

**Funds Under the Stewardship of the
New York Annual Conference of the
United Methodist Church**

Combined Financial Statements

December 31, 2009



Independent Auditors' Report

Board of Trustees White Plains, New York

We have audited the accompanying combined statement of financial position of the Funds Under the Stewardship of the New York Annual Conference of the United Methodist Church (the "Conference") as of December 31, 2009, and the related combined statements of activities and cash flows for the year then ended. These combined financial statements are the responsibility of the Conference's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Conference's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As more fully described in Note 3, the Conference has not included in its combined financial statements for the year ended December 31, 2009, the liability for postretirement health benefits in the accompanying combined statements of financial position, activities and cash flows and related disclosures that, in our opinion, should be recorded in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for such adjustments and additional disclosures as might have been determined to be necessary if the scope of our audit had not been limited and the effects of not including a liability for postretirement health benefits and related disclosures, as described in the preceding paragraph, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Funds Under the Stewardship of the New York Annual Conference of the United Methodist Church as of December 31, 2009, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 19 and 20 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Except for the matter described in the third paragraph, such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

O'Connor Davies Munns & Dobbins, LLP

White Plains, New York
December 21, 2010

**Funds Under the Stewardship of the New York
Annual Conference of the United Methodist Church**

Combined Statement of Financial Position

December 31, 2009

ASSETS

| | |
|---|----------------------|
| Cash and cash equivalents | \$ 1,026,304 |
| Investments | 4,926,700 |
| Church apportionments receivables | 1,055,354 |
| Accounts receivable | 180,431 |
| Parish development loans, net of allowance for doubtful accounts | 907,900 |
| Prepaid expenses | 2,463 |
| Custodial funds held | 36,089 |
| Land, buildings, property improvements and equipment, net | <u>5,244,388</u> |
| | <u>\$ 13,379,629</u> |

LIABILITIES AND NET ASSETS

| | |
|---|----------------------|
| Liabilities | |
| Borrowings under line of credit | \$ 321,207 |
| Accounts payable and accrued expenses | 2,096,037 |
| Deferred revenue | 47,611 |
| Loans payable - Conference Board of Pensions and Health Benefits | 389,917 |
| Loan payable - United Methodist Development Fund | 729,013 |
| Church apportionments designated for future periods | 80,087 |
| Note payable | 12,832 |
| Custodial funds held | <u>36,089</u> |
| Total Liabilities | 3,712,793 |
| Net Assets | |
| Unrestricted | 6,697,254 |
| Temporarily restricted | 2,242,633 |
| Permanently restricted | <u>726,949</u> |
| | <u>9,666,836</u> |
| | <u>\$ 13,379,629</u> |

See notes to combined financial statements

**Funds Under the Stewardship of the New York
Annual Conference of the United Methodist Church**

Combined Statement of Activities

Year Ended December 31, 2009

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|---------------------|---------------------------|---------------------------|---------------------|
| REVENUE AND SUPPORT | | | | |
| Church apportionments | \$ 2,411,761 | \$ 5,152,555 | \$ - | \$ 7,564,316 |
| Designated benevolences | - | 705,182 | - | 705,182 |
| Other contributed benevolences | 1,003 | 229,503 | - | 230,506 |
| Fees and reimbursements | 289,073 | 100 | - | 289,173 |
| Grants and contributions | 367,237 | 5,000 | - | 372,237 |
| Retreat | 825,798 | - | - | 825,798 |
| Program fees | 413,855 | - | - | 413,855 |
| Food service | 197,006 | - | - | 197,006 |
| Store | 13,513 | - | - | 13,513 |
| Investment return | 127,365 | 208,016 | - | 335,381 |
| Interest on revolving loans | 55,079 | - | - | 55,079 |
| Interest | 783 | - | - | 783 |
| Other | 2,494 | - | - | 2,494 |
| Donated services | 19,044 | - | - | 19,044 |
| Administrative services for church and conference organizations | (470,218) | - | - | (470,218) |
| Net assets released from restrictions | <u>6,575,649</u> | <u>(6,575,649)</u> | - | - |
| Total Revenue and Support | <u>10,829,442</u> | <u>(275,293)</u> | - | <u>10,554,149</u> |
| EXPENSES | | | | |
| Program services | 6,874,164 | - | - | 6,874,164 |
| Campsite | | | | |
| Quinipet | 1,086,472 | - | - | 1,086,472 |
| Epworth | 290,563 | - | - | 290,563 |
| Kingswood | 74,314 | - | - | 74,314 |
| Capital Campaign | 55,087 | - | - | 55,087 |
| Management and general | <u>2,108,623</u> | - | - | <u>2,108,623</u> |
| Total Expenses | <u>10,489,223</u> | - | - | <u>10,489,223</u> |
| Change in Net Assets | 340,219 | (275,293) | - | 64,926 |
| NET ASSETS | | | | |
| Beginning of year | <u>6,357,035</u> | <u>2,517,926</u> | <u>726,949</u> | <u>9,601,910</u> |
| End of year | <u>\$ 6,697,254</u> | <u>\$ 2,242,633</u> | <u>\$ 726,949</u> | <u>\$ 9,666,836</u> |

