

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

Combined Financial Statements

December 31, 2013

Independent Auditors' Report

Board of Trustees White Plains, New York

We have audited the accompanying combined financial statements of the Funds Under the Stewardship of the New York Annual Conference of the United Methodist Church (the "New York Annual Conference"), which comprise the combined statement of financial position as of December 31, 2013, and the related combined statements of activities and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 combined financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

As more fully described in note 3 to the financial statements, the New York Annual Conference did not obtain a valuation of its postretirement health benefits for the year ending December 31, 2013. The last valuation obtained was as of December 31, 2012. That valuation reflected an accumulated post retirement obligation of \$22,038,904. By not obtaining a valuation for the year 2013, 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, 2013. The effect on the 2013 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.

Qualified Opinion

In our opinion, except for the effects of not recording the accumulated postretirement benefit obligation in the combined financial statements at the present value of the anticipated actuarial cost of the health benefits for retirees as discussed in the *Basis for Qualified Opinion* paragraph, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the combined financial position of the New York Annual Conference as of December 31, 2013, and the results of its operations and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the New York Annual Conference's December 31, 2012 combined financial statements, and we expressed a qualified audit opinion on those audited combined financial statements in our report dated June 28, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Report on Supplemental Information

Our 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 are presented for purposes of additional analysis and is not a required part of the combined 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 audit 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, 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 26, 2014

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

Combined Statement of Financial Position

December 31, 2013

(with comparative amounts for 2012)

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 3,792,126	\$ 1,903,301
Investments	10,559,028	4,737,920
Church apportionments receivable	594,573	787,428
Accounts receivable, net	326,097	293,197
Parish development loans receivable, net	1,947,292	1,182,012
Prepaid expenses and other assets	237,331	94,333
Custodial funds held	72,695	265,185
Property and equipment, net	5,966,349	5,898,318
Deferred financing costs, net	22,270	22,270
	\$ 23,517,761	\$ 15,183,964
 LIABILITIES AND NET ASSETS		
Liabilities		
Church apportionments designated for future periods	\$ 8,193	\$ 90,776
Accounts payable and accrued expenses	1,728,364	839,426
Capital leases payable	57,174	-
Deferred revenue	12,307	19,785
Loan payable - Conference Board of Pensions and Health Benefits	359,917	369,917
Loan payable - United Methodist Development Fund	526,427	586,228
Loan payable - Bridgehampton Methodist Church	-	63,247
Mortgage payable - Bridgehampton National Bank	1,066,202	1,085,965
Custodial funds held	72,695	265,185
Total Liabilities	3,831,279	3,320,529
Net Assets		
Unrestricted	10,102,745	7,430,194
Temporarily restricted	8,848,038	3,697,542
Permanently restricted	735,699	735,699
Total Net Assets	19,686,482	11,863,435
	\$ 23,517,761	\$ 15,183,964

