

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

Combined Financial Statements

December 31, 2012

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, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 has not recorded 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. If this obligation were accounted for properly, liabilities would be increased by approximately \$22,038,904 and net assets would be decreased by \$22,038,904. The effect on the statement of activities has not been determined.

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, 2012, 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, 2011 combined financial statements, and we expressed a qualified audit opinion on those audited combined financial statements in our report dated June 25, 2012. 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 20 through 22 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 28, 2013

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

Combined Statements of Financial Position

December 31, 2012

(with comparative amounts for 2011)

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 1,903,301	\$ 2,807,636
Investments	4,045,462	3,735,417
Church apportionments receivable	787,428	992,019
Accounts receivable, net	293,197	373,148
Parish development loans receivable, net	1,182,012	1,106,063
Prepaid expenses and other assets	94,333	90,342
Custodial funds held	265,185	36,401
Property and equipment, net	5,898,318	5,956,444
Deferred financing costs, net	22,270	-
	\$ 14,491,506	\$ 15,097,470
 LIABILITIES AND NET ASSETS		
Liabilities		
Church apportionments designated for future periods	\$ 90,776	\$ 84,618
Borrowings under line of credit	-	320,304
Accounts payable and accrued expenses	839,426	1,879,243
Deferred revenue	19,785	9,330
Loan payable - Conference Board of Pensions and Health Benefits	369,917	379,917
Loan payable - United Methodist Development Fund	586,228	635,206
Loan payable - Bridgehampton Methodist Church	63,247	76,284
Mortgage payable - Bridgehampton National Bank	1,085,965	-
Custodial funds held	265,185	36,401
Total Liabilities	3,320,529	3,421,303
Net Assets		
Unrestricted	7,477,519	7,453,733
Temporarily restricted	2,966,509	3,495,485
Permanently restricted	726,949	726,949
Total Net Assets	11,170,977	11,676,167
	\$ 14,491,506	\$ 15,097,470

See notes to combined financial statements

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

Combined Statements of Activities
Year Ended December 31, 2012
(with summarized totals for 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
SUPPORT AND REVENUE					
Church apportionments	\$ 2,409,291	\$ 5,148,980	\$ -	\$ 7,558,271	\$ 8,025,750
Designated benevolences	-	579,724	-	579,724	1,130,016
Other contributed benevolences	1,748	42,349	-	44,097	246,233
Fees and reimbursements	299,547	-	-	299,547	298,150
Grants and contributions	567,567	-	-	567,567	858,917
Retreat	835,396	-	-	835,396	1,049,763
Program fees	430,694	-	-	430,694	335,532
Food and linen service	257,737	-	-	257,737	242,680
Store sales	13,466	-	-	13,466	15,439
Investment return	42,708	93,782	-	136,490	242,286
Interest on revolving loans	77,729	-	-	77,729	324,461
Interest	214	76	-	290	307
Other revenue	20,315	-	-	20,315	218,623
Net assets released from restrictions	<u>6,393,887</u>	<u>(6,393,887)</u>	-	-	-
Total Support and Revenue	<u>11,350,299</u>	<u>(528,976)</u>	-	<u>10,821,323</u>	<u>12,988,157</u>
EXPENSES					
Program	6,761,555	-	-	6,761,555	7,595,910
Campsite					
Quinipet	1,366,241	-	-	1,366,241	1,384,963
Epworth	433,975	-	-	433,975	309,897
Kingswood	95,384	-	-	95,384	114,618
Capital campaign	2,872	-	-	2,872	2,366
Management and general	<u>2,666,486</u>	-	-	<u>2,666,486</u>	<u>2,278,497</u>
Total Expenses	<u>11,326,513</u>	-	-	<u>11,326,513</u>	<u>11,686,251</u>
Change in Net Assets	23,786	(528,976)	-	(505,190)	1,301,906
NET ASSETS					
Beginning of year	<u>7,453,733</u>	<u>3,495,485</u>	<u>726,949</u>	<u>11,676,167</u>	<u>10,374,261</u>
End of year	<u>\$ 7,477,519</u>	<u>\$ 2,966,509</u>	<u>\$ 726,949</u>	<u>\$ 11,170,977</u>	<u>\$ 11,676,167</u>

