Agriculture | 3,041,725 |
| United States Department of State | 740,431 |
| United States Office of Foreign Disaster Assistance | 1,471,420 |
| United States Office of Public Affairs | 13,862 |
| American Baptist Church | 168,583 |
| American Red Cross | 17,591 |
| Bay Area Friends of Armenia (BAFA) | 18 |
| Dutch Government | 29,732 |
| Food and Agricultural Organization of the United Nations | 14,804 |
| Food Resource Bank | 76,471 |
| Norwegian Church Aid | 107,795 |
| Norwegian Government | 6,847 |
| Interchurch Organization for Development Corporation | 32,765 |
| In-Kind Commodity | 11,433,211 |
| Miscellaneous Donors | 13,954 |
| UMCOR | 7,849,760 |
| Private UMCOR Funds | 219,079 |
| Aregak UCO | 3,374,538 |
| United Nations Children's Fund | 128,715 |
| United Nations Development Program | 631,448 |
| United Nations High Commissioner for Refugee | 940,521 |
| World Food Program | <u>183,153</u> |
| | |
| Total grant funded expenses | 32,766,912 |
| Less: Grant funded expenses funded by UMCOR | <u>(7,849,760)</u> |
| Total grant funded expenses after elimination | <u>24,917,152</u> |
| | |
| Non-grant funded expenses | 1,657,526 |
| Less: Non-grant funded expenses funded by UMCOR | <u>(754,382)</u> |
| Non-grant funded expenses after elimination | <u>903,144</u> |
| | |
| Total relief projects expenses | <u>\$ 25,820,296</u> |

See independent auditors' report on supplementary information.