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, 2013
(with summarized totals for 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
SUPPORT AND REVENUE					
Church apportionments	\$ 2,155,468	\$ 5,547,447	\$ -	\$ 7,702,915	\$ 7,558,271
Designated benevolences	2,102	1,444,093	-	1,446,195	623,821
Fees and reimbursements	291,272	-	-	291,272	299,547
Grants and contributions	1,796,823	3,714,885	-	5,511,708	567,567
Retreat	1,678,237	-	-	1,678,237	1,523,827
Store sales	4,746	-	-	4,746	13,466
Forgiveness of debt	58,901	-	-	58,901	-
Investment return	231,895	427,869	-	659,764	133,141
Interest	67,943	-	-	67,943	78,019
Other revenue	36,218	-	-	36,218	20,314
Net assets released from restrictions	<u>5,983,798</u>	<u>(5,983,798)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>12,307,403</u>	<u>5,150,496</u>	<u>-</u>	<u>17,457,899</u>	<u>10,817,973</u>
EXPENSES					
Program	6,282,482	-	-	6,282,482	6,761,555
Campsite					
Quinipet	1,489,798	-	-	1,489,798	1,366,241
Epworth	368,913	-	-	368,913	433,975
Kingswood	86,139	-	-	86,139	95,384
Capital campaign	3,157	-	-	3,157	2,872
Management and general	<u>1,404,363</u>	<u>-</u>	<u>-</u>	<u>1,404,363</u>	<u>2,666,486</u>
Total Expenses	<u>9,634,852</u>	<u>-</u>	<u>-</u>	<u>9,634,852</u>	<u>11,326,513</u>
Change in Net Assets (Deficit)	2,672,551	5,150,496	-	7,823,047	(508,540)
NET ASSETS					
Beginning of year	<u>7,430,194</u>	<u>3,697,542</u>	<u>735,699</u>	<u>11,863,435</u>	<u>12,371,975</u>
End of year	<u>\$ 10,102,745</u>	<u>\$ 8,848,038</u>	<u>\$ 735,699</u>	<u>\$ 19,686,482</u>	<u>\$ 11,863,435</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, 2013
(with comparative amounts for 2012)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets (deficit)	\$ 7,823,047	\$ (508,540)
Adjustment to reconcile change in net assets (deficit) to net cash from operating activities		
Realized and unrealized gains on investments	(548,999)	(70,475)
Depreciation	287,994	275,982
Amortization	1,237	1,238
Recoveries of bad debts	(151,548)	(112,423)
Forgiveness of debt	(58,901)	-
Net change in operating assets and liabilities		
Church apportionments receivable	192,855	204,591
Accounts receivable	(323,785)	171,907
Parish development loans receivable	(322,847)	(55,482)
Prepaid expenses and other assets	(142,998)	(3,991)
Accounts payable and accrued expenses	888,938	(1,039,817)
Deferred revenue	(7,478)	10,455
Church apportionments designated for future periods	(82,583)	6,158
Net Cash from Operating Activities	7,554,932	(1,120,397)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	653,868	548,011
Purchase of investments	(5,925,977)	(784,232)
Property and equipment acquisitions	(298,851)	(217,856)
Net Cash from Investing Activities	(5,570,960)	(454,077)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of line of credit	-	(320,304)
Repayment of loans payable	(74,147)	(72,015)
Mortgage principal payments	(19,763)	1,085,965
Deferred financing costs incurred	(1,237)	(23,507)
Net Cash from Financing Activities	(95,147)	670,139
Net Change in Cash and Cash Equivalents	1,888,825	(904,335)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,903,301	2,807,636
End of year	\$ 3,792,126	\$ 1,903,301
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 70,670	\$ 59,834
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchase of vehicles with capital leases	57,174	-

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, 2013

1. Organization

The New York Annual Conference of the United Methodist Church (“NYAC”) is one of fifty-nine annual conferences of the United Methodist Church (“UMC”) 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 NYAC 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 NYAC’s Council on Finance and Administration (“CCFA”) consists of representative clergy and lay staffs that are responsible for administering the financial affairs of the NYAC and includes only those funds under the stewardship of that body.

The CCFA derives substantially all of its support and revenue from the NYAC’s local churches. Expenses consist primarily of clergy support, the NYAC apportionments to the General Council on Finance and Administration of the UMC (“GCFA”) located in Nashville, Tennessee, support for religious and charitable programs, support for missions and church ministries, and management and financial administration of the NYAC.

CCFA administers the apportionment (revenue sharing) function among the local churches. CCFA also supports local churches by the collection and timely remittance of amounts invoiced for pension and health benefits. CCFA administers workers compensation insurance and provides services for other NYAC and UMC entities.

The Camping & Retreat Ministry of the NYAC is a program of the UMC 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 Camping & Retreat Ministry operates three camps in New York State known as Quinipet, Epworth and Kingswood.

The Episcopal Office of the NYAC provides support to the resident Bishop. The Episcopal Office receives, prioritizes and prepares communications for the Bishop’s attention and response, and maintains pastoral records used for assignment of clergy. Additionally, the Episcopal Office arranges and prepares for meetings and other gatherings that the Bishop leads or attends.

The Board of Trustees of the NYAC receives, collects and holds in trust, for the benefit of the NYAC and its agencies, donations, bequests and devises of any kind or character, real or personal, that may be given, devised, bequeathed, or conveyed to the Board of Trustees or to the NYAC and its agencies for any benevolent, charitable, or religious purpose. The Board of Trustees administers 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 NYAC. In addition, the Board of Trustees is responsible for administering the legal, insurance and property matters of the NYAC.

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

Notes to Combined Financial Statements
December 31, 2013

2. Summary of Significant Accounting Policies

Principles of Combination

The combined financial statement of the Funds Under the Stewardship of the NYAC of the UMC includes the accounts of CCFA, the Board of Trustees, the Camping and Retreat Ministry and the Episcopal Office all of which are under common management. Intercompany transactions including administrative services such as finance, human resources and payroll and related receivables and payables have been eliminated.

Use of Estimates

The accompanying combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the combined 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 NYAC are reported as unrestricted, temporarily restricted and permanently restricted.

