

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

Combined Financial Statements

December 31, 2011

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 "New York Annual Conference") as of December 31, 2011, and the related combined statements of activities and cash flows for the year then ended. These combined financial statements are the responsibility of the New York Annual Conference's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. The prior year comparative summarized information has been derived from the New York Annual Conference's 2010 financial statements and in our report dated November 1, 2011, we expressed a qualified opinion on those financial statements for the reason noted below.

Except as discussed in the following paragraph, 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 New York Annual 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 audits provide a reasonable basis for our opinion.

The New York Annual Conference did not obtain a valuation of its postretirement health benefits for the year ending December 31, 2011. As discussed in Note 3, the last valuation obtained was as of December 31, 2010. That valuation reflected an accumulated post retirement obligation of \$37,867,515. Had this amount been recorded, liabilities would have increased by \$37,867,515 in 2010. By not obtaining a valuation for the year ending 2011, a liability cannot be computed, thus resulting in the inability to record such amount in the combined financial statements for the year ending December 31, 2011. The effect on the 2011 and 2010 statement of activities has not been determined. In our opinion, a liability for postretirement health benefits and related disclosures are required by accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of 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 New York Annual Conference as of December 31, 2011, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

O'CONNOR DAVIES, LLP

500 Mamaroneck Avenue, Suite 301, Harrison, NY 10528 | Tel: 914.381.8900 | Fax: 914.381.8910 | www.odpkf.com

O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Board of Trustees
White Plains, New York

Page 2

Our 2011 audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental information on pages 19 through 21 is presented for purposes of additional analysis and is not a required part of the 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effect of the adjustments described in the preceding paragraph as might have been determined to be necessary if the scope of our audit had not been limited, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

O'Connor Davies, LLP

Harrison, New York
June 25, 2012

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

Combined Statement of Financial Position
December 31, 2011
(with comparative amounts for 2010)

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 2,807,636	\$ 1,286,516
Investments	3,735,417	3,870,460
Church apportionments receivable	992,019	1,419,389
Accounts receivable, net	373,148	270,752
Parish development loans receivable, net	1,106,063	967,477
Prepaid expenses	90,342	41,353
Custodial funds held	36,401	36,299
Property and equipment, net	5,956,444	5,761,109
	\$ 15,097,470	\$ 13,653,355
 LIABILITIES AND NET ASSETS		
Liabilities		
Church apportionments designated for future periods	\$ 84,618	\$ 66,268
Borrowings under line of credit	320,304	300,258
Accounts payable and accrued expenses	1,879,243	1,621,050
Deferred revenue	9,330	77,505
Loan payable - Conference Board of Pensions and Health Benefits	379,917	389,917
Loan payable - United Methodist Development Fund	635,206	687,468
Loan payable - Bridgehampton Methodist Church	76,284	100,329
Custodial funds held	36,401	36,299
Total Liabilities	3,421,303	3,279,094
Net Assets		
Unrestricted	7,453,733	5,967,743
Temporarily restricted	3,495,485	3,679,569
Permanently restricted	726,949	726,949
Total Net Assets	11,676,167	10,374,261
	\$ 15,097,470	\$ 13,653,355

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, 2011
(with summarized totals for 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
SUPPORT AND REVENUE					
Church apportionments	\$ 2,244,668	\$ 5,781,082	\$ -	\$ 8,025,750	\$ 8,402,318
Designated benevolences	-	1,130,016	-	1,130,016	748,642
Other contributed benevolences	673	245,560	-	246,233	237,505
Fees and reimbursements	298,150	-	-	298,150	359,283
Grants and contributions	858,917	-	-	858,917	246,118
Retreat	1,049,763	-	-	1,049,763	768,894
Program fees	335,532	-	-	335,532	462,606
Food service	242,680	-	-	242,680	231,878
Store	15,439	-	-	15,439	22,947
Investment return	206,962	35,324	-	242,286	242,164
Interest on revolving loans	324,461	-	-	324,461	49,272
Interest	307	-	-	307	-
Other	218,623	-	-	218,623	3,743
Net assets released from restrictions	<u>7,376,066</u>	<u>(7,376,066)</u>	-	-	-
Total Support and Revenue	<u>13,172,241</u>	<u>(184,084)</u>	-	<u>12,988,157</u>	<u>11,775,370</u>
EXPENSES					
Program	7,595,910	-	-	7,595,910	6,841,716
Campsite					
Quinipet	1,384,963	-	-	1,384,963	1,254,111
Epworth	309,897	-	-	309,897	350,989
Kingswood	114,618	-	-	114,618	80,399
Capital campaign	2,366	-	-	2,366	21,190
Management and general	<u>2,278,497</u>	-	-	<u>2,278,497</u>	<u>2,207,847</u>
Total Expenses	<u>11,686,251</u>	-	-	<u>11,686,251</u>	<u>10,756,252</u>
Change in Net Assets	1,485,990	(184,084)	-	1,301,906	1,019,118
NET ASSETS					
Beginning of year	<u>5,967,743</u>	<u>3,679,569</u>	<u>726,949</u>	<u>10,374,261</u>	<u>9,355,143</u>
End of year	<u>\$ 7,453,733</u>	<u>\$ 3,495,485</u>	<u>\$ 726,949</u>	<u>\$ 11,676,167</u>	<u>\$ 10,374,261</u>