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

Combined Statements of Cash Flows
Year Ended December 31, 2012
(with comparative amounts for 2011)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (505,190)	\$ 1,301,906
Adjustment to reconcile change in net assets to net cash from operating activities		
Realized and unrealized (gains) losses on investments	(70,475)	42,753
Depreciation	275,982	191,319
Amortization	1,238	-
(Recovery) provision for bad debts	(112,423)	1,068,564
Net change in operating assets and liabilities		
Church apportionments receivable	204,591	427,370
Accounts receivable	171,907	(826,891)
Parish development loans receivable	(55,482)	(482,655)
Prepaid expenses and other assets	(3,991)	(48,989)
Accounts payable and accrued expenses	(1,039,817)	258,193
Deferred revenue	10,455	(68,175)
Church apportionments designated for future periods	<u>6,158</u>	<u>18,350</u>
Net Cash from Operating Activities	<u>(1,117,047)</u>	<u>1,881,745</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	548,011	1,473,706
Purchase of investments	(787,582)	(1,381,416)
Property and equipment acquisitions	<u>(217,856)</u>	<u>(386,654)</u>
Net Cash from Investing Activities	<u>(457,427)</u>	<u>(294,364)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment) advances of line of credit	(320,304)	20,046
Repayment of loans payable	(72,015)	(86,307)
Mortgage payable proceeds	1,085,965	-
Deferred financing costs incurred	<u>(23,507)</u>	<u>-</u>
Net Cash from Financing Activities	<u>670,139</u>	<u>(66,261)</u>
Net Change in Cash and Cash Equivalents	(904,335)	1,521,120
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>2,807,636</u>	<u>1,286,516</u>
End of year	<u>\$ 1,903,301</u>	<u>\$ 2,807,636</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 59,834	\$ 70,870

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, 2012

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 revenue from the New York Annual Conference's local churches. Expenses consist primarily of clergy support; the New York Annual Conference apportionments to the General Church located in Nashville, Tennessee; support for religious and charitable programs; support for missions and church ministries; and management and financial administration of the New York Annual Conference.

CCFA 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 other insurance programs and provides services for other New York Annual Conference and Methodist 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 maintains three camps known as 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 Episcopal Office arranges and/or prepares for meetings and other gatherings that the Bishop leads or attends.

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

Notes to Combined Financial Statements
December 31, 2012

1. Nature of Organization (continued)

The Board of Trustees of the New York Annual Conference of the United Methodist Church (the "Board of Trustees") receives, collects and holds in trust, for the benefit of the New York Annual Conference 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 New York Annual Conference and its agencies for any benevolent, charitable, or religious purpose, and 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 the New York Annual Conference. In addition, the Board of Trustees is responsible for administering 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 includes the accounts of CCFA, the Board of Trustees, the Camping 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 receivable 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 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.

Cash and Cash Equivalents

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

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

Notes to Combined Financial Statements
December 31, 2012

2. Summary of Significant Accounting Policies (continued)

Allowance for Accounts and Apportionments Receivable

An allowance for accounts and apportionments receivable is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. The allowance for accounts receivable approximated \$273,000 at December 31, 2012. Management has concluded that no allowance for apportionments is required.

Fair Value of Financial Instruments

The New York Annual Conference 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.

Investments Valuation

Investments are carried at fair value.

Investment Income Recognition

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

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Donated assets are capitalized at their fair value at the time of the donation. Maintenance, routine repairs and minor replacements are charged to operations as incurred, while those improvements which materially extend the lives of the assets are capitalized. Depreciation is recognized using the straight-line method over the estimated useful lives of such assets as follows:

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

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.

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

Notes to Combined Financial Statements
December 31, 2012

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The New York Annual Conference recognizes as revenue, all amounts received during the year from churches under apportionment and those amounts received through an 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.

Apportionments, Contributions and Benevolences

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

In-kind Support

A number of clergy and laity 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 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 New York Annual Conference recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the New York Annual Conference had no uncertain tax positions that would require financial statement recognition or disclosure. The New York Annual Conference is no longer subject to examinations by applicable taxing jurisdictions for periods prior to December 31, 2009.

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. In accordance with the adoption of NYPMIFA, the New York Annual Conference reviewed all of its endowment funds and determined that a net asset reclassification was not necessary upon adoption in 2010.

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

Notes to Combined Financial Statements
December 31, 2012

2. Summary of Significant Accounting Policies (continued)

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 28, 2013.

3. Postretirement Health Benefits

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

The New York Annual Conference has been providing medical and health benefits to retired ministers and others. 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 the New York Annual Conference's assessed church apportionments and are administered by CCFA. The New York Annual Conference has not recognized the medical and health benefits to retired clergy as a legal obligation does not exist.