Cash and Cash Equivalents

For purposes of the combined statements of financial position and cash flows, the NYAC considers all highly liquid debt instruments with a maturity at time of purchase, of three months or less, to be cash equivalents.

Allowance for Doubtful Accounts Receivable and Apportionments Receivable

An allowance for doubtful accounts receivable and apportionments receivable is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. The allowance for doubtful accounts receivable approximated \$237,000 at December 31, 2013. Management has concluded that no allowance for apportionments is required at December 31, 2013.

Fair Value of Financial Instruments

The NYAC follows U.S. GAAP 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
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Notes to Combined Financial Statements
December 31, 2013

2. Summary of Significant Accounting Policies (continued)

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 on assets or groups of like assets purchased together with a minimum value of \$2,500. Depreciation is calculated using the straight-line method with one half year being recognized in the year of purchase and in the last year. Such assets are depreciated over the estimated useful lives as follows:

Building	50 years
Building improvements	15 years
Furniture and equipment	3-7 years

Capitalized Costs

The NYAC 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 NYAC recognizes as revenue, all amounts received during the year from churches under apportionment and those amounts received through an annually 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 apportionments receivable.

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

Notes to Combined Financial Statements
December 31, 2013

2. Summary of Significant Accounting Policies (continued)

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 NYAC.

In-kind Support

A number of clergy and laity of the NYAC have contributed significant amounts of their time to the affairs of the NYAC, however, these services have not been reflected in the combined financial statements as they do not meet the U.S. GAAP criteria for recognition.

Accounting for Uncertainty in Income Taxes

The NYAC recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the NYAC had no uncertain tax positions that would require financial statement recognition or disclosure. The NYAC is no longer subject to examinations by applicable taxing jurisdictions for periods prior to December 31, 2010.

Endowment

On September 17, 2010, New York State adopted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). NYPMIFA 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 the expenditure and modification of restrictions on endowment funds, and revision of the prudence standard for the management and investment of endowment funds.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the combined financial statements through the date that the combined financial statements were available to be issued, which date is June 26, 2014.

**Funds Under the Stewardship of the
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Notes to Combined Financial Statements
December 31, 2013

3. Postretirement Health Benefits

On December 31, 2012 the NYAC terminated the retiree group medical insurance and the HealthFlex Medicare Companion Plan.

Effective January 1, 2013, the NYAC partnered with Extend Health, Inc. ("Extend Health") to provide a choice of Medicare Supplement and Medicare Advantage health insurance plans for the NYAC's current and future eligible retirees, who are already enrolled in Medicare. These plans are combined with an individual Health Reimbursement Account ("HRA") for each retiree and spouse, as applicable. The NYAC will fund the HRA within the plan chosen by the retiree with a fixed amount (determined each year by the NYAC similar to the past service pension rate) with which the retiree may choose to pay health care premiums and other health-related expenses. The fixed contribution per participant for 2013 was \$2,644. The NYAC's expense for its retirees for 2013 was \$1,121,669.

Generally accepted accounting principles require that the accumulated postretirement benefit obligation be recorded in the combined 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 UMC (the "General Board") obtained an actuarial valuation of the NYAC's retiree benefits as of December 31, 2012. The valuation of the NYAC's accumulated postretirement benefit obligation as of December 31, 2012 was \$22,038,904. The accumulated postretirement benefit obligation is the portion of the expected postretirement benefit obligation attributed to retirees past service.

NYAC did not obtain a valuation of its postretirement health benefits for the year ending December 31, 2013. By not obtaining a valuation for the year 2013, 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, 2013. The effect on the 2013 statement of activities has not been determined.

4. Parish Development Loans Receivable, Net

The NYAC's Parish Development Commission provides unsecured financing to its member churches and NYAC 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 NYAC annually reviews the collectibility of loans outstanding and adjusts the allowance for doubtful accounts accordingly. As of December 31, 2013, the allowance for doubtful accounts approximated \$147,000.

**Funds Under the Stewardship of the
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Notes to Combined Financial Statements
December 31, 2013

5. Endowment, Investments and Investment Return

Interpretation of Law

Consistent with its interpretation of NYPMIFA, the NYAC 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 NYAC in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Return Objectives and Risk Parameters

The NYAC 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 NYAC's 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 NYAC utilizes a total return investment approach with its asset allocation diversified over multiple asset classes and sub classes. The overall investment objective of the NYAC's 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 NYAC consistent with the preservation of purchasing power of the Endowment. To balance the current and future needs for operating and maintenance support, the NYAC 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 NYAC's operations will likely fluctuate from year to year. The NYAC's 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 NYAC's policy is to expend amounts from the Endowment to support current operations equal to five percent of the three-year quarterly average market value of investments held. The NYAC may use Board Designated Endowment funds for operating purposes with the approval of its Trustees.