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

Combined Statement of Cash Flows
Year Ended December 31, 2011
(with comparative amounts for 2010)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,301,906	\$ 1,019,118
Adjustment to reconcile change in net assets to net cash from operating activities		
Realized and unrealized losses on investments	42,753	141,870
Depreciation	191,319	322,626
Provision for bad debts	1,068,564	351,374
Net change in operating assets and liabilities		
Church apportionments receivable	427,370	(364,035)
Accounts receivable	(826,891)	(441,695)
Parish development loans receivable	(482,655)	(410,951)
Prepaid expenses	(48,989)	(38,890)
Accounts payable and accrued expenses	258,193	(342,614)
Deferred revenue	(68,175)	29,894
Church apportionments designated for future periods	18,350	(13,819)
Net Cash from Operating Activities	1,881,745	252,878
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,273,628)	(47,752)
Proceeds from sale of investments	1,365,918	962,122
Property and equipment acquisitions	(386,654)	(839,347)
Net Cash from Investing Activities	(294,364)	75,023
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances (repayment) under line of credit	20,046	(20,949)
Repayment of loans payable	(86,307)	(46,740)
Net Cash from Financing Activities	(66,261)	(67,689)
Net Change in Cash and Cash Equivalents	1,521,120	260,212
CASH AND CASH EQUIVALENTS		
Beginning of year	1,286,516	1,026,304
End of year	\$ 2,807,636	\$ 1,286,516
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 70,870	\$ 66,396

See notes to combined financial statements

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

Notes to Combined Financial Statements
December 31, 2011

1. Organization

The New York Annual Conference of the United Methodist Church (the "New York Annual Conference") is one of fifty-nine 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 the New York Annual Conference's local churches. Expenses consist primarily of clergy support; the New York Annual Conference apportionments to the General Church located in Nashville, Tennessee; support for religious and charitable programs; support for missions and church ministries; and management and financial administration of the New York Annual Conference.

CCFA supports local churches by collection and timely remittance of the New York Annual Conference wide local church clergy pension and health benefits and administers workers compensation insurance programs. CCFA also provides payroll processing services on a reimbursed cost basis for other New York Annual 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 comprised of three campsites which are Quinipet, Epworth and Kingswood, all located in New York State.

The Episcopal Office of the New York Annual Conference of the United Methodist Church (the "Episcopal Office"), provides support to the resident Bishop of the New York Annual Conference. The Episcopal Office receives, prioritizes and prepares communications for the Bishop's attention and response, and maintains pastoral records used for assignment of clergy and management of the New York Annual Conference. Additionally, the office arranges and/or prepares for meetings and other gatherings that the Bishop leads or attends.

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

Notes to Combined Financial Statements
December 31, 2011

1. Nature of Organization (continued)

The Funds Administered by the Board of Trustees of the New York Annual Conference of the United Methodist Church (the "Board of Trustees"), are used to receive, collect and hold in trust, for the benefit of the New York Annual 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 of Trustees or to the New York Annual Conference and its agencies as such for any benevolent, charitable, or religious purpose, and shall administer the same, and the income therefrom, 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 New York Annual Conference. In addition, the Board of Trustees has the responsibility for caring for the legal, insurance and property matters which affect the New York Annual Conference.

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 CCFA, the Board of Trustees, the accounts of the Camping Ministry and the accounts of the Episcopal Office 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 New York Annual Conference and the changes therein are classified and reported as unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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

Notes to Combined Financial Statements
December 31, 2011

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

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

Allowance for Accounts and Apportionments Receivable

An allowance for accounts and apportionments receivable is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. The allowance for accounts receivables was \$715,194 at December 31, 2011. Management has concluded that no allowance for apportionments is required.

