

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

Combined Financial Statements

December 31, 2010



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, 2010, 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 2009 financial statements and in our report dated December 21, 2010, we expressed a qualified opinion on those financial statements.

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

As more fully described in Note 3, the Conference has not included in its combined financial statements for the year ended December 31, 2010, the liability for postretirement health benefits in the accompanying combined statements of financial position, activities and cash flows and related disclosures that, in our opinion, should be recorded in order to conform with accounting principles generally accepted in the United States of America. Had this amount been recorded, liabilities would have increased by \$37,867,515. The effect on the statement of activities has not been determined.

In our opinion, except for such adjustments and additional disclosures as might have been determined to be necessary if the scope of our audit had not been limited and the effects of not including a liability for postretirement health benefits and related disclosures, as described in the preceding paragraph, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Funds Under the Stewardship of the New York Annual Conference of the United Methodist Church as of December 31, 2010, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplemental information on pages 17 through 19 is presented for the purposes of additional analysis and is not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly presented in all material respects in relation to the combined financial statements taken as a whole.

O'Connor Davies Munns & Dobbins, LLP

White Plains, New York
November 1, 2011

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

Combined Statement of Financial Position

December 31, 2010

(with comparative amounts for 2009)

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 1,286,516	\$ 1,026,304
Investments	3,870,460	4,926,700
Church apportionments receivable	1,419,389	1,055,354
Accounts receivable	270,752	180,431
Parish development loans receivable, net	967,477	907,900
Prepaid expenses	41,353	2,463
Custodial funds held	36,299	36,089
Property and equipment, net	5,761,109	5,244,388
	\$ 13,653,355	\$ 13,379,629
 LIABILITIES AND NET ASSETS		
Liabilities		
Borrowings under line of credit	\$ 300,258	\$ 321,207
Accounts payable and accrued expenses	1,713,742	2,407,730
Deferred revenue	77,505	47,611
Loans payable - Conference Board of Pensions and Health Benefits, Inc.	389,917	389,917
Loan payable - United Methodist Development Fund	687,468	729,013
Church apportionments designated for future periods	66,268	80,087
Note payable	7,637	12,832
Custodial funds held	36,299	36,089
Total Liabilities	3,279,094	4,024,486
Net Assets		
Unrestricted	5,967,743	6,385,561
Temporarily restricted	3,679,569	2,242,633
Permanently restricted	726,949	726,949
Total Net Assets	10,374,261	9,355,143
	\$ 13,653,355	\$ 13,379,629

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, 2010
(with summarized totals for 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
REVENUE AND SUPPORT					
Church apportionments	\$ 2,280,160	\$ 6,122,158	\$ -	\$ 8,402,318	\$ 7,564,316
Designated benevolences	-	748,642	-	748,642	705,182
Other contributed benevolences	1,073	236,432	-	237,505	230,506
Fees and reimbursements	359,283	-	-	359,283	309,000
Grants and contributions	246,118	-	-	246,118	372,237
Retreat	768,894	-	-	768,894	825,798
Program fees	462,606	-	-	462,606	413,855
Food service	231,878	-	-	231,878	197,006
Store	22,947	-	-	22,947	13,513
Investment return	102,949	139,215	-	242,164	335,381
Interest on revolving loans	49,272	-	-	49,272	55,079
Other	3,743	-	-	3,743	2,494
Net assets released from restrictions	<u>5,809,511</u>	<u>(5,809,511)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>10,338,434</u>	<u>1,436,936</u>	<u>-</u>	<u>11,775,370</u>	<u>11,024,367</u>
EXPENSES					
Program	6,841,716	-	-	6,841,716	7,344,382
Campsite					
Quinipet	1,254,111	-	-	1,254,111	1,086,472
Epworth	350,989	-	-	350,989	290,563
Kingswood	80,399	-	-	80,399	74,314
Capital Campaign	21,190	-	-	21,190	55,087
Management and general	<u>2,207,847</u>	<u>-</u>	<u>-</u>	<u>2,207,847</u>	<u>2,108,623</u>
Total Expenses	<u>10,756,252</u>	<u>-</u>	<u>-</u>	<u>10,756,252</u>	<u>10,959,441</u>
Change in Net Assets	(417,818)	1,436,936	-	1,019,118	64,926
NET ASSETS					
Beginning of year	<u>6,385,561</u>	<u>2,242,633</u>	<u>726,949</u>	<u>9,355,143</u>	<u>9,290,217</u>
End 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>