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 United Methodist Church (the "General Board") obtained an actuarial valuation of the New York Annual Conference's retiree benefits as of December 31, 2012. The valuation of the New York Conference'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.

4. Parish Development Loans Receivable, Net

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

Loan principal and interest repayments are deposited back into the revolving loan fund to fund future loans and grants. The New York Annual Conference annually reviews the collectibility of loans outstanding and adjusts the allowance for doubtful accounts accordingly. As of December 31, 2012, the allowance for doubtful accounts approximated \$591,000.

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

Notes to Combined Financial Statements
December 31, 2012

5. Endowment, Investments and Investment Return

Interpretation of Law

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

Return Objectives and Risk Parameters

The New York Annual Conference maintains various donor-restricted endowment funds and Board designated endowment funds whose purpose is to provide long term support for its programs and facilities. The New York Annual Conference'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 New York Annual Conference utilizes a total return investment approach with its asset allocation diversified over multiple asset classes and sub classes. The overall investment objective of the New York Annual Conference'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 New York Annual Conference consistent with the preservation of purchasing power of the Endowment. To balance the current and future needs for operating and maintenance support, the New York Annual Conference seeks to maintain or enhance the real (inflation-adjusted) purchasing power of the Endowment, net of payments pursuant to the spending policy described below. This objective leads to a fixed income and equity-oriented investment strategy, which in turn implies that the total market value and amount available to support the New York Annual Conference's operations will likely fluctuate from year to year. The New York Annual Conference'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 New York Annual Conference has adopted a policy of annually expending amounts from its Endowment to support current operations based on five percent of a three-year quarterly average fair value of investments held. In addition, with the approval of its Trustees, the New York Annual Conference may use Board designated endowment funds for operating purposes.

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

Notes to Combined Financial Statements
December 31, 2012

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 New York Annual Conference and that future gains be allocated to unrestricted net assets until such losses have been restored. The New York Annual Conference's donor restricted endowment funds have not experienced any losses during 2012.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, January 1, 2012	\$ 966,358	\$ 2,042,110	\$ 726,949	\$ 3,735,417
Transfers in/(out)	948,191	(634,781)	-	313,410
Contributions	366,588	-	-	366,588
Investment income, net	20,027	45,988	-	66,015
Capital appreciation	22,681	47,794	-	70,475
Appropriations for programs	(370,059)	(136,384)	-	(506,443)
Balance, December 31, 2012	<u>\$ 1,953,786</u>	<u>\$ 1,364,727</u>	<u>\$ 726,949</u>	<u>\$ 4,045,462</u>
Comprised of the Following				
Donor restricted funds	\$ -	\$ 1,364,727	\$ 726,949	\$ 2,091,676
Board designated funds	1,953,786	-	-	<u>1,953,786</u>
				<u>\$ 4,045,462</u>

The following are major categories of investments measured and categorized by the fair value hierarchy at fair value at December 31, 2012:

	Level 1	Level 2	Total
Money market fund	\$ 62,725	\$ -	\$ 62,725
Equity fund	-	581,610	581,610
Balanced fund	-	2,447,084	2,447,084
Bond fund	-	485,236	485,236
Mixed asset fund	-	468,807	468,807
Total Investments at Fair Value	<u>\$ 62,725</u>	<u>\$ 3,982,737</u>	<u>\$ 4,045,462</u>

Investment return consists of the following for the year ended December 31, 2012:

Interest and dividends	\$ 107,576
Net realized and unrealized gains	70,475
Investment fees	<u>(41,561)</u>
Total Investment Return	<u>\$ 136,490</u>

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

Notes to Combined Financial Statements
December 31, 2012

6. Property and Equipment, Net

Property and equipment, net consists of the following at December 31, 2012:

	CCFA	Board of Trustees	Camping Ministry	Episcopal Office	Total
Buildings	\$ -	\$ -	\$ 1,137,457	\$ -	\$1,137,457
Building improvements	-	507,150	827,272	-	1,334,422
District parsonages	-	1,020,986	-	-	1,020,986
Episcopal residence	-	368,590	-	-	368,590
Conference center	-	3,521,363	-	-	3,521,363
Vehicles	-	-	110,300	-	110,300
Land improvements	-	-	306,000	-	306,000
Camp property	-	161,500	-	-	161,500
Furniture and equipment	27,800	-	201,711	56,261	285,772
Construction in progress	-	-	131,489	-	131,489
	<u>27,800</u>	<u>5,579,589</u>	<u>2,714,229</u>	<u>56,261</u>	<u>8,377,879</u>
Accumulated depreciation	<u>(23,632)</u>	<u>(1,879,307)</u>	<u>(523,109)</u>	<u>(53,513)</u>	<u>(2,479,561)</u>
	<u>\$ 4,168</u>	<u>\$ 3,700,282</u>	<u>\$ 2,191,120</u>	<u>\$ 2,748</u>	<u>\$5,898,318</u>