Fair Value of Financial Instruments

The New York Annual 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.

Investments Valuation

Investments are carried at fair value.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of change in net assets.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Donated assets are capitalized at their fair value at the time of the donation. 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. Depreciation is recognized using the straight-line method over the estimated useful lives of such assets as follows:

Building	50 years
Building improvements	15 years
Furniture and equipment	3-5 years

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

Notes to Combined Financial Statements
December 31, 2011

2. Summary of Significant Accounting Policies (continued)

Capitalized Costs

The New York Annual Conference capitalizes certain costs incurred in connection with improvements of its conference center and camps located in New York. Upon completion of the project, these costs are reclassified as building improvements and are depreciated over their estimated useful life.

Revenue Recognition

The New York Annual 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 receivable.

Apportionments, Contributions and Benevolences

Church apportionments, 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 New York Annual Conference.

In-kind Support

A number of clergy and lay staff of the New York Annual Conference have contributed significant amounts of their time to the affairs of the New York Annual 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 New York Annual Conference recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the New York Annual Conference had no uncertain tax positions that would require financial statement recognition or disclosure. The New York Annual Conference is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to December 31, 2008.

Endowment

On September 17, 2010, New York State adopted the Uniform Prudent Management of Institutional Funds Act ("NYUPMIFA"). NYUPMIFA includes provisions that differ from previous law, including the elimination of the historic dollar value rule with respect to endowment spending (except with respect to any endowment fund for which dollar value rule has been expressly elected by the donor), establishment of new standards governing

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

Notes to Combined Financial Statements
December 31, 2011

2. Summary of Significant Accounting Policies (continued)

Endowment (continued)

the expenditure and modification of restrictions on endowment funds, and revision of the prudence standard for the management and investment of endowment funds. In accordance with the adoption of NYUPMIFA, the New York Annual Conference reviewed all of its endowment funds and determined that a net asset reclassification was not necessary upon adoption in 2010.

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 June 25, 2012.

3. Postretirement Health Benefits

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

The New York Annual 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 partially funded through New York Conference assessed church apportionments and administered by CCFA. The New York 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 General Board of Pension and Health Benefits of The United Methodist Church ("The General Board") obtained an actuarial valuation of the New York Annual Conference of the United Methodist Church's retiree healthcare benefits as of December 31, 2010. The valuation of the New York Conference's accumulated postretirement benefit obligation as of December 31, 2010 was \$37,867,515. The accumulated postretirement benefit obligation is the portion of the expected postretirement benefit obligation attributed to retirees past service.

4. Parish Development Loans Receivable, Net

The Parish Development Commission (a committee of the New York Annual Conference) provides unsecured financing to its member churches and New York Annual Conference entities for improvements and major repairs from a revolving loan fund. The loans are made at interest rates determined by the Parish Development Committee which range from 4% to 8%.

Loan principal and interest repayments are deposited back into the revolving loan fund to fund future loans and grants. The New York Annual Conference annually reviews the collectibility of loans outstanding and adjusts the allowance for doubtful accounts accordingly. As of December 31, 2011, the allowance for doubtful accounts was \$674,164.

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

Notes to Combined Financial Statements
December 31, 2011

5. Endowment, Investments and Investment Return

Interpretation of Law

Consistent with its interpretation of NYUPMIFA, the New York Annual Conference classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by The New York Annual Conference in a manner consistent with the standard of prudence prescribed by NYUPMIFA.

Return Objectives and Risk Parameters

The New York Annual Conference maintains various donor-restricted endowment funds and Board designated endowment funds whose purpose is to provide long term support for its programs and facilities. The New York Annual Conference 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 attempting to maintain purchasing power of the endowment assets.

The New York Annual Conference utilizes a total return investment approach with its asset allocation diversified over multiple asset classes and sub classes. The overall investment objective of the New York Annual Conference donor-restricted endowment funds and Board designated endowment funds (collectively, the "Endowment") is to provide the greatest level of support for operating expenses and capital maintenance of The New York Annual Conference consistent with the preservation of purchasing power of the Endowment. To balance the current and future needs for operating and maintenance support, The New York Annual Conference seeks to maintain or enhance the real (inflation-adjusted) purchasing power of the Endowment, net of payments pursuant to the spending policy described below. This objective leads to a fixed income and equity-oriented investment strategy, which in turn implies that the total market value and amount available to support the New York Annual Conference's operations will likely fluctuate from year to year. The investment performance objective is to attain, over a majority of market cycles, an annualized real total return, net of fees, of at least 5% per annum.