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

Combined Statement of Cash Flows

Year Ended December 31, 2010

(with comparative amounts for 2009)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,019,118	\$ 64,926
Adjustment to reconcile change in net assets to net cash from operating activities		
Realized and unrealized gains on investments	141,870	(260,031)
Depreciation	322,626	215,525
Net change in operating assets and liabilities		
Church apportionments receivable	(364,035)	487,232
Accounts receivable	(441,695)	(26,485)
Parish development loans receivable	(59,577)	(11,578)
Prepaid expenses	(38,890)	(73)
Accounts payable and accrued expenses	(342,614)	(150,645)
Deferred revenue	29,894	(10,099)
Church apportionments designated for future periods	(13,819)	7,554
Net Cash from Operating Activities	252,878	316,326
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(47,752)	(1,002,394)
Proceeds from sale of investments	962,122	196,309
Property and equipment acquisitions	(839,347)	(700,679)
Net Cash from Investing Activities	75,023	- (1,506,764)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayments) borrowings under line of credit	(20,949)	42,274
Repayment of note payable	(5,195)	(4,567)
Repayment of loans payable	(41,545)	(54,428)
Net Cash from Financing Activities	(67,689)	(16,721)
Net Change in Cash and Cash Equivalents	260,212	(1,207,159)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,026,304	2,233,463
End of year	\$ 1,286,516	\$ 1,026,304
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 66,396	\$ 75,688

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

Notes to Combined Financial Statements

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; conducting religious and charitable programs; supporting mission and church ministries; and managing and administering the finances of the New York Annual Conference.

CCFA supports local churches by collection and timely remittance of New York Annual Conference wide local church clergy pension and health benefits and church insurance programs. CCFA also provides payroll processing services on a reimbursed cost basis for other 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 made up of three campsites, 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

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 of the United Methodist Church (the "New York Annual Conference") include the accounts of the Conference Council on Finance and Administration of the New York Annual Conference of the United Methodist Church ("CCFA"), the Funds Administered by the Board of Trustees of the New York Annual Conference of the United Methodist Church (the "Board of Trustees"), the accounts of the Camping & Retreat Ministry of the New York Annual Conference of the United Methodist Church (the "Camping Ministry") and the Episcopal Office of the New York Annual Conference of the United Methodist Church (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

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 Uncollectible Receivables

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. Management has concluded that an allowance is not required as of December 31, 2010.

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

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

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	30 years
Building improvements	10 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

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

Contributions and Benevolences

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 of being sustained. Management of the New York Annual Conference has determined that it had no uncertain tax positions that would require financial statement recognition. The New York Annual Conference is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to December 31, 2007.

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

Notes to Combined Financial Statements

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

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 November 1, 2011.

3. Postretirement Health Benefits

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

The New York 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, Inc. 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 repayment 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 as necessary. As of December 31, 2010, the allowance for doubtful accounts was \$357,000.

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

Notes to Combined Financial Statements

5. Endowment, Investments and Investment Return

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

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

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, January 1, 2010	\$ 2,332,180	\$ 1,867,571	\$ 726,949	\$ 4,926,700
Board designations	16,971	-	-	16,971
Investment income, net	50,218	50,076	-	100,294
Capital appreciation	52,731	89,139	-	141,870
Appropriations for programs	<u>(1,315,375)</u>	<u>-</u>	<u>-</u>	<u>(1,315,375)</u>
Balance, December 31, 2010	<u>\$ 1,136,725</u>	<u>\$ 2,006,786</u>	<u>\$ 726,949</u>	<u>\$ 3,870,460</u>
Comprised of the Following				
Donor restricted funds	\$ -	\$ 2,006,786	\$ 726,949	\$ 2,733,735
Board designated funds	1,136,725	-	-	1,136,725