7. Borrowings Under Line of Credit

The Camping Ministry had an unsecured \$75,000 line of credit with a bank with interest at 6.5% which matured in April 2012. The Camping Ministry had a second line of credit in the amount of \$250,000 with interest at 5.75% which matured in March 2012. Interest expense for 2012 was \$5,870.

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, 2012 in the amount of \$369,917.

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

Notes to Combined Financial Statements
December 31, 2012

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 conference center located in White Plains, New York. This loan is secured by the New York Annual Conference's property located at 20 Soundview Avenue, White Plains, New York. In July 2012, the New York Annual Conference 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 2012. Aggregate maturities of this obligation at December 31, 2012 are due as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 60,057
2014	62,973
2015	66,030
2016	69,236
2017	72,597
Thereafter	<u>255,335</u>
	<u>\$ 586,228</u>

10. Loan Payable – Bridgehampton Methodist Church

In 2010, the Camping Ministry obtained an unsecured construction loan which matures in June 2017 and bears interest annually at 4.00%. The outstanding balance of this loan was \$63,247 as of December 31, 2012. Interest expense for the year ended December 31, 2012 was \$2,990. Subsequent to year end, the remaining outstanding balance was forgiven.

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

Notes to Combined Financial Statements
December 31, 2012

11. Mortgage Payable – Bridgehampton National Bank

In 2012, the New York Annual Conference 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 a margin of 2.5%. Interest expense for 2012 was \$51,273. Aggregate maturities of this obligation at December 31, 2012 are due as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 19,763
2014	21,035
2015	22,388
2016	23,828
2017	25,360
Thereafter	<u>973,591</u>
	<u>\$ 1,085,965</u>

12. Custodial Funds

Custodial Funds represent the Death Benefits Plan Fund and Funds Managed for Others, as well as funds transferred to the New York Annual Conference 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, 2012, and are summarized below:

Funds held for others, as of January 1, 2012	\$ 36,401
Church closings	228,739
Interest	<u>45</u>
Funds held for others, as of December 31, 2012	<u>\$ 265,185</u>

13. Retirement Plans

The New York Annual Conference participates in a multiemployer defined benefit pension plan administered by the General Board that covers substantially all United Methodist clergy. The New York Annual Conference participates in three plans under this multiemployer plan which are 1) Core Defined Benefit Part of the Clergy Retirement Security Program (“CRSP-DB”), 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) Supplement One to the Clergy Retirement Security Program (“Pre-1982 Plan”). 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.

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

Notes to Combined Financial Statements
December 31, 2012

13. Retirement Plans (continued)

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 New York Annual Conference adopted the following benefit levels for 2012:

Past service rate	\$ 556
Contingent annuitant percentage	70%

As of January 1, 2012, the valuation date, the Pre-1982 Plan had a funded status of 103%. Effective December 31, 2012, a surplus redirection contribution of \$2,074,779 was made from the Pre-1982 Plan to the CRSP-DB. Expense for 2012 amounted to \$0, as all amounts were paid by New York Annual Conference member churches.

MPP Annuities

The MPP Annuities covers service from 1982 through 2006. As of January 1, 2012, the valuation date, the MPP Annuities plan had a funded status of 104%. Expense for 2012 amounted to \$0.

CRSP-DB

The CRSP-DB plan covers service on or after January 1, 2007. As of January 1, 2012, the valuation date, the CRSP-DB plan had a funded status of 95%. Expense for 2012 amounted to \$123,865.

Defined Contribution Plan

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% of salary contribution by the New York Annual Conference. Expense for 2012 amounted to \$70,789.

14. Medical and Health Plan

Effective January 1, 2001, the New York Annual Conference provided health benefits under a multi-employer plan, HealthFlex, administered by the General Board. HealthFlex provides medical and health benefits for eligible clergy and eligible 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 New York Annual Conference. The New York Annual Conference's expense for its clergy and staff in HealthFlex for 2012 was \$243,407.