See notes to combined financial statements

**Funds Under Stewardship of the New York
Annual Conference of the United Methodist Church**

Combined Statement of Cash Flows

Year Ended December 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|----------------|
| Change in net assets | \$ 64,926 |
| Adjustment to reconcile change in net assets to net cash from operating activities | |
| Realized and unrealized gains on investments | (260,031) |
| Depreciation | 215,525 |
| Net change in operating assets and liabilities | |
| Church receivables | 487,232 |
| Accounts receivable | (26,485) |
| Parish development loans | (11,578) |
| Prepaid expenses | (73) |
| Accounts payable and accrued expenses | 277,358 |
| Deferred revenue | (10,099) |
| Due to the General Conference of the United Methodist Church | (428,003) |
| Church apportionments designated for future periods | <u>7,554</u> |
| Net Cash from Operating Activities | <u>316,326</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|-------------------------------------|--------------------|
| Purchase of investments | (1,002,394) |
| Proceeds from sale of investments | 196,309 |
| Property and equipment acquisitions | <u>(700,679)</u> |
| Net Cash from Investing Activities | <u>(1,506,764)</u> |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|---|-----------------|
| Borrowings under line of credit | 42,274 |
| Repayment of loans payable | <u>(58,995)</u> |
| Net Cash from Financing Activities | <u>(16,721)</u> |
| Net Change in Cash and Cash Equivalents | (1,207,159) |

CASH AND CASH EQUIVALENTS

| | |
|-------------------|---------------------|
| Beginning of year | <u>2,233,463</u> |
| End of year | <u>\$ 1,026,304</u> |

SUPPLEMENTAL CASH FLOW INFORMATION

| | |
|------------------------|-----------|
| Cash paid for interest | \$ 75,688 |
|------------------------|-----------|

Funds Under the Stewardship of the New York Annual Conference of the United Methodist Church

Notes to Combined Financial Statements

1. Nature of Organization

The New York Annual Conference of the United Methodist Church (the "New York Annual Conference") is one of sixty-five annual conferences of the United Methodist Church in the United States of America. Annual conferences provide regional administrative governance of and support for individual United Methodist churches that are members of the Conference.

The New York Annual Conference includes all churches in the Metropolitan New York area, Long Island, the Hudson Valley, the lower Catskill Mountains and the western half of the State of Connecticut. The Conference Council on Finance and Administration ("CCFA") consists of representative clergy and lay staff who are responsible for administering the financial affairs of the New York Annual Conference and includes only those funds under the stewardship of that body.

The CCFA derives substantially all of its support and revenues from Conference local churches. Expenses consist primarily of clergy support; Conference apportionments to the General Church located in Nashville, Tennessee; conducting religious and charitable programs; supporting mission and church ministries; and managing and administering the finances of the Conference.

CCFA supports local churches by collection and timely remitting of Conference-wide local church clergy pension and health benefits and church insurance programs. CCFA also provides payroll processing services on a reimbursed cost basis for other Conference entities.

The Camping & Retreat Ministry of the New York Annual Conference of the United Methodist Church (the "Camping Ministry"), is a program of the United Methodist Church established for the purpose of providing experiences which shape and expand the Christian commitment of persons of all ages, empowering them to live the truth of the Gospel in their daily lives. The Ministry is made up of three campsites, Quinipet, Epworth and Kingswood, located in New York State.

The Funds Administered by the Board of Trustees of the New York Annual Conference of the United Methodist Church (the "Board of Trustees"), is a fund of the United Methodist Church established to receive, collect and hold in trust, for the benefit of the Conference and its agencies, any and all donations, bequests and devises of any kind or character, real or personal, that may be given, devised, bequeathed, or conveyed to the said Board or to the Conference and its agencies as such for any benevolent, charitable, or religious purpose, and shall administer the same, and the income there from, in accordance with the directions of the donor, trustor, or testator, and in the interest of the church, society, institution, or agency contemplated by such donor, trustor, or testator, under the direction of the Conference. In addition, the Board of Trustees has the responsibility for caring for the legal and insurance matters which affect the Conference.

**Funds Under the Stewardship of the
New York Annual Conference of the United Methodist Church**

Notes to Combined Financial Statements

2. Summary of Significant Accounting Policies

Principles of Combination

The combined financial statements of the Funds Under the Stewardship of the New York Annual Conference of the United Methodist Church (the “Conference”) include the accounts of the Conference Council on Finance and Administration of the New York Annual Conference of the United Methodist Church (“CCFA”), the Funds Administered by the Board of Trustees of the New York Annual Conference of the United Methodist Church (the “Board of Trustees”) and the accounts of Camping & Retreat Ministry of the New York Annual Conference of the United Methodist Church (the “Camping Ministry”) all of which are under common management. Intercompany transactions including administrative services such as finance, human resources and payroll and related receivable and payables have been eliminated.

Use of Estimates

The preparation of the combined 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Conference and the changes therein are classified and reported as unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents consist principally of demand deposit and money market accounts with maturities of three months or less, at the time of purchase.