The following are major categories of investments measured at fair value at December 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money market fund	\$ 256,865	\$ -	\$ 256,865
Equity fund	954,657	-	954,657
Bond fund	<u>-</u>	<u>2,658,938</u>	<u>2,658,938</u>
Total Investments at Fair Value	<u>\$ 1,211,522</u>	<u>\$ 2,658,938</u>	<u>\$ 3,870,460</u>

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

Notes to Combined Financial Statements

5. Endowment, Investments and Investment Return (continued)

Investment return consists of the following for the year ended December 31, 2010:

Interest and dividend income	\$ 159,084
Net realized and unrealized gains	141,870
Investment fees	<u>(58,790)</u>
Total Investment Return	<u>\$ 242,164</u>

6. Property and Equipment, Net

Property and equipment, net consists of the following at December 31, 2010:

	<u>CCF&A</u>	<u>Board of Trustees</u>	<u>Camping Ministry</u>	<u>Episcopal Office</u>	<u>Total</u>
Buildings	\$ -	\$ -	\$ 984,218	\$ -	\$ 984,218
Building improvements	-	451,693	647,267	-	1,098,960
District parsonages	-	1,020,986	-	-	1,020,986
Episcopal residence	-	368,590	-	-	368,590
Conference center	-	3,558,013	-	-	3,558,013
Vehicles	-	-	99,421	-	99,421
Land improvements	-	-	228,438	-	228,438
Camp property	-	161,500	-	-	161,500
Furniture and equipment	255,361	-	156,874	53,513	465,748
Construction in progress	<u>-</u>	<u>-</u>	<u>16,103</u>	<u>-</u>	<u>16,103</u>
	255,361	5,560,782	2,132,321	53,513	8,001,977
Accumulated depreciation	<u>(232,516)</u>	<u>(1,668,839)</u>	<u>(287,962)</u>	<u>(51,551)</u>	<u>(2,240,868)</u>
	<u>\$ 22,845</u>	<u>\$ 3,891,943</u>	<u>\$ 1,844,359</u>	<u>\$ 1,962</u>	<u>\$5,761,109</u>

7. Borrowings Under Line of Credit

The Camping Ministry has a \$75,000 line of credit with a bank which matures in April 2012. The Camping Ministry has a second line of credit in the amount of \$250,000, which matures in December 2011 and is secured by the Camping Ministry's investments. Borrowings under both lines of credit must be repaid over three years with monthly interest payments at one-half percent above the prime rate (3.25% at December 31, 2010). At December 31, 2010, the total outstanding balance for both lines was \$300,258. Interest expense for the year ended December 31, 2010 was \$8,155.

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

Notes to Combined Financial Statements

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, 2010.

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, NY. The agreement provides for monthly payments of principal and interest of \$8,364 through the loan's maturity on February 1, 2021. Interest on the note is charged at 8.00%. Interest expense for the year ended December 31, 2010 was \$57,364.

Aggregate maturities of this obligation at December 31, 2010 are due as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 46,312
2012	50,156
2013	54,319
2014	58,827
2015	63,710
Thereafter	<u>414,144</u>
	<u>\$ 687,468</u>

10. Note Payable

The Camping Ministry obtained a promissory note in 2007 which matures in 2012, which bears interest at an annual rate of 8.25%. This loan is secured by the Camping Ministry's equipment. The outstanding balance of this loan was \$7,637 as of December 31, 2010. Interest expense for the ended December 31, 2010 was \$877.