**Funds Under the Stewardship of the
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Notes to Combined Financial Statements
December 31, 2013

5. 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, U.S. GAAP requires that such excess losses be absorbed by the unrestricted net assets of the NYAC and that future gains be allocated to unrestricted net assets until such losses have been restored. The NYAC's donor restricted endowment funds have not experienced any losses during 2013.

The following is a reconciliation of the activity in the investments:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, January 1, 2013	\$ 2,006,263	\$ 1,995,954	\$ 735,699	\$ 4,737,916
Transfers in	1,821,146	-	-	1,821,146
Contributions	231,986	3,714,885	-	3,946,871
Investment income, net	38,193	72,582	-	110,775
Capital appreciation	200,036	348,953	-	548,989
Appropriations for programs	<u>(315,632)</u>	<u>(291,037)</u>	<u>-</u>	<u>(606,669)</u>
Balance, December 31, 2013	<u>\$ 3,981,992</u>	<u>\$ 5,841,337</u>	<u>\$ 735,699</u>	<u>\$ 10,559,028</u>
Comprised of the Following:				
Donor restricted funds	\$ -	\$ 5,841,337	\$ 735,699	\$ 6,577,036
Board designated funds	3,981,992	-	-	<u>3,981,992</u>
				<u>\$ 10,559,028</u>

The following are major categories of investments measured and categorized by the fair value hierarchy at fair value at December 31, 2013:

	Level 1	Level 2	Total
Money market fund	\$ 984,551	\$ -	\$ 984,551
Equity fund	-	5,186,045	5,186,045
Balanced fund	-	3,464,325	3,464,325
Bond fund	-	888,018	888,018
Mixed asset fund	<u>-</u>	<u>36,089</u>	<u>36,089</u>
Total Investments at Fair Value	<u>\$ 984,551</u>	<u>\$ 9,574,477</u>	<u>\$ 10,559,028</u>

Investment return consists of the following for the year ended December 31, 2013:

Interest and dividends	\$ 163,156
Net realized and unrealized gains	548,989
Investment fees	<u>(52,381)</u>
Total Investment Return	<u>\$ 659,764</u>

**Funds Under the Stewardship of the
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6. Property and Equipment, Net

Property and equipment, net consists of the following at December 31, 2013:

	Board of Trustees	Camping Ministry	Episcopal Office	Total
Buildings	\$ -	\$ 1,137,457	\$ -	\$1,137,457
Building improvements	507,150	1,186,361	-	1,693,511
District parsonages	1,020,986	-	-	1,020,986
Episcopal residence	368,590	-	-	368,590
Conference center	3,521,363	-	-	3,521,363
Vehicles	-	189,766	-	189,766
Land improvements	-	343,034	-	343,034
Camp property	161,500	-	-	161,500
Furniture and equipment	-	214,807	56,260	271,067
	5,579,589	3,071,425	56,260	8,707,274
Accumulated depreciation	<u>(2,014,174)</u>	<u>(672,728)</u>	<u>(54,023)</u>	<u>(2,740,925)</u>
	<u>\$ 3,565,415</u>	<u>\$ 2,398,697</u>	<u>\$ 2,237</u>	<u>\$5,966,349</u>

7. Deferred Financing Costs, Net

Costs incurred to obtain financing by the Camping Ministry have been capitalized and are being amortized at December 31, 2013 as described below:

	Amortization Period	
Financing costs	20 years	\$24,745
Less accumulated amortization		<u>(2,475)</u>
Deferred Financing Costs, Net		<u>\$22,270</u>

8. Capital Leases Payable

The Camping Ministry has entered into agreements to lease two vehicles under capital leases. Payments remaining on the capital leases are due as follows for years ending December 31:

2014	\$ 12,108
2015	12,108
2016	12,108
2017	12,108
2018	12,108
2019	<u>4,036</u>
	64,576
Less amount representing interest	<u>(7,402)</u>
	<u>\$ 57,174</u>

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

Notes to Combined Financial Statements
December 31, 2013

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

In 2005 and 2006, the NYAC borrowed \$389,917 from the Conference Board of Pensions and Health Benefits Fund (an uncombined fund of the NYAC), to repay ministerial pension plan contributions in arrears at the time. The loan has no specific repayment terms, and the NYAC has not adopted a plan or designated specific funds to repay the loan which remains outstanding as of December 31, 2013 in the amount of \$359,917.