Fair Value of Financial Instruments

The Conference follows Financial Accounting Standards Board (“FASB”) guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

**Funds Under the Stewardship of the
New York Annual Conference of the United Methodist Church**

Notes to Combined Financial Statements

2. Summary of Significant Accounting Policies (continued)

Investments

Investments are comprised of equity securities, bonds and mutual funds and are managed by the United Methodist Frontier Foundation (the "UMFF"). The investments are carried at fair value based on quoted market prices. Investment gains and losses, both realized and unrealized, are reported in the combined statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Land, Buildings, Property Improvements and Equipment

Land, buildings, property improvements and equipment is stated at cost, less accumulated depreciation. Donated assets are capitalized at their fair value at the time of the donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets which range from 3-40 years. Maintenance, routine repairs and minor replacements are charged to operations as incurred, while those improvements which materially extend the lives of the assets are capitalized.

Capitalized Costs

The Conference capitalizes certain professional costs incurred in connection with improvements of its conference center located in White Plains, New York. Upon completion of the project, these costs will be reclassified as building improvements and will be depreciated over its estimated useful life

Revenue Recognition

The Conference recognizes as revenue all amounts received during the year from churches under apportionment and those amounts received through an annual determined date in January of the following year, which are designated by the remitting churches for the prior year's apportionment. Amounts recognized as revenue, but received after December 31 are recorded as church apportionment revenue.

Contributions and Benevolences

Contributions and benevolences are recorded as temporarily restricted net assets and revenue and support if they are received with donor imposed stipulations that limit their use. Donor restrictions expire by either the passage of stipulated time or the accomplishment of the stated purpose. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions. Permanently restricted contributions are those funds whose use is limited by donor imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Conference.

**Funds Under the Stewardship of the
New York Annual Conference of the United Methodist Church**

Notes to Combined Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

In-kind Support

A number of clergy and lay staff of the Conference have contributed significant amounts of their time to the affairs of the Conference, however, these services, if not professional in nature, have not been reflected in the combined financial statements unless the services provided represent the value of services provided by an otherwise salaried employee.

Accounting for Uncertainty in Income Taxes

The Conference recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management of the Conference has determined that the Conference had no uncertain tax positions that would require financial statement recognition. The Conference is no longer subject to audits by the applicable taxing jurisdictions.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the combined financial statements were available to be issued, which date is December 21, 2010.

3. Postretirement Health Benefits

CCFA, acting as the fiduciary for the health benefits provided by the Conference to retired clergy, has not recorded a liability for its postretirement health benefits plan.

The Conference has been providing medical and health benefits to retired ministers and others, as described in Note 14. The requirement to provide postretirement medical and health benefits has not been established in a formal plan; however, these benefits have routinely been provided to retirees and funded through Conference assessed church apportionments and administered by CCFA. The Conference has not recognized the medical and health benefits to retired clergy as an obligation as a formal benefit plan does not exist.

Generally accepted accounting principles require that the accumulated postretirement benefit obligation be recorded in the financial statements at the present value of the anticipated actuarial cost of health benefits for retirees.

The Conference has not engaged an actuary to provide the necessary information as of December 31, 2009; however, the General Board of Pension and Health Benefits of The United Methodist Church, Inc. obtained an actuarial valuation of the New York Annual Conference of the United Methodist Church's retiree healthcare benefits as of December 31, 2006. The valuation of the Conference's accumulated postretirement benefit obligation as of December 31, 2006 was \$30,151,727. The accumulated postretirement benefit obligation is the portion of the expected postretirement benefit obligation attributed to past service.

**Funds Under the Stewardship of the
New York Annual Conference of the United Methodist Church**

Notes to Combined Financial Statements

4. Parish Development Loans Receivable

The Parish Development Commission (a committee of the Conference) provides unsecured financing to churches and Conference entities for improvements and major repairs from a revolving loan fund. The loans are made at the interest rates determined by the Parish Development Committee and interest on outstanding loans range at December 31, 2009 from 4% to 8% percent per annum.

Loan principal repayments and interest are deposited back into the revolving loan fund to fund future loans and grants. The Conference annually reviews collectability of loans outstanding and adjusts the allowance for doubtful accounts as necessary. As of December 31, 2009, the allowance for doubtful accounts was \$407,000.

5. Endowment, Investments and Investment Return

The Conference maintains various donor restricted and board designated funds whose purpose is to provide long term support for its charitable programs. In classifying such funds for financial statement purposes as either permanently restricted, temporarily restricted or unrestricted net assets, the Conference looks to the explicit directions of the donor where applicable and the provisions of the laws of the State of New York.

The Conference has determined that, absent donor stipulations to the contrary, the provisions of New York State law do not impose either a permanent or temporary restriction on the income or capital appreciation derived from the original gift.