Spending Rate Methods

The New York Annual Conference has adopted a policy of annually expending amounts from its invested funds maintained as donor-restricted endowment and Board designated endowment funds to support current operations based on five percent of a three-year quarterly average fair value of investments held. In addition, with the approval of its Trustees, The New York Annual Conference has used Board designated endowment funds for operating purposes.

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

Notes to Combined Financial Statements
December 31, 2011

5. Endowment, Investments and Investment Return (continued)

If permanently restricted endowment funds have experienced losses below the permanently restricted amount of such funds due to market fluctuations, generally accepted accounting principles require that such excess losses be absorbed by the unrestricted net assets of the New York Annual Conference and that future gains be allocated to unrestricted net assets until such losses have been restored. The New York Annual Conference's donor restricted endowment funds have not experienced losses during 2011.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, January 1, 2011	\$ 1,136,725	\$ 2,006,786	\$ 726,949	\$ 3,870,460
Board designations	136,690	-	-	136,690
Investment income, net	232,744	52,295	-	285,039
Capital depreciation	(25,782)	(16,971)	-	(42,753)
Appropriations for programs	<u>(514,019)</u>	<u>-</u>	<u>-</u>	<u>(514,019)</u>
Balance, December 31, 2011	<u>\$ 966,358</u>	<u>\$ 2,042,110</u>	<u>\$ 726,949</u>	<u>\$ 3,735,417</u>
Comprised of the Following				
Donor restricted funds	\$ -	\$ 2,042,110	\$ 726,949	\$ 2,769,059
Board designated funds	966,358	-	-	966,358

The following are major categories of investments measured and categorized by the fair value hierarchy at fair value at December 31, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money market fund	\$ 182,014	\$ -	\$ 182,014
Equity fund	689,069	-	689,069
Bond fund	-	<u>2,864,334</u>	<u>2,864,334</u>
Total Investments at Fair Value	<u>\$ 871,083</u>	<u>\$ 2,864,334</u>	<u>\$ 3,735,417</u>

Investment return consists of the following for the year ended December 31, 2011:

Interest and dividend income	\$ 323,950
Net realized and unrealized losses	(42,753)
Investment fees	<u>(38,911)</u>
Total Investment Return	<u>\$ 242,286</u>

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

Notes to Combined Financial Statements
December 31, 2011

6. Property and Equipment, Net

Property and equipment, net consists of the following at December 31, 2011:

	CCFA	Board of Trustees	Camping Ministry	Episcopal Office	Total
Buildings	\$ -	\$ -	\$ 1,125,256	\$ -	\$ 1,125,256
Building improvements	-	494,150	722,464	-	1,216,614
District parsonages	-	1,020,986	-	-	1,020,986
Episcopal residence	-	368,590	-	-	368,590
Conference center	-	3,521,363	-	-	3,521,363
Vehicles	-	-	110,300	-	110,300
Land improvements	-	-	282,262	-	282,262
Camp property	-	161,500	-	-	161,500
Furniture and equipment	46,685	-	170,600	53,513	270,798
Construction in progress	-	-	102,287	-	102,287
	<u>46,685</u>	<u>5,566,589</u>	<u>2,513,169</u>	<u>53,513</u>	<u>8,179,956</u>
Accumulated depreciation	<u>(34,404)</u>	<u>(1,744,873)</u>	<u>(390,722)</u>	<u>(53,513)</u>	<u>(2,223,512)</u>
	<u>\$ 12,281</u>	<u>\$ 3,821,716</u>	<u>\$ 2,122,447</u>	<u>\$ -</u>	<u>\$ 5,956,444</u>

7. Borrowings Under Line of Credit

The Camping Ministry has an unsecured \$75,000 line of credit with a bank with interest at 6.5% at December 31, 2011 which matures in April 2012. The Camping Ministry has a second line of credit in the amount of \$250,000 with interest at 5.75% which matures in March 2012 and is secured by the Camping Ministry's investments. At December 31, 2011, the total outstanding balance for both lines was \$320,304. Interest expense for the year ended December 31, 2011 was \$19,495. Subsequent to year end, the Camping Ministry secured a mortgage in the amount of \$1,100,000. Proceeds from the mortgage were used to repay off both lines of credit.