The principal maturities of this loan as of December 31, 2010, are payable as follows:

2011	\$ 5,664
2012	<u>1,973</u>
	<u>\$ 7,637</u>

**Funds Under the Stewardship of the
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Notes to Combined Financial Statements

11. Custodial Funds

Custodial Funds represent the Death Benefits Plan Fund and Funds Managed for Others. These funds are valued using Level 1 inputs and for the year ended December 31, 2010, are summarized below:

Funds held for others, as of January 1, 2010	\$ 36,089
Interest Income	<u>210</u>
Funds held for others, as of December 31, 2010	<u><u>\$ 36,299</u></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 of Pensions and Health Benefits, Inc., is limited to eligible clergy meeting the age and years of service requirements of the Plan. Expense for the year ended December 31, 2010 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 of Pensions and Health Benefits, Inc., and is limited to eligible clergy meeting the age and years of service requirements of the Plan. Pension expense amounted to \$103,794 for the year ended December 31, 2010.

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, 2010 was \$78,876.

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 of Pension and Health Benefits, Inc.. 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, Inc., 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, 2010 was \$193,800.

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

Notes to Combined Financial Statements

14. Medical and Health Plan

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, 2010 was as follows:

Conference retiree HealthFlex cost	\$ 1,442,565
Less: Medicare drug subsidy	<u>(261,952)</u>
Net HealthFlex cost for retired clergy	<u>\$ 1,180,613</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. The New York Annual Conference 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, Inc. maintains three accounts with the General Board of Pension and Health Benefits, Inc., on behalf of the New York Annual Conference for the purpose of funding pension liabilities and health benefits. As of December 31, 2010, the pension deposit account held \$680,595, the Integrity in Pensions deposit account held \$1,666,173, and the health benefits reserve deposit account held \$12,576,807.

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 of Pension and Health Benefits, Inc., and may be drawn down only upon the approval of the Conference Board of Pensions and Health Benefits, Inc. 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, 2010.

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

Notes to Combined Financial Statements

17. Restrictions and Limitations on Net Assets (continued)

<u>Fund Description</u>	<u>Net Assets Released From Restriction in 2010</u>	<u>Temporarily Restricted Net Assets at December 31, 2010</u>	<u>Permanently Restricted Net Assets at December 31, 2010</u>
Special Funds			
Groveville Cemetery Fund	\$ -	\$ 3,347	\$ -
Bosley Memorial Fund	-	5,955	-
	<u>-</u>	<u>9,302</u>	<u>-</u>
Trust Funds			
Denver Fund	34,471	261,849	505,000
Aldersgate Church Fund	9,078	56,508	87,673
Shauman Fund	2,000	23,070	3,504
Hess Fund for World Division	404	1,141	9,170
Hess Fund for National Division	394	1,557	18,341
J.F. Hess Trust Fund	-	-	10,000
Collard Fund	306	14,856	5,000
Williams Fund	7,673	101,768	20,000
Jeffersonville Fund	82	803	1,000
Hess Craryville	79	773	-
Hess Methodist Hospital	192	780	-
Hess Five Points	48	763	-
	<u>54,727</u>	<u>463,868</u>	<u>659,688</u>
Memorial Garden Fund	-	7,513	-
Sessions Woods - Darling Fund	-	125,681	-
	<u>-</u>	<u>133,194</u>	<u>-</u>
General Camping Programs	-	81,466	60,726
Quinipet Camp Program	-	5,400	6,535
	<u>-</u>	<u>86,866</u>	<u>67,261</u>
Conference Programs	<u>5,754,784</u>	<u>2,986,339</u>	<u>-</u>
	<u>\$ 5,809,511</u>	<u>\$ 3,679,569</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 members. 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

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, 2010 was \$55,541. Future annual minimum lease commitments as of December 31, 2010 are \$57,714.