10. 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 the conference center located in White Plains, New York. This loan is secured by the NYAC's property located at 20 Soundview Avenue, White Plains, New York. In July 2012, the NYAC renegotiated the terms of this loan reducing the interest rate from 8% to 4.75%. The loan requires monthly payments of principal and interest of \$7,200 through the loan's maturity in January 2021. Interest expense amounted to \$55,098 for 2013. Aggregate maturities of this obligation at December 31, 2013 are due as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 62,973
2015	66,030
2016	69,236
2017	72,597
2018	76,121
Thereafter	<u>179,470</u>
	<u>\$ 526,427</u>

11. Mortgage Payable – Bridgehampton National Bank

In 2012 the NYAC obtained a \$1,100,000 mortgage loan from the Bridgehampton National Bank (the "Bank"). The mortgage is secured by the Quinipet camp real property. The mortgage is payable in 240 monthly payments of principal and interest on a 25 year amortization schedule, plus one balloon payment on the maturity date of March 26, 2032. Interest on the mortgage is charged at a fixed rate of 6.25% for the first five years of the mortgage. Subsequently, the Bank will adjust the interest rate for each ensuing five year period of the mortgage term to a new fixed interest rate equal to the Federal Home Loan Bank Rate for a five year maturity plus 2.5%. Interest expense for 2013 was \$67,313. Aggregate maturities of this obligation at December 31, 2013 are due as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 21,035
2015	22,388
2016	23,828
2017	25,360
2018	26,991
Thereafter	<u>946,600</u>
	<u>\$ 1,066,202</u>

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

Notes to Combined Financial Statements
December 31, 2013

12. Custodial Funds

Custodial funds of \$72,695 represent funds transferred to the NYAC from churches that have closed in order to pay for expenses and fees on their behalf subsequent to their closing. These funds are valued using Level 1 inputs for the year ended December 31, 2013.

13. Retirement Plans

The NYAC participates in a multiemployer defined benefit pension plan administered by the General Board that covers substantially all UMC clergy. The NYAC participates in three plans under these multiemployer plans which are 1) Supplement One to the Clergy Retirement Security Program ("Pre-1982 Plan"), 2) the defined benefit portion of Supplement Three to the Clergy Retirement Security Program otherwise known as the Ministerial Pension Plan ("MPP Annuities"), and 3) Core Defined Benefit Part of the Clergy Retirement Security Program ("CRSP-DB"). This multiemployer plan is a non-electing church plan under the Internal Revenue Code Sections 414 (e) and 410 (d) and as such is exempt from the minimum funding requirements of ERISA, the Pension Protection Act of 2006, and Internal Revenue Code Sections 412 and 430 through 436. Accordingly, no funding improvement plan or zoning funding requirements apply.

Pre-1982 Plan

The Pre-1982 Plan covers service prior to 1982. The Pre-1982 Plan provisions specify that the specific benefit levels of the plan are determined by participating plan sponsors at their annual meeting. The NYAC adopted the following benefit levels for 2013:

Past service rate	\$	568
Contingent annuitant percentage		70%

As of January 1, 2013, the valuation date, the Pre-1982 Plan had a funded status of 101%. Expense for 2013 amounted to \$0, as all amounts were paid by NYAC member churches.

MPP Annuities

The MPP Annuities covers service from 1982 through 2006. As of January 1, 2013, the valuation date, the MPP Annuities plan had a funded status of 103%. Expense for 2013 amounted to \$0.

CRSP-DB

The CRSP-DB plan covers service on or after January 1, 2007. The plan has both defined benefit and defined contribution components. As of January 1, 2013, the valuation date, the CRSP-DB plan had a funded status of 103%. Expense for 2013 amounted to \$117,771.

United Methodist Personal Investment Plan ("UMPIP")

Lay-staff retirement benefits are covered under UMPIP, a 403(b) defined contribution plan. Participation in UMPIP requires each eligible employee to contribute 3% or more of wages to receive a 12% of salary contribution by the NYAC. Expense for 2013 amounted to \$86,727.

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

Notes to Combined Financial Statements
December 31, 2013

13. Medical and Health Plan

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

The cost of participating in HealthFlex is based on a uniform rate determined annually by the NYAC. The NYAC's expense for its clergy and staff in HealthFlex for 2013 was \$227,479.

14. Support Services

CCFA provides payroll processing and administrative services on a reimbursement basis to the Camping Ministry, the Episcopal Office, the Board of Trustees and the United Methodist Frontier Foundation (the "Frontier Foundation") (an uncombined entity).