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

In 2005 and 2006, the New York Annual Conference borrowed \$389,917 from the Conference Board of Pensions and Health Benefits Fund (an uncombined fund of the New York Annual Conference), to repay ministerial pension plan contributions in arrears at the time. The loan has no specific repayment terms, and the New York Annual Conference has not adopted a plan or designated specific funds to repay the loan which remains outstanding as of December 31, 2011 in the amount of \$379,917.

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

Notes to Combined Financial Statements
December 31, 2011

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. This loan is secured by the New York Annual Conference's property located at 20 Soundview Avenue, 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% and amounted to \$51,347 for the year ended December 31, 2011. Aggregate maturities of this obligation at December 31, 2011 are due as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 50,156
2013	54,319
2014	58,827
2015	63,710
2016	67,153
Thereafter	<u>341,041</u>
	<u>\$ 635,206</u>

10. Loan Payable – Bridgehampton Methodist Church

The Camping Ministry obtained an unsecured construction loan in 2010 which matures in June 2017 and bears interest at an annual rate of 4.00%. The outstanding balance of this loan was \$76,284 as of December 31, 2011. Interest expense for the year ended December 31, 2011 was \$3,347. Aggregate maturities of this obligation at December 31, 2011 are due as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 13,428
2013	14,146
2014	14,722
2015	15,322
2016	15,946
Thereafter	<u>2,720</u>
	<u>\$ 76,284</u>

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

Notes to Combined Financial Statements
December 31, 2011

11. Custodial Funds

Custodial Funds represent the Death Benefits Plan Fund and Funds Managed for Others. These funds are valued using Level 1 inputs for the year ended December 31, 2011, and are summarized below:

Funds held for others, as of January 1, 2011	\$ 36,299
Interest Income	<u>102</u>
Funds held for others, as of December 31, 2011	<u>\$ 36,401</u>

12. Obligation from Pre-1982 Clergy Pension Plan

The Pre-1982 Clergy Pension Plan ("Pre 82 Plan"), a multi-employer defined benefit plan administered by The General Board is limited to eligible clergy meeting the age and years of service requirements of the Plan. Expenses for the year ended December 31, 2011 amounted to \$0, as all amounts were paid by New York Annual Conference member churches.

13. Retirement Plans

The New York Annual Conference participates in a multi-employer defined benefit plan, the Clergy Retirement Security Program ("CRSP"), administered by The General Board, and is limited to eligible clergy meeting the age and years of service requirements of the Plan. Pension expense amounted to \$107,345 for the year ended December 31, 2011.

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% or more of wages to receive a 12% contribution by the New York Annual Conference. Pension expense for the New York Annual Conference lay-staff for the year ended December 31, 2011 was \$55,232.

14. Medical and Health Plan

Effective January 1, 2001, the New York Annual Conference provided health benefits under a multi-employer plan, HealthFlex, administered by The General Board. HealthFlex provides medical and health benefits for eligible clergy and lay-staff employed by the New York Annual Conference.

The cost of participating in HealthFlex is based on a uniform rate determined annually by the Conference Board of Pensions and Health Benefits, and approved by the New York Annual Conference. The New York Annual Conference's expense for its clergy and staff in HealthFlex for the year ended December 31, 2011 was \$202,619.

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

Notes to Combined Financial Statements
December 31, 2011

14. Medical and Health Plan (continued)

The New York Annual Conference contributes toward the cost for retired clergy with more than five years of service under HealthFlex. The Conference's HealthFlex expense for retired clergy for the year ended December 31, 2011 was as follows:

Conference retiree HealthFlex cost	\$1,803,906
Less Medicare drug subsidy	<u>(245,458)</u>
Net HealthFlex cost for Retired Clergy	<u>\$1,558,448</u>

15. Support Services for Local Churches

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

16. Deposit Accounts

In accordance with a resolution of the New York Annual Conference, the Conference Board of Pensions and Health Benefits maintains five accounts with The General Board, on behalf of the New York Annual Conference for the purpose of funding pension liabilities and health benefits. As of December 31, 2011, the Deposit account held \$169,681, the Integrity in Pensions account held \$1,845,763, the Health Benefits Reserve account held \$11,325,642, the Pre-82 pension account held \$31,304,800 and the General account held \$441,704.

The New York Annual Conference pension and health benefits remittances made to these accounts are recorded as expense by the New York Annual Conference. The Deposit accounts are held at The General Board, and may be drawn down only upon the approval of the Conference Board of Pension and Health Benefits to fund New York Annual Conference obligations to the Pre-82 Plan or HealthFlex plans.