The following is a reconciliation of the activity in the endowment funds:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|----------------------------|---------------------|---------------------------|---------------------------|---------------------|
| Balance, January 1, 2009 | \$ 1,479,080 | \$ 1,654,555 | \$ 726,949 | \$ 3,860,584 |
| Board designations | 789,086 | - | - | 789,086 |
| Contributions | - | 5,000 | - | 5,000 |
| Investment income, net | 41,046 | 34,304 | - | 75,350 |
| Capital appreciation | 86,319 | 173,712 | - | 260,031 |
| Appropriation for programs | (63,351) | - | - | (63,351) |
| Balance, December 31, 2009 | <u>\$ 2,332,180</u> | <u>\$ 1,867,571</u> | <u>\$ 726,949</u> | <u>\$ 4,926,700</u> |
| Comprised of the Following | | | | |
| Donor restricted funds | \$ - | \$ 1,867,571 | \$ 726,949 | \$ 2,594,520 |
| Board designated funds | 2,332,180 | - | - | 2,332,180 |

**Funds Under the Stewardship of the
New York Annual Conference of the United Methodist Church**

Notes to Combined Financial Statements

5. Endowment, Investments and Investment Return (continued)

The following are major categories of investments measured at fair value at December 31, 2009:

| | Level 1 | Level 2 | Total |
|---------------------------------|---------------------|---------------------|---------------------|
| Money market fund | \$ 1,313,558 | \$ - | \$ 1,313,558 |
| Equity fund | 955,589 | - | 955,589 |
| Bond fund | - | 2,657,553 | 2,657,553 |
| Total Investments at Fair Value | <u>\$ 2,269,147</u> | <u>\$ 2,657,553</u> | <u>\$ 4,926,700</u> |

Investment return consists of the following for the year ended December 31, 2009:

| | |
|-----------------------------------|-------------------|
| Interest and dividend income | \$ 127,313 |
| Net realized and unrealized gains | 260,031 |
| Investment fees | <u>(51,963)</u> |
| Total Investment Return | <u>\$ 335,381</u> |

6. Land, Buildings, Property Improvements and Equipment, Net

Land, buildings, property improvements and equipment, net consists of the following at December 31, 2009:

| | CCF&A | Board of Trustees | Camping Ministry | Total |
|--------------------------|------------------|---------------------|---------------------|---------------------|
| Buildings | \$ - | \$ - | \$ 581,583 | \$ 581,583 |
| Building improvements | - | 82,073 | 547,577 | 629,650 |
| District parsonages | - | 1,020,986 | - | 1,020,986 |
| Episcopal residence | - | 368,590 | - | 368,590 |
| Conference center | - | 3,525,534 | - | 3,525,534 |
| Vehicles | - | - | 94,421 | 94,421 |
| Roads | - | - | 164,710 | 164,710 |
| Camp property | - | 161,500 | - | 161,500 |
| Furniture and equipment | 233,178 | - | 151,627 | 384,805 |
| Construction in progress | - | 230,851 | - | 230,851 |
| | 233,178 | 5,389,534 | 1,539,918 | 7,162,630 |
| Accumulated depreciation | <u>(220,232)</u> | <u>(1,513,111)</u> | <u>(184,899)</u> | <u>(1,918,242)</u> |
| | <u>\$ 12,946</u> | <u>\$ 3,876,423</u> | <u>\$ 1,355,019</u> | <u>\$ 5,244,388</u> |

**Funds Under the Stewardship of the
New York Annual Conference of the United Methodist Church**

Notes to Combined Financial Statements

7. Borrowings Under Line of Credit

The Camping Ministry has a \$75,000 line of credit with a bank which is due in full by April 2012. The Camping Ministry has a second line of credit in the amount of \$250,000, which is secured by the Camping Ministry's investments and is due in full by February 2011. Borrowings under both lines of credit must be repaid over three years with monthly interest payments at one-half percent above the prime rate. At December 31, 2009, the total outstanding balance for both lines was \$321,207. Interest expense for the ended December 31, 2009 was \$14,329.

8. Loan Payable – Conference Board of Pensions and Health Benefits

In 2005 and 2006, the Conference borrowed \$389,917 from the Conference Board of Pensions and Health Benefits Fund (an uncombined fund of the Conference), to repay Ministers Reserve Pension Plan contributions in arrears for the Ministers Reserve Pension Plan that existed at the time (see Note 12). The loan has no specific repayment terms, and the Conference has not adopted a plan or designated specific funds to repay the loan which remains outstanding as of December 31, 2009.

9. Loan Payable – United Methodist Development Fund

In 2001, the Board of Trustees borrowed \$1,000,000 from the United Methodist Development Fund towards the purchase and renovation of a new conference center located in White Plains, New York. The agreement provides for monthly payments of principal and interest of \$8,364 through the loan's maturity on February 1, 2021. Interest on the note is charged at 8.00%. Interest expense for the year ended December 31, 2009 was \$60,066.