15. Pension and Health Benefits Deposit Accounts

In accordance with a resolution of the NYAC, the Conference Board of Pensions and Health Benefits maintains six accounts with the General Board for the purpose of funding pension liabilities and health benefits. As of December 31, 2013, the deposit accounts held \$140,729, the Integrity in Pensions account held \$1,751,174, the Health Benefits Reserve account held \$19,861,358, the Pre-82 pension account held \$30,668,583, the General account held \$378,481 and the Retiree HRA Funding account held \$68,762.

These accounts are held at Wespeth, the investment division of the General Board, and may be drawn down only upon the approval of the Conference Board of Pension and Health Benefits to fund NYAC benefit obligations.

16. Restrictions and Limitations on Net Assets

Certain net assets of the NYAC are restricted based upon donor stipulations. Such restricted net assets are deemed released from restriction when the NYAC 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, 2013:

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

Notes to Combined Financial Statements
December 31, 2013

16. Restrictions and Limitations on Net Assets (continued)

<u>Fund Description</u>	<u>Net Assets Released From Restriction in 2013</u>	<u>Temporarily Restricted Net Assets at December 31, 2013</u>	<u>Permanently Restricted Net Assets at December 31, 2013</u>
Special Funds			
Groveville Cemetery Fund	\$ -	\$ 3,513	\$ -
Bosley Memorial Fund	-	570	-
	<u>-</u>	<u>4,083</u>	<u>-</u>
Trust Funds			
Aldersgate Church Fund	8,277	100,095	87,673
Collard Fund	385	18,979	5,000
Denver Fund	14,328	423,699	505,000
Dier Trust Fund	-	3,863,491	-
Hess Craryville	48	475	2,500
Hess Five Points	29	281	1,500
Hess Fund for National Division	366	4,468	18,341
Hess Fund for World Division	165	1,171	9,170
Hess Methodist Hospital	118	1,333	6,000
Jeffersonville Fund	50	2,120	1,000
Permanent Endowment	-	7,910	8,750
Shauman Fund	1,000	31,036	3,504
Williams Fund	5,877	124,469	20,000
	<u>30,643</u>	<u>4,579,527</u>	<u>668,438</u>
Norwalk Parsonage	-	440,761	-
Memorial Garden Fund	-	7,513	-
Sessions Woods - Darling Fund	36,842	-	-
	<u>36,842</u>	<u>448,274</u>	<u>-</u>
General Camping Programs	2,436	111,836	60,726
Quinipet Camp Program	229	7,306	6,535
	<u>2,665</u>	<u>119,142</u>	<u>67,261</u>
Conference Programs	5,913,648	3,697,012	-
	<u>\$ 5,983,798</u>	<u>\$ 8,848,038</u>	<u>\$ 735,699</u>

17. Concentration of Credit Risk

Financial instruments, which potentially subject the NYAC to concentrations of credit risk consist primarily of cash and cash equivalents and receivables. At times, the NYAC maintains balances with banking institutions that exceed the Federal Deposit Insurance Corporation's insurable limit. The NYAC's receivables are primarily from its member churches. The NYAC 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, 2013

18. Operating Lease Commitments

The NYAC leases office equipment, telecommunications and software under various commercial operating leases with equipment suppliers or commercial leasing companies. Rent expense for 2013 was \$72,492. Aggregate minimum annual rental payments at December 31, 2013 for the years ending December 31, are payable as follows:

2014	\$ 71,290
2015	53,359
2016	28,061
2017	<u>3,420</u>
	<u>\$ 156,130</u>

19. Asset Retirement Obligations

The NYAC follows U.S. GAAP guidance contained in its publication *Accounting for Conditional Asset Retirement Obligations*. This requires recognition of a liability for the eventual retirement of a fixed asset, an asset retirement obligation (“ARO”) is recognized in the period in which it occurred if a reasonable estimate of fair value of the ARO can be made. The NYAC is not aware of the existence of any ARO’s.

20. Contingencies

The NYAC 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 NYAC’s financial position.