17. Restrictions and Limitations on Net Assets

Certain net assets of the New York Annual Conference are restricted based upon donor stipulations. Such restricted net assets are deemed "released from restriction" when the New York Annual 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 presents the net assets released from restrictions and the components of restricted net assets at December 31, 2011.

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

Notes to Combined Financial Statements
December 31, 2011

17. Restrictions and Limitations on Net Assets (continued)

<u>Fund Description</u>	<u>Net Assets Released From Restriction in 2011</u>	<u>Temporarily Restricted Net Assets at December 31, 2011</u>	<u>Permanently Restricted Net Assets at December 31, 2011</u>
Special Funds			
Groveville Cemetery Fund	\$ -	\$ 3,383	\$ -
Bosley Memorial Fund	<u>2,200</u>	<u>3,849</u>	<u>-</u>
	<u>2,200</u>	<u>7,232</u>	<u>-</u>
Trust Funds			
Denver Fund	21,279	251,614	505,000
Aldersgate Church Fund	8,220	47,213	87,673
Shauman Fund	500	22,460	3,504
Hess Fund for World Division	228	1,025	9,170
Hess Fund for National Division	502	1,301	18,341
J.F. Hess Trust Fund	-	-	10,000
Collard Fund	528	14,587	5,000
Williams Fund	5,728	95,351	20,000
Jeffersonville Fund	69	768	1,000
Hess Craryville	66	740	-
Hess Methodist Hospital	160	696	-
Hess Five Points	<u>40</u>	<u>742</u>	<u>-</u>
	<u>37,320</u>	<u>436,497</u>	<u>659,688</u>
Memorial Garden Fund	-	7,513	-
Sessions Woods - Darling Fund	<u>-</u>	<u>125,358</u>	<u>-</u>
	<u>-</u>	<u>132,871</u>	<u>-</u>
General Camping Programs	1,602	79,039	60,726
Quinipet Camp Program	<u>274</u>	<u>5,105</u>	<u>6,535</u>
	<u>1,876</u>	<u>84,144</u>	<u>67,261</u>
Conference Programs	<u>7,334,670</u>	<u>2,834,741</u>	<u>-</u>
	<u>\$ 7,376,066</u>	<u>\$ 3,495,485</u>	<u>\$ 726,949</u>

18. Concentration of Credit Risk

Financial instruments, which potentially subject the New York Annual Conference to concentrations of credit risk, consist primarily of cash and cash equivalents and receivables. At times, the New York Annual Conference maintains balances with banking institutions that exceed the Federal Deposit Insurance Corporation's insurable limit. The New York Annual Conference's receivables are primarily from its member churches. The New York Annual Conference believes that no significant concentration of credit risk exists with respect to its cash and cash equivalents and receivables.

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

Notes to Combined Financial Statements
December 31, 2011

19. Lease Commitments

The New York Annual 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, 2011 was \$64,423. Aggregate minimum annual rental payments at December 31, 2011 for the years ending December 31, are payable as follows:

2012	\$ 60,227
2013	51,635
2014	48,055
2015	36,692
2016	<u>11,395</u>
	<u>\$ 208,004</u>

20. Asset Retirement Obligations

The New York Annual 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 New York Annual Conference is not aware of the existence of any asset retirement obligations.

21. Contingencies

The New York Annual 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 New York Annual Conference's financial position.

* * * * *

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

Supplemental Information
December 31, 2011

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

Combining Schedule of Financial Position

December 31, 2011

(with comparative amounts for 2010)