Aggregate maturities of this obligation at December 31, 2009 are due as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|-------------------|
| 2010 | \$ 42,763 |
| 2011 | 46,312 |
| 2012 | 50,156 |
| 2013 | 54,319 |
| 2014 | 58,827 |
| Thereafter | <u>476,636</u> |
| | <u>\$ 729,013</u> |

**Funds Under the Stewardship of the
New York Annual Conference of the United Methodist Church**

Notes to Combined Financial Statements

10. Note Payable

In 2007, the Conference obtained a promissory note, payable in 60 months, which bears interest at an annual rate of 5.90% until April 2008, and increases to 8.25% for the remaining term. The outstanding balance of this loan was \$12,832 as of December 31, 2009. Interest expense for the ended December 31, 2009 was \$1,293.

The principal maturities of this loan as of December 31, 2009, are payable as follows:

| | |
|------|------------------|
| 2010 | \$ 5,205 |
| 2011 | 5,664 |
| 2012 | <u>1,963</u> |
| | <u>\$ 12,832</u> |

11. Custodial Funds

Custodial Funds represent the Death Benefits Plan Fund and Funds Managed for Others. These funds are valued using Level 1 inputs and for the year ended December 31, 2009, are summarized below:

| | |
|--|------------------|
| Funds held for others, as of January 1, 2009 | \$ 35,822 |
| Interest Income | <u>267</u> |
| Funds held for others, as of December 31, 2009 | <u>\$ 36,089</u> |

12. Obligation from Pre-1982 Clergy Pension Plan

The Ministers' Reserve Pension Plan ("MRPP"), a multi-conference defined benefit pension plan administered by General Board of Pension and Health Benefits, Inc., provides pension benefits to eligible clergy of the Conference for years of service prior to December 31, 1981. No additional pension benefits under the MRPP plan are being accrued for years after 1982.

As of December 31, 2009, the balance of net assets available for benefits in the MRPP for accumulated plan benefits to be paid in the future, totaled \$32,585,409. The Conference has the option to use any projected surplus to either fund future pension obligations or, upon the satisfaction of all the outstanding MRPP obligations, receive credit for any excess funds available.

In order to pay the unfunded past service obligation of the MRPP, the Conference established the Integrity in Pensions program in 1981. Each church was apportioned their share of the MRPP obligation, which obligation is expected to be paid in full by 2012.

Collection of the Integrity in Pensions program receipts by the Conference are restricted for the MRPP pension obligation and are paid to the Conference Board of Pension and Health Benefits pension deposit account held by the General Board of Pension and Health Benefits, Inc., to be used for MRPP plan funding.

**Funds Under the Stewardship of the
New York Annual Conference of the United Methodist Church**

Notes to Combined Financial Statements

12. Obligation from Pre-1982 Clergy Pension Plan (continued)

Amounts collected by the Conference for the Integrity in Pensions apportionment and remittances to the pension deposit account for the year ended December 31, 2009 are as follows:

| | |
|---|-----------------|
| Total pension apportionments, contributions, bequests and support received by CCFA | \$ 261,253 |
| Total remittances by the CCFA to the pension deposit account held by the General Board of Pensions | <u>251,505</u> |
| Excess of receipts over remittances | <u>\$ 9,748</u> |

13. Retirement Plan

The Conference participates in a multi-employer retirement plan, the Clergy Retirement Security Plan ("CRSP"), administered by the General Board of Pension and Health Benefits which replaced the MRPP as of January 2007. CRSP includes a defined contribution component; a defined benefit component; and a death disability and survivor benefit component. CRSP requires eligible minister contributions and an employer contribution based on minister compensation as defined in the Plan. Ministers' compensation is defined as salary plus a housing allowance or a computed housing allowance equivalent. The plan is fully funded as of December 31, 2009.

The following table summarizes the contributions required under the Plan:

| | |
|---|--------------|
| Ministers' contribution for the defined contribution component | 3% |
| Ministers' contribution for comprehensive protection plan component | 3% |
| Conference employer contribution | <u>10.4%</u> |
| Total plan contribution under CRSP | <u>16.4%</u> |

The Conference pension expense for clergy for the year ended December 31, 2009 was \$136,430.

Lay-staff retirement benefits are covered under a separate 403(b) defined contribution plan called the United Methodist Personal Investment Plan. Participation in the 403(b) plan requires each eligible employee to contribute 3% of compensation with an additional 12% contributed by the Conference. Pension expense for the Conference lay-staff for the year ended December 31, 2009 was \$29,307.

14. Medical and Health Plan

Beginning January 1, 2001, the Conference provides health benefits under a multi-employer plan, HealthFlex, administered by the General Board of Pension and Health Benefits, Inc. HealthFlex provides medical and health benefits for eligible clergy and lay-staff employed by the Conference.

**Funds Under the Stewardship of the
New York Annual Conference of the United Methodist Church**

Notes to Combined Financial Statements

14. Medical and Health Plan (continued)

The cost of participating in the HealthFlex Plan is based on a uniform rate determined annually by the Conference Board of Pensions and Health Benefits, Inc., and approved by the Conference. The Conference's expense for its clergy and staff in the HealthFlex Plan for the year ended December 31, 2009 was \$124,142.