21. Restatement of Prior Year’s Net Assets

Net assets for the year ending December 31, 2011 have been restated. In 2013, the NYAC identified investments in the amount of \$695,808 that were maintained by the Frontier Foundation that belonged to CCFA and the Board of Trustees that were previously recorded in their general ledgers. Accordingly, investments were increased by this amount and net assets were corrected as follows:

Net assets at January 1, 2012, as previously reported	\$11,676,167
Prior period adjustment	<u>695,808</u>
Net assets at January 1, 2012, as restated	<u>\$12,371,975</u>

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

Supplemental Information
December 31, 2013

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

Combining Schedule of Financial Position

December 31, 2013

(with comparative amounts for 2012)

	CCFA	Board of Trustees	Camping Ministry	Episcopal Office	Sub-Total	Eliminating Entries Debit (Credit)	2013 Combined	2012 Combined
ASSETS								
Cash and cash equivalents	\$ 3,427,349	\$ 117,117	\$ 108,024	139,636	\$ 3,792,126	\$ -	\$ 3,792,126	\$ 1,903,301
Investments	2,814,963	7,511,304	209,760	23,001	10,559,028	-	10,559,028	4,737,920
Church apportionments receivable	594,573	-	-	-	594,573	-	594,573	787,428
Accounts receivable, net	313,109	-	12,988	-	326,097	-	326,097	293,197
Parish development loans receivable, net	1,947,292	-	-	-	1,947,292	-	1,947,292	1,182,012
Prepaid expenses and other assets	232,491	-	4,840	-	237,331	-	237,331	94,333
Due from Camping Ministry	657,994	125,264	-	-	783,258	(783,258)	-	-
Due from Board of Trustees	209,147	-	-	-	209,147	(209,147)	-	-
Due from Episcopal Office	5,518	-	-	-	5,518	(5,518)	-	-
Custodial funds held	72,695	-	-	-	72,695	-	72,695	265,185
Property and equipment, net	-	3,565,415	2,398,697	2,237	5,966,349	-	5,966,349	5,898,318
Deferred financing costs, net	-	-	22,270	-	22,270	-	22,270	22,270
	<u>\$ 10,275,131</u>	<u>\$ 11,319,100</u>	<u>\$ 2,756,579</u>	<u>\$ 164,874</u>	<u>\$ 24,515,684</u>	<u>\$ (997,923)</u>	<u>\$ 23,517,761</u>	<u>\$ 15,183,964</u>
LIABILITIES AND NET ASSETS								
Liabilities								
Church apportionments designated for future periods	\$ 8,193	\$ -	\$ -	\$ -	\$ 8,193	\$ -	\$ 8,193	\$ 90,776
Accounts payable and accrued expenses	1,649,196	-	75,299	3,906	1,728,401	37	1,728,364	839,426
Capital leases payable	-	-	57,174	-	57,174	-	57,174	-
Deferred revenue	-	-	12,307	-	12,307	-	12,307	19,785
Due to Board of Trustees	-	-	125,264	-	125,264	125,264	-	-
Due to CCFA	-	209,147	657,957	5,518	872,622	872,622	-	-
Loan payable - Conference Board of Pensions and Health Benefits	359,917	-	-	-	359,917	-	359,917	369,917
Loan payable - United Methodist Development Fund	-	526,427	-	-	526,427	-	526,427	586,228
Loan payable - Bridgehampton Methodist Church	-	-	-	-	-	-	-	63,247
Mortgage payable - Bridgehampton National Bank	-	-	1,066,202	-	1,066,202	-	1,066,202	1,085,965
Custodial funds held	72,695	-	-	-	72,695	-	72,695	265,185
Total Liabilities	2,090,001	735,574	1,994,203	9,424	4,829,202	997,923	3,831,279	3,320,529
Net Assets								
Unrestricted	4,488,118	4,883,204	575,973	155,450	10,102,745	-	10,102,745	7,430,194
Temporarily restricted	3,697,012	5,031,884	119,142	-	8,848,038	-	8,848,038	3,697,542
Permanently restricted	-	668,438	67,261	-	735,699	-	735,699	735,699
Total Net Assets	8,185,130	10,583,526	762,376	155,450	19,686,482	-	19,686,482	11,863,435
	<u>\$ 10,275,131</u>	<u>\$ 11,319,100</u>	<u>\$ 2,756,579</u>	<u>\$ 164,874</u>	<u>\$ 24,515,684</u>	<u>\$ 997,923</u>	<u>\$ 23,517,761</u>	<u>\$ 15,183,964</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, 2013
(with summarized totals for 2012)