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, 2010

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

Combining Schedule of Financial Position

December 31, 2010

(with comparative amounts for 2009)

	CCF&A	Board of Trustees	Camping Ministry	Episcopal Office	Sub-Total	Eliminating Entries Debit (Credit)	2010 Combined	2009 Combined
ASSETS								
Cash and cash equivalents	\$ 985,587	\$ 134,834	\$ 64,389	\$ 101,706	\$ 1,286,516	\$ -	\$ 1,286,516	\$ 1,026,304
Investments	1,677,811	2,002,140	173,538	16,971	3,870,460	-	3,870,460	4,926,700
Church apportionments receivable	1,419,389	-	-	-	1,419,389	-	1,419,389	1,055,354
Accounts receivable	1,406,920	-	39,070	-	1,445,990	(1,175,238)	270,752	180,431
Parish development loans receivable, net	967,477	-	-	-	967,477	-	967,477	907,900
Prepaid expenses	41,353	-	-	-	41,353	-	41,353	2,463
Custodial funds held	-	36,299	-	-	36,299	-	36,299	36,089
Property and equipment, net	22,845	3,891,943	1,844,359	1,962	5,761,109	-	5,761,109	5,244,388
	<u>\$ 6,521,382</u>	<u>\$ 6,065,216</u>	<u>\$ 2,121,356</u>	<u>\$ 120,639</u>	<u>\$ 14,828,593</u>	<u>\$ (1,175,238)</u>	<u>\$ 13,653,355</u>	<u>\$ 13,379,629</u>
LIABILITIES AND NET ASSETS								
Liabilities								
Borrowings under line of credit	\$ -	\$ -	\$ 300,258	\$ -	\$ 300,258	\$ -	\$ 300,258	\$ 321,207
Accounts payable and accrued expenses	1,553,311	20,000	140,431	-	1,713,742	-	1,713,742	2,407,730
Deferred revenue	-	-	77,505	-	77,505	-	77,505	47,611
Due to CCF&A	-	-	1,119,881	55,357	1,175,238	1,175,238	-	-
Loans payable - Conference Board of Pensions and Health Benefits, Inc.	389,917	-	-	-	389,917	-	389,917	389,917
Loan payable - United Methodist Development Fund	-	687,468	-	-	687,468	-	687,468	729,013
Church apportionments designated for future periods	66,268	-	-	-	66,268	-	66,268	80,087
Note payable	-	-	7,637	-	7,637	-	7,637	12,832
Custodial funds held	-	36,299	-	-	36,299	-	36,299	36,089
Total Liabilities	2,009,496	743,767	1,645,712	55,357	4,454,332	1,175,238	3,279,094	4,024,486
Net Assets								
Unrestricted	1,525,547	4,055,397	321,517	65,282	5,967,743	-	5,967,743	6,385,561
Temporarily restricted	2,986,339	606,364	86,866	-	3,679,569	-	3,679,569	2,242,633
Permanently restricted	-	659,688	67,261	-	726,949	-	726,949	726,949
Total Net Assets	<u>4,511,886</u>	<u>5,321,449</u>	<u>475,644</u>	<u>65,282</u>	<u>10,374,261</u>	<u>-</u>	<u>10,374,261</u>	<u>9,355,143</u>
	<u>\$ 6,521,382</u>	<u>\$ 6,065,216</u>	<u>\$ 2,121,356</u>	<u>\$ 120,639</u>	<u>\$ 14,828,593</u>	<u>\$ 1,175,238</u>	<u>\$ 13,653,355</u>	<u>\$ 13,379,629</u>

See independent auditors' report

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

Combining Schedule of Activities
Year Ended December 31, 2010
(with summarized totals for 2009)