The Conference contributes toward the cost for retired clergy with more than five years of service under the HealthFlex Plan. The Conference's HealthFlex expense for retired clergy for the year ended December 31, 2009 was:

| | |
|---|---------------------|
| Conference's retiree clergy HealthFlex cost | \$ 1,300,181 |
| Less: Medicare drug subsidy | <u>(295,586)</u> |
| Net HealthFlex cost for retired clergy | <u>\$ 1,004,595</u> |

15. Support Services for Local Churches

The Conference also provides payroll processing services for the Camping Ministry, UMFF, and Episcopal Office on a reimbursement basis. The Conference monitors these entities to determine that they meet their payroll reimbursement obligations to the Conference.

16. Deposit Accounts

In accordance with a resolution of the Conference, the Conference Board of Pensions and Health Benefits maintains three accounts with the General Board of Pension and Health Benefits, Inc., on behalf of the Conference for the purpose of funding pension liabilities and health benefits. As of December 31, 2009, the pension deposit account held \$302,323, the Integrity in Pensions deposit account held \$1,118,413, and the health benefits reserve deposit account held \$11,156,640.

The Conference pensions and health benefits remittances made to these accounts are recorded as expenses by the Conference. The Deposit accounts are held at the General Board of Pension and Health Benefits, Inc., and may be drawn down only upon the approval of the Conference Board of Pensions and Health Benefits to fund Conference obligations to the MRPP pension or HealthFlex plans.

**Funds Under the Stewardship of the
New York Annual Conference of the United Methodist Church**

Notes to Combined Financial Statements

17. Restrictions and Limitations on Net Assets

Certain net assets of the Conference are restricted based upon donor stipulations. Such restricted net assets are deemed “released from restriction” when the Conference expends funds in accordance with the donor’s stipulated purpose. Restricted funds to be held in perpetuity by donor instruction are classified as permanently restricted net assets. The table below present the net assets released from restrictions and the components of restricted net assets at December 31, 2009.

| <u>Fund Description</u> | <u>Net Assets Released From Restriction in 2009</u> | <u>Temporarily Restricted Net Assets at December 31, 2009</u> | <u>Permanently Restricted Net Assets at December 31, 2009</u> |
|---------------------------------|---|---|---|
| Special Funds | | | |
| Groveville Cemetery Fund | \$ - | \$ 3,203 | \$ - |
| Bosley Memorial Fund | 3,400 | 5,762 | - |
| | <u>3,400</u> | <u>8,965</u> | <u>-</u> |
| Trust Funds | | | |
| Denver Fund | 19,961 | 249,399 | 505,000 |
| Aldersgate Church Fund | 7,185 | 57,753 | 87,673 |
| Shauman Fund | 500 | 22,674 | 3,504 |
| Hess Fund for World Division | 168 | 964 | 9,170 |
| Hess Fund for National Division | 371 | 1,167 | 18,341 |
| J.F. Hess Trust Fund | - | - | 10,000 |
| Collard Fund | 390 | 14,445 | 5,000 |
| Williams Fund | 3,765 | 100,807 | 20,000 |
| Jeffersonville Fund | 184 | 750 | 1,000 |
| Hess Craryville | - | 724 | - |
| Hess Methodist Hospital | - | 652 | - |
| Hess Five Points | - | 735 | - |
| | <u>32,524</u> | <u>450,070</u> | <u>659,688</u> |
| Memorial Garden Fund | - | 7,513 | - |
| Sessions Woods - Darling Fund | 15,000 | 124,504 | - |
| | <u>15,000</u> | <u>132,017</u> | <u>-</u> |
| General Camping Programs | 12,078 | 68,159 | 60,726 |
| Quinipet Camp Program | 349 | 4,716 | 6,535 |
| | <u>12,427</u> | <u>72,875</u> | <u>67,261</u> |
| Conference Programs | <u>6,512,298</u> | <u>1,578,706</u> | <u>-</u> |
| | <u>\$ 6,575,649</u> | <u>\$ 2,242,633</u> | <u>\$ 726,949</u> |

**Funds Under the Stewardship of the
New York Annual Conference of the United Methodist Church**

Notes to Combined Financial Statements

18. Concentration of Credit Risk

Financial instruments, which potentially subject the Conference to concentrations of credit risk, consist primarily of cash and cash equivalents. At December 31, 2009, the Conference maintained balances with banking institutions that exceeded the Federal Deposit Insurance Corporation's insurable limit by \$102,211.

Investments are invested in investment pools administered by the United Methodist Frontier Foundation ("UMFF") and are deposited with brokerage firms. The amounts held may exceed FDIC or Security Industry Protection Corporation ("SIPC") insurance. The Conference monitors these balances to determine whether the balances that may exceed SIPC insured limits are covered by additional brokerage insurance programs as a method of determining the credit risk and in choosing brokerage firms with whom to deal to reduce the Conference's exposure to credit risk.

19. Lease Commitments

The Conference leases office and printing equipment under various commercial leases with the equipment suppliers or commercial leasing companies. Rent expense for equipment for the year ended December 31, 2009 was \$59,854.