The New York Annual Conference contributes toward the cost for retired clergy with more than five years of service under HealthFlex Medicare Supplement Plan. The Conference's HealthFlex expense for retired clergy for 2012 was as follows:

Conference retiree HealthFlex cost	\$1,794,133
Less:	
Medicare drug subsidy credits	(246,281)
Conference Board of Pensions and Health Benefits credit	<u>(600,504)</u>
Net HealthFlex cost for Retired Clergy	<u>\$ 947,348</u>

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

Notes to Combined Financial Statements
December 31, 2012

15. Support Services

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

16. Deposit Accounts

In accordance with a resolution of the New York Annual Conference, the Conference Board of Pensions and Health Benefits maintains five accounts with the General Board on behalf of the New York Annual Conference for the purpose of funding pension liabilities and health benefits. As of December 31, 2012, the Deposit account held \$112,634, the Integrity in Pensions account held \$1,723,285, the Health Benefits Reserve account held \$15,547,872, the Pre-82 pension account held \$30,569,403 and the General account held \$468,807.

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

17. Restrictions and Limitations on Net Assets

Certain net assets of the New York Annual Conference are restricted based upon donor stipulations. Such restricted net assets are deemed "released from restriction" when the New York Annual Conference expends funds in accordance with the donor's stipulated purpose. Restricted funds to be held in perpetuity by donor instruction are classified as permanently restricted net assets. The table below presents the net assets released from restrictions and the components of restricted net assets at December 31, 2012.

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

Notes to Combined Financial Statements
December 31, 2012

17. Restrictions and Limitations on Net Assets (continued)

<u>Fund Description</u>	Net Assets Released From Restriction in 2012	Temporarily Restricted Net Assets at December 31, 2012	Permanently Restricted Net Assets at December 31, 2012
Special Funds			
Groveville Cemetery Fund	\$ -	\$ 3,527	\$ -
Bosley Memorial Fund	<u>1,200</u>	<u>2,652</u>	<u>-</u>
	<u>1,200</u>	<u>6,179</u>	<u>-</u>
Trust Funds			
Denver Fund	16,291	255,750	505,000
Aldersgate Church Fund	8,346	49,095	87,673
Shauman Fund	1,000	22,817	3,504
Hess Fund for World Division	168	1,081	9,170
Hess Fund for National Division	371	1,423	18,341
J.F. Hess Trust Fund	-	-	10,000
Collard Fund	390	14,715	5,000
Williams Fund	5,850	101,092	20,000
Jeffersonville Fund	51	785	1,000
Hess Craryville	49	752	-
Hess Methodist Hospital	119	741	-
Hess Five Points	<u>29</u>	<u>749</u>	<u>-</u>
	<u>32,664</u>	<u>449,000</u>	<u>659,688</u>
Memorial Garden Fund	-	7,513	-
Sessions Woods - Darling Fund	<u>100,000</u>	<u>24,989</u>	<u>-</u>
	<u>100,000</u>	<u>32,502</u>	<u>-</u>
General Camping Programs	2,298	86,526	60,726
Quinipet Camp Program	<u>222</u>	<u>5,591</u>	<u>6,535</u>
	<u>2,520</u>	<u>92,117</u>	<u>67,261</u>
Conference Programs	<u>6,257,503</u>	<u>2,386,711</u>	<u>-</u>
	<u>\$ 6,393,887</u>	<u>\$ 2,966,509</u>	<u>\$ 726,949</u>

18. Concentration of Credit Risk

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

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

Notes to Combined Financial Statements
December 31, 2012

19. Lease Commitments

The New York Annual Conference leases office equipment, telecommunications and software under various commercial leases with equipment suppliers or commercial leasing companies. Rent expense for 2012 was \$56,989. Aggregate minimum annual rental payments at December 31, 2012 for the years ending December 31, are payable as follows:

2013	\$ 71,352
2014	61,302
2015	49,939
2016	<u>24,641</u>
	<u>\$ 207,234</u>

20. Asset Retirement Obligations

The New York Annual Conference follows U.S. GAAP 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.

22. Subsequent Event

Subsequent to year end, the New York Annual Conference entered into a litigation settlement agreement in the amount of \$100,000 regarding a lawsuit involving the Epworth camp location. This amount has been accrued as of December 31, 2012, and is included in the accounts payable and accrued expenses on the combined statements of financial position.