	CCFA	Board of Trustees	Camping Ministry	Episcopal Office	Sub-Total	Eliminating Entries Debit (Credit)	2011 Combined	2010 Combined
ASSETS								
Cash and cash equivalents	\$ 2,415,764	\$ 123,211	\$ 179,446	\$ 89,215	\$ 2,807,636	\$ -	\$ 2,807,636	\$ 1,286,516
Investments	1,148,075	2,400,385	170,267	16,690	3,735,417	-	3,735,417	3,870,460
Church apportionments receivable	992,019	-	-	-	992,019	-	992,019	1,419,389
Accounts receivable, net	1,711,467	-	48,568	8,765	1,768,800	(1,395,652)	373,148	270,752
Parish development loans receivable, net	1,106,063	-	-	-	1,106,063	-	1,106,063	967,477
Prepaid expenses	85,502	-	4,840	-	90,342	-	90,342	41,353
Due from the Camping Ministry	-	125,264	-	-	125,264	(125,264)	-	-
Custodial funds held	-	36,401	-	-	36,401	-	36,401	36,299
Property and equipment, net	12,281	3,821,716	2,122,447	-	5,956,444	-	5,956,444	5,761,109
	<u>\$ 7,471,171</u>	<u>\$ 6,506,977</u>	<u>\$ 2,525,568</u>	<u>\$ 114,670</u>	<u>\$ 16,618,386</u>	<u>\$ (1,520,916)</u>	<u>\$ 15,097,470</u>	<u>\$ 13,653,355</u>
LIABILITIES AND NET ASSETS								
Liabilities								
Church apportionments designated for future periods	\$ 84,618	\$ -	\$ -	\$ -	\$ 84,618	\$ -	\$ 84,618	\$ 66,268
Borrowings under line of credit	-	-	320,304	-	320,304	-	320,304	300,258
Accounts payable and accrued expenses	1,816,468	10,693	48,066	4,016	1,879,243	-	1,879,243	1,621,050
Deferred revenue	-	-	9,330	-	9,330	-	9,330	77,505
Due to Board of Trustees	-	-	125,264	-	125,264	125,264	-	-
Due to CCFA	-	100,368	1,285,926	9,358	1,395,652	1,395,652	-	-
Loan payable - Conference Board of Pensions and Health Benefits, Inc.	379,917	-	-	-	379,917	-	379,917	389,917
Loan payable - United Methodist Development Fund	-	635,206	-	-	635,206	-	635,206	687,468
Loan payable - Bridgehampton Methodist Church	-	-	76,284	-	76,284	-	76,284	100,329
Custodial funds held	-	36,401	-	-	36,401	-	36,401	36,299
Total Liabilities	2,281,003	782,668	1,865,174	13,374	4,942,219	1,520,916	3,421,303	3,279,094
Net Assets								
Unrestricted	2,355,427	4,488,021	508,989	101,296	7,453,733	-	7,453,733	5,967,743
Temporarily restricted	2,834,741	576,600	84,144	-	3,495,485	-	3,495,485	3,679,569
Permanently restricted	-	659,688	67,261	-	726,949	-	726,949	726,949
Total Net Assets	<u>5,190,168</u>	<u>5,724,309</u>	<u>660,394</u>	<u>101,296</u>	<u>11,676,167</u>	<u>-</u>	<u>11,676,167</u>	<u>10,374,261</u>
	<u>\$ 7,471,171</u>	<u>\$ 6,506,977</u>	<u>\$ 2,525,568</u>	<u>\$ 114,670</u>	<u>\$ 16,618,386</u>	<u>\$ 1,520,916</u>	<u>\$ 15,097,470</u>	<u>\$ 13,653,355</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, 2011
(with summarized totals for 2010)