Future annual minimum lease commitments as of December 31, 2009 are as follows:

| | |
|------|------------------|
| 2010 | \$ 50,832 |
| 2011 | <u>25,416</u> |
| | <u>\$ 76,248</u> |

20. Contingencies

The Conference is involved in litigation arising in the normal course of business. Management estimates that the ultimate resolution of these matters will not be material to the Conference's financial position.

The Conference follows FASB guidance on *Accounting for Conditional Asset Retirement Obligations* that requires recognition of a liability for legal obligations associated with the retirement of tangible long-lived assets when the timing and/or method of settlement of the obligation is conditional on a future event. This Interpretation requires that the fair value of a liability for a conditional asset retirement obligation be recognized in the period in which it occurred if a reasonable estimate of fair value can be made. The Conference is not aware of the existence of any asset retirement obligations.

**Funds Under the Stewardship of the
New York Annual Conference of the United Methodist Church**

Notes to Combined Financial Statements

21. Prior Period Adjustment

The Conference's combined financial statements as of December 31, 2008, contained the following errors: (1) understatement of amount due from the Camping Ministry by \$101,803, (2) understatement of land, buildings, property improvements and equipment related to the Board of Trustees by \$161,500, and (3) overstatement of accrued expenses related to CCF&A by \$79,461. Net assets as of January 1, 2009, have been increased by \$342,764 to correct the aggregate effect of these errors. Had the errors not been made, net income for 2008 would have been increased by \$342,764.

| | |
|---|----------------------------|
| Net assets at beginning of year, as previously reported | \$ 9,259,146 |
| Prior period adjustment | <u>342,764</u> |
| Net assets at beginning of year, as restated | <u><u>\$ 9,601,910</u></u> |

**Funds Under the Stewardship of the
New York Annual Conference
of the United Methodist Church**

Supplemental Information

December 31, 2009

**Funds Under the Stewardship of the New York
Annual Conference of the United Methodist Church**

Combining Schedule of Financial Position

December 31, 2009

| | CCF&A | Board of Trustees | Camping Ministry | Sub-Total | Eliminating Entries Debit (Credit) | Combined |
|---|---------------------|----------------------|---------------------|----------------------|--|----------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 830,564 | \$ 93,760 | \$ 101,980 | \$ 1,026,304 | \$ - | \$ 1,026,304 |
| Investments | 2,231,740 | 2,536,873 | 158,087 | 4,926,700 | - | 4,926,700 |
| Church receivables | 1,055,354 | - | - | 1,055,354 | - | 1,055,354 |
| Accounts receivable | 148,817 | - | 31,614 | 180,431 | - | 180,431 |
| Parish development loans, net of allowance for doubtful accounts | 907,900 | - | - | 907,900 | - | 907,900 |
| Prepaid expenses | 2,463 | - | - | 2,463 | - | 2,463 |
| Due from the Camping Ministry | 269,134 | - | - | 269,134 | (269,134) | - |
| Custodial funds held | - | 36,089 | - | 36,089 | - | 36,089 |
| Land, buildings, property improvements and equipment, net | 12,946 | 3,876,423 | 1,355,019 | 5,244,388 | - | 5,244,388 |
| | <u>\$ 5,458,918</u> | <u>\$ 6,543,145</u> | <u>\$ 1,646,700</u> | <u>\$ 13,648,763</u> | <u>\$ (269,134)</u> | <u>\$ 13,379,629</u> |
| LIABILITIES AND NET ASSETS | | | | | | |
| Liabilities | | | | | | |
| Borrowings under line of credit | \$ - | \$ - | \$ 321,207 | \$ 321,207 | \$ - | \$ 321,207 |
| Accounts payable and accrued expenses | 1,989,671 | 20,000 | 86,366 | 2,096,037 | - | 2,096,037 |
| Deferred revenue | - | - | 47,611 | 47,611 | - | 47,611 |
| Due to the CCF&A | - | - | 269,134 | 269,134 | 269,134 | - |
| Loans payable - Conference Board of Pensions and Health Benefits | 389,917 | - | - | 389,917 | - | 389,917 |
| Loan payable - United Methodist Development Fund | - | 729,013 | - | 729,013 | - | 729,013 |
| Church apportionments designated for future periods | 80,087 | - | - | 80,087 | - | 80,087 |
| Loan payable | - | - | 12,832 | 12,832 | - | 12,832 |
| Custodial funds held | - | 36,089 | - | 36,089 | - | 36,089 |
| Total Liabilities | 2,459,675 | 785,102 | 737,150 | 3,981,927 | 269,134 | 3,712,793 |
| Net Assets | | | | | | |
| Unrestricted | 1,420,537 | 4,507,303 | 769,414 | 6,697,254 | - | 6,697,254 |
| Temporarily restricted | 1,578,706 | 591,052 | 72,875 | 2,242,633 | - | 2,242,633 |
| Permanently restricted | - | 659,688 | 67,261 | 726,949 | - | 726,949 |
| | <u>2,999,243</u> | <u>5,758,043</u> | <u>909,550</u> | <u>9,666,836</u> | <u>-</u> | <u>9,666,836</u> |
| | <u>\$ 5,458,918</u> | <u>\$ 6,543,145</u> | <u>\$ 1,646,700</u> | <u>\$ 13,648,763</u> | <u>\$ 269,134</u> | <u>\$ 13,379,629</u> |