	CCF&A			Board of Trustees				Camping Ministry				Episcopal Office	Eliminating Entries (Debit) Credit	2010 Combined	2009 Combined	
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted				
REVENUE AND SUPPORT																
Church apportionments	\$ 2,280,160	\$ 6,122,158	\$ 8,402,318	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,402,318	\$ 7,564,316
Designated benevolences	-	748,642	748,642	-	-	-	-	-	-	-	-	-	-	-	748,642	705,182
Other contributed benevolences	1,073	236,432	237,505	-	-	-	-	-	-	-	-	-	-	-	237,505	230,506
Fees and reimbursements	343,550	-	343,550	15,733	-	-	15,733	-	-	-	-	-	-	-	359,283	289,173
Grants and contributions	-	-	-	-	-	-	-	118,818	-	-	118,818	127,300	-	-	246,118	372,237
Retreat	-	-	-	-	-	-	-	768,894	-	-	768,894	-	-	-	768,894	825,798
Program fees	-	-	-	-	-	-	-	462,606	-	-	462,606	-	-	-	462,606	413,855
Food service	-	-	-	-	-	-	-	231,878	-	-	231,878	-	-	-	231,878	197,006
Store	-	-	-	-	-	-	-	22,947	-	-	22,947	-	-	-	22,947	13,513
Investment return	47,118	55,185	102,303	54,164	70,039	-	124,203	1,667	13,991	-	15,658	-	-	-	242,164	335,381
Interest on revolving loans	49,272	-	49,272	-	-	-	-	-	-	-	-	-	-	-	49,272	55,079
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	783
Other	-	-	-	-	-	-	-	3,356	-	-	3,356	387	-	-	3,743	2,494
Donated services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,044
Amounts to be paid by CCF&A	-	-	-	100,368	-	-	100,368	-	-	-	-	-	-	(100,368)	-	-
Net assets released from restrictions	5,754,784	(5,754,784)	-	54,727	(54,727)	-	-	-	-	-	-	-	-	-	-	-
Total Revenue and Support	8,475,957	1,407,633	9,883,590	224,992	15,312	-	240,304	1,610,166	13,991	-	1,624,157	127,687	(100,368)	11,775,370	11,024,367	
EXPENSES																
Program	6,362,641	-	6,362,641	426,329	-	-	426,329	-	-	-	-	52,746	-	-	6,841,716	7,344,382
Campsite	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quinipet	-	-	-	-	-	-	-	1,254,111	-	-	1,254,111	-	-	-	1,254,111	1,086,472
Epworth	-	-	-	-	-	-	-	350,989	-	-	350,989	-	-	-	350,989	290,563
Kingswood	-	-	-	-	-	-	-	80,399	-	-	80,399	-	-	-	80,399	74,314
Capital Campaign	-	-	-	-	-	-	-	21,190	-	-	21,190	-	-	-	21,190	55,087
Management and general	2,008,306	-	2,008,306	250,569	-	-	250,569	-	-	-	-	49,340	(100,368)	-	2,207,847	2,108,623
Total Expenses	8,370,947	-	8,370,947	676,898	-	-	676,898	1,706,689	-	-	1,706,689	102,086	(100,368)	10,756,252	10,959,441	
Change in Net Assets	105,010	1,407,633	1,512,643	(451,906)	15,312	-	(436,594)	(96,523)	13,991	-	(82,532)	25,601	-	1,019,118	64,926	
NET ASSETS																
Beginning of year	1,420,537	1,578,706	2,999,243	4,507,303	591,052	659,688	5,758,043	418,040	72,875	67,261	558,176	39,681	-	-	9,355,143	9,290,217
End 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

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

Statement of Cash Receipts and Disbursements

Year Ended December 31, 2010
(with comparative amounts for 2009)

	<u>2010</u>	<u>2009</u>
CASH RECEIPTS		
Budget support	\$127,300	\$128,600
Interest	<u>7</u>	<u>5</u>
Total Cash Receipts	<u>127,307</u>	<u>128,605</u>
 CASH DISBURSEMENTS		
Salaries	38,186	41,500
Employee benefits	8,472	8,996
Supplies	3,207	8,446
Postage	107	3,008
Telephone	1,559	2,358
Professional fees	5,650	5,500
Meals and entertainment	8,779	13,343
Travel	7,646	7,408
Network support	5,688	-
Miscellaneous	<u>1,683</u>	<u>2,906</u>
Total Cash Disbursements	<u>80,977</u>	<u>93,465</u>
 Excess of Cash Receipts over Cash Disbursements	 46,330	 35,140
 Cash at beginning of year	 <u>56,157</u>	 <u>21,017</u>
Cash at end of year	<u>\$102,487</u>	<u>\$ 56,157</u>