	CCFA			Board of Trustees				Camping Ministry				Episcopal Office	Eliminating Entries		2013 Combined	2012 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	\$ 2,155,468	\$ 5,547,447	\$ 7,702,915	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,702,915	\$ 7,558,271	
Contributed benevolences	2,102	1,444,093	1,446,195	-	-	-	-	-	-	-	-	-	-	-	1,446,195	623,821	
Fees and reimbursements	291,272	-	291,272	-	-	-	-	-	-	-	-	-	-	-	291,272	299,547	
Grants and contributions	569,354	-	569,354	847,549	3,714,885	-	4,562,434	370,449	-	-	370,449	130,471	(121,000)	-	5,511,708	567,567	
Earned revenues	-	-	-	-	-	-	-	1,678,237	-	-	1,678,237	-	-	-	1,678,237	1,523,827	
Store sales	-	-	-	-	-	-	-	4,746	-	-	4,746	-	-	-	4,746	13,466	
Forgiveness of debt	-	-	-	-	-	-	-	58,901	-	-	58,901	-	-	-	58,901	-	
Investment return	74,848	50,271	125,119	148,485	347,908	-	496,393	3,828	29,690	-	33,518	4,734	-	-	659,764	133,141	
Interest	67,852	-	67,852	-	-	-	-	81	-	-	81	10	-	-	67,943	78,019	
Other revenue	-	-	-	36,089	-	-	36,089	129	-	-	129	-	-	-	36,218	20,314	
Net assets released from restrictions	5,913,648	(5,913,648)	-	67,485	(67,485)	-	-	2,665	(2,665)	-	-	-	-	-	-	-	
Total Support and Revenue	9,074,544	1,128,163	10,202,707	1,099,608	3,995,308	-	5,094,916	2,119,036	27,025	-	2,146,061	135,215	(121,000)	-	17,457,899	10,817,973	
EXPENSES																	
Program	5,913,648	-	5,913,648	312,320	-	-	312,320	-	-	-	-	56,514	-	-	6,282,482	6,761,555	
Campsite																	
Quinipet	-	-	-	-	-	-	-	1,489,798	-	-	1,489,798	-	-	-	1,489,798	1,366,241	
Epworth	-	-	-	-	-	-	-	368,913	-	-	368,913	-	-	-	368,913	433,975	
Kingswood	-	-	-	-	-	-	-	86,139	-	-	86,139	-	-	-	86,139	95,384	
Capital campaign	-	-	-	-	-	-	-	3,157	-	-	3,157	-	-	-	3,157	2,872	
Management and general	1,332,000	-	1,332,000	144,867	-	-	144,867	-	-	-	-	48,496	(121,000)	-	1,404,363	2,666,486	
Total Expenses	7,245,648	-	7,245,648	457,187	-	-	457,187	1,948,007	-	-	1,948,007	105,010	(121,000)	-	9,634,852	11,326,513	
Change in Net Assets (Deficit)	1,828,896	1,128,163	2,957,059	642,421	3,995,308	-	4,637,729	171,029	27,025	-	198,054	30,205	-	-	7,823,047	(508,540)	
NET ASSETS																	
Beginning of year, as restated	2,659,222	2,568,849	5,228,071	4,240,783	1,036,576	668,438	5,945,797	404,944	92,117	67,261	564,322	125,245	-	-	11,863,435	12,371,975	
End of year	\$ 4,488,118	\$ 3,697,012	\$ 8,185,130	\$ 4,883,204	\$ 5,031,884	\$ 668,438	\$ 10,583,526	\$ 575,973	\$ 119,142	\$ 67,261	\$ 762,376	\$ 155,450	\$ -	\$ -	\$ 19,686,482	\$ 11,863,435	

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

Statement of Cash Receipts and Disbursements

Year Ended December 31, 2013
(with comparative amounts for 2012)

	<u>2013</u>	<u>2012</u>
CASH RECEIPTS		
Budget support	\$125,737	\$137,879
Interest	496	502
Investment income	<u>6,304</u>	<u>1,084</u>
Total Cash Receipts	<u>132,537</u>	<u>139,465</u>
 CASH DISBURSEMENTS		
Salaries	40,000	39,563
Employee benefits	16,514	8,807
Supplies	10,423	10,866
Postage	643	530
Telephone	3,892	1,860
Professional fees	2,212	1,833
Travel and entertainment	15,150	25,560
Network support	7,009	4,127
Miscellaneous	<u>1,286</u>	<u>7,822</u>
Total Cash Disbursements	<u>97,129</u>	<u>100,968</u>
 PAYMENT OF PRIOR YEAR ACCRUED LIABILITIES		
Salaries	6,163	-
Employee benefits	918	-
Supplies	2,379	-
Postage	83	639
Travel and entertainment	-	10,734
Miscellaneous	<u>567</u>	<u>2,001</u>
Total Payment of Prior Year Accrued Liabilities	<u>10,110</u>	<u>13,374</u>
 Excess of Cash Receipts over Cash Disbursements	25,298	25,123
 Cash at beginning of year	<u>114,338</u>	<u>89,215</u>
Cash at end of year	<u>\$139,636</u>	<u>\$114,338</u>