See independent auditors' report

**Funds Under the Stewardship of the New York
Annual Conference of the United Methodist Church**

Combining Schedule of Activities

Year Ended December 31, 2009

| | CCF&A | | | Board of Trustees | | | | Camping Ministry | | | | Eliminating Entries (Debit) Credit | 2009 Combined |
|--|------------------|---------------------------|------------------|-------------------|---------------------------|---------------------------|------------------|------------------|---------------------------|---------------------------|------------------|--|-------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | | |
| REVENUE AND SUPPORT | | | | | | | | | | | | | |
| Church apportionments | \$ 2,411,761 | \$ 5,152,555 | \$ 7,564,316 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 7,564,316 |
| Designated benevolences | - | 705,182 | 705,182 | - | - | - | - | - | - | - | - | - | 705,182 |
| Other contributed benevolences | 1,003 | 229,503 | 230,506 | - | - | - | - | - | - | - | - | - | 230,506 |
| Fees and reimbursements | 289,073 | 100 | 289,173 | - | - | - | - | - | - | - | - | - | 289,173 |
| Grants and contributions | - | - | - | - | - | - | - | 367,237 | 5,000 | - | 372,237 | - | 372,237 |
| Retreat | - | - | - | - | - | - | - | 825,798 | - | - | 825,798 | - | 825,798 |
| Program fees | - | - | - | - | - | - | - | 413,855 | - | - | 413,855 | - | 413,855 |
| Food service | - | - | - | - | - | - | - | 197,006 | - | - | 197,006 | - | 197,006 |
| Store | - | - | - | - | - | - | - | 13,513 | - | - | 13,513 | - | 13,513 |
| Investment return | 52,186 | 48,608 | 100,794 | 73,594 | 120,674 | - | 194,268 | 1,585 | 38,734 | - | 40,319 | - | 335,381 |
| Interest on revolving loans | 55,079 | - | 55,079 | - | - | - | - | - | - | - | - | - | 55,079 |
| Interest | - | - | - | 495 | - | - | 495 | 288 | - | - | 288 | - | 783 |
| Other | - | - | - | - | - | - | - | 2,494 | - | - | 2,494 | - | 2,494 |
| Donated services | - | - | - | 19,044 | - | - | 19,044 | - | - | - | - | - | 19,044 |
| Amounts to be paid by CCF&A | - | - | - | 129,890 | - | - | 129,890 | - | - | - | - | (129,890) | - |
| Administrative services for church and conference organizations | (470,218) | - | (470,218) | - | - | - | - | - | - | - | - | - | (470,218) |
| Net assets released from restrictions | 6,512,298 | (6,512,298) | - | 50,924 | (50,924) | - | - | 12,427 | (12,427) | - | - | - | - |
| Total Revenue and Support | 8,851,182 | (376,350) | 8,474,832 | 273,947 | 69,750 | - | 343,697 | 1,834,203 | 31,307 | - | 1,865,510 | (129,890) | 10,554,149 |
| EXPENSES | | | | | | | | | | | | | |
| Program services | 6,507,830 | - | 6,507,830 | 366,334 | - | - | 366,334 | - | - | - | - | - | 6,874,164 |
| Campsite | | | | | | | | | | | | | |
| Quinipet | - | - | - | - | - | - | - | 1,086,472 | - | - | 1,086,472 | - | 1,086,472 |
| Epworth | - | - | - | - | - | - | - | 290,563 | - | - | 290,563 | - | 290,563 |
| Kingswood | - | - | - | - | - | - | - | 74,314 | - | - | 74,314 | - | 74,314 |
| Capital Campaign | - | - | - | - | - | - | - | 55,087 | - | - | 55,087 | - | 55,087 |
| Management and general | 1,980,400 | - | 1,980,400 | 258,113 | - | - | 258,113 | - | - | - | - | (129,890) | 2,108,623 |
| Total Expenses | 8,488,230 | - | 8,488,230 | 624,447 | - | - | 624,447 | 1,506,436 | - | - | 1,506,436 | (129,890) | 10,489,223 |
| Change in Net Assets | 362,952 | (376,350) | (13,398) | (350,500) | 69,750 | - | (280,750) | 327,767 | 31,307 | - | 359,074 | - | 64,926 |
| NET ASSETS | | | | | | | | | | | | | |
| Beginning of year | 1,057,585 | 1,955,056 | 3,012,641 | 4,857,803 | 521,302 | 659,688 | 6,038,793 | 441,647 | 41,568 | 67,261 | 550,476 | - | 9,601,910 |
| End of year | \$ 1,420,537 | \$ 1,578,706 | \$ 2,999,243 | \$ 4,507,303 | \$ 591,052 | \$ 659,688 | \$ 5,758,043 | \$ 769,414 | \$ 72,875 | \$ 67,261 | \$ 909,550 | \$ - | \$ 9,666,836 |