	CCFA			Board of Trustees				Camping Ministry				Episcopal Office	Eliminating Entries		2011 Combined	2010 Combined	
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	(Debit)	Credit			
SUPPORT AND REVENUE																	
Church apportionments	\$ 2,244,668	\$ 5,781,082	\$ 8,025,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,025,750	\$ 8,402,318	
Designated benevolences	-	1,130,016	1,130,016	-	-	-	-	-	-	-	-	-	-	-	1,130,016	748,642	
Other contributed benevolences	673	246,560	246,233	-	-	-	-	-	-	-	-	-	-	-	246,233	237,505	
Fees and reimbursements	298,150	-	298,150	-	-	-	-	-	-	-	-	-	-	-	298,150	359,283	
Grants and contributions	-	-	-	679,415	-	-	679,415	103,502	-	-	103,502	128,500	(52,500)	-	858,917	246,118	
Retreat	-	-	-	-	-	-	-	1,049,763	-	-	1,049,763	-	-	-	1,049,763	768,894	
Program fees	-	-	-	-	-	-	-	335,532	-	-	335,532	-	-	-	335,532	462,606	
Food service	-	-	-	-	-	-	-	242,680	-	-	242,680	-	-	-	242,680	231,878	
Store	-	-	-	-	-	-	-	15,439	-	-	15,439	-	-	-	15,439	22,947	
Investment return	190,884	26,414	217,298	15,833	9,756	-	25,589	(27)	(846)	-	(873)	272	-	-	242,286	242,164	
Interest on revolving loans	324,461	-	324,461	-	-	-	-	-	-	-	-	-	-	-	324,461	49,272	
Interest	-	-	-	307	-	-	307	-	-	-	-	-	-	-	307	-	
Other	-	-	-	34,767	-	-	34,767	250,551	-	-	250,551	445	(67,140)	-	218,623	3,743	
Net assets released from restrictions	7,334,670	(7,334,670)	-	39,520	(39,520)	-	-	1,876	(1,876)	-	-	-	-	-	-	-	
Total Support and Revenue	<u>10,393,506</u>	<u>(151,598)</u>	<u>10,241,908</u>	<u>769,842</u>	<u>(29,764)</u>	<u>-</u>	<u>740,078</u>	<u>1,999,316</u>	<u>(2,722)</u>	<u>-</u>	<u>1,996,594</u>	<u>129,217</u>	<u>(119,640)</u>	<u>-</u>	<u>12,988,157</u>	<u>11,775,370</u>	
EXPENSES																	
Program	7,334,670	-	7,334,670	218,989	-	-	218,989	-	-	-	-	42,251	-	-	7,595,910	6,841,716	
Campsite																	
Quinipet	-	-	-	-	-	-	-	1,384,963	-	-	1,384,963	-	-	-	1,384,963	1,254,111	
Epworth	-	-	-	-	-	-	-	309,897	-	-	309,897	-	-	-	309,897	350,989	
Kingswood	-	-	-	-	-	-	-	114,618	-	-	114,618	-	-	-	114,618	80,399	
Capital campaign	-	-	-	-	-	-	-	2,366	-	-	2,366	-	-	-	2,366	21,190	
Management and general	2,228,956	-	2,228,956	118,229	-	-	118,229	-	-	-	-	50,952	(119,640)	-	2,278,497	2,207,847	
Total Expenses	<u>9,563,626</u>	<u>-</u>	<u>9,563,626</u>	<u>337,218</u>	<u>-</u>	<u>-</u>	<u>337,218</u>	<u>1,811,844</u>	<u>-</u>	<u>-</u>	<u>1,811,844</u>	<u>93,203</u>	<u>(119,640)</u>	<u>-</u>	<u>11,686,251</u>	<u>10,756,252</u>	
Change in Net Assets	829,880	(151,598)	678,282	432,624	(29,764)	-	402,860	187,472	(2,722)	-	184,750	36,014	-	-	1,301,906	1,019,118	
NET ASSETS																	
Beginning of year	1,525,547	2,986,339	4,511,886	4,055,397	606,364	659,688	5,321,449	321,517	86,866	67,261	475,644	65,282	-	-	10,374,261	9,355,143	
End of year	<u>\$ 2,355,427</u>	<u>\$ 2,834,741</u>	<u>\$ 5,190,168</u>	<u>\$ 4,488,021</u>	<u>\$ 576,600</u>	<u>\$ 659,688</u>	<u>\$ 5,724,309</u>	<u>\$ 508,989</u>	<u>\$ 84,144</u>	<u>\$ 67,261</u>	<u>\$ 660,394</u>	<u>\$ 101,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,676,167</u>	<u>\$ 10,374,261</u>	

Episcopal Office of the New York Annual Conference of the United Methodist Church

Statement of Cash Receipts and Disbursements

Year Ended December 31, 2011
(with comparative amounts for 2010)

	<u>2011</u>	<u>2010</u>
CASH RECEIPTS		
Budget support	\$128,500	\$127,300
Interest	9	7
Investment income	<u>436</u>	<u>-</u>
Total Cash Receipts	<u>128,945</u>	<u>127,307</u>
 CASH DISBURSEMENTS		
Salaries	34,583	38,186
Employee benefits	8,033	8,472
Supplies	5,218	3,207
Postage	705	107
Telephone	2,982	1,559
Professional fees	511	5,650
Travel and entertainment	26,651	16,425
Network support	5,157	5,688
Miscellaneous	<u>3,020</u>	<u>1,683</u>
Total Cash Disbursements	<u>86,860</u>	<u>80,977</u>
 PRIOR YEAR ACCRUED LIABILITIES		
Postage	3,008	-
Travel and entertainment	32,659	-
Miscellaneous	<u>19,690</u>	<u>-</u>
Total Prior Year Accrued Liabilities	<u>55,357</u>	<u>-</u>
 (Deficiency) excess of Cash Receipts over Cash Disbursements	 (13,272)	 46,330
 Cash at beginning of year	 <u>102,487</u>	 <u>56,157</u>
Cash at end of year	<u>\$ 89,215</u>	<u>\$102,487</u>