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

Supplemental Information
December 31, 2012

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

Combining Schedule of Financial Position
December 31, 2012
(with comparative amounts for 2011)

	CCFA	Board of Trustees	Camping Ministry	Episcopal Office	Sub-Total	Eliminating Entries Debit (Credit)	2012 Combined	2011 Combined
ASSETS								
Cash and cash equivalents	\$ 1,561,782	\$ 91,028	\$ 136,153	114,338	\$ 1,903,301	\$ -	\$ 1,903,301	\$ 2,807,636
Investments	1,593,461	2,254,479	179,255	18,267	4,045,462	-	4,045,462	3,735,417
Church apportionments receivable	787,428	-	-	-	787,428	-	787,428	992,019
Accounts receivable, net	269,321	-	23,876	-	293,197	-	293,197	373,148
Parish development loans receivable, net	1,182,012	-	-	-	1,182,012	-	1,182,012	1,106,063
Prepaid expenses and other assets	80,993	-	13,340	-	94,333	-	94,333	90,342
Due from Camping Ministry	642,028	125,264	-	-	767,292	(767,292)	-	-
Due from Board of Trustees	149,346	-	-	-	149,346	(149,346)	-	-
Due from Episcopal Office	10,110	-	-	-	10,110	(10,110)	-	-
Custodial funds held	228,739	36,446	-	-	265,185	-	265,185	36,401
Property and equipment, net	4,168	3,700,282	2,191,120	2,748	5,898,318	-	5,898,318	5,956,444
Deferred financing costs, net	-	-	22,270	-	22,270	-	22,270	-
	<u>\$ 6,509,388</u>	<u>\$ 6,207,499</u>	<u>\$ 2,566,014</u>	<u>\$ 135,353</u>	<u>\$ 15,418,254</u>	<u>\$ (926,748)</u>	<u>\$ 14,491,506</u>	<u>\$ 15,097,470</u>
LIABILITIES AND NET ASSETS								
Liabilities								
Church apportionments designated for future periods	\$ 90,776	\$ -	\$ -	\$ -	\$ 90,776	\$ -	\$ 90,776	\$ 84,618
Borrowings under line of credit	-	-	-	-	-	-	-	320,304
Accounts payable and accrued expenses	774,023	-	65,403	-	839,426	-	839,426	1,879,243
Deferred revenue	-	-	19,785	-	19,785	-	19,785	9,330
Due to Board of Trustees	-	-	125,264	-	125,264	125,264	-	-
Due to CCFA	-	149,346	642,028	10,110	801,484	801,484	-	-
Loan payable - Conference Board of Pensions and Health Benefits	369,917	-	-	-	369,917	-	369,917	379,917
Loan payable - United Methodist Development Fund	-	586,228	-	-	586,228	-	586,228	635,206
Loan payable - Bridgehampton Methodist Church	-	-	63,247	-	63,247	-	63,247	76,284
Mortgage payable - Bridgehampton National Bank	-	-	1,085,965	-	1,085,965	-	1,085,965	-
Custodial funds held	228,739	36,446	-	-	265,185	-	265,185	36,401
Total Liabilities	1,463,455	772,020	2,001,692	10,110	4,247,277	926,748	3,320,529	3,421,303
Net Assets								
Unrestricted	2,659,222	4,288,110	404,944	125,243	7,477,519	-	7,477,519	7,453,733
Temporarily restricted	2,386,711	487,681	92,117	-	2,966,509	-	2,966,509	3,495,485
Permanently restricted	-	659,688	67,261	-	726,949	-	726,949	726,949
Total Net Assets	<u>5,045,933</u>	<u>5,435,479</u>	<u>564,322</u>	<u>125,243</u>	<u>11,170,977</u>	<u>-</u>	<u>11,170,977</u>	<u>11,676,167</u>
	<u>\$ 6,509,388</u>	<u>\$ 6,207,499</u>	<u>\$ 2,566,014</u>	<u>\$ 135,353</u>	<u>\$ 15,418,254</u>	<u>\$ 926,748</u>	<u>\$ 14,491,506</u>	<u>\$ 15,097,470</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, 2012
(with summarized totals for 2011)

	CCFA			Board of Trustees				Camping Ministry				Episcopal Office	Eliminating Entries (Debit) Credit	2012 Combined	2011 Combined	
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted				
SUPPORT AND REVENUE																
Church apportionments	\$ 2,409,291	\$ 5,148,980	\$ 7,558,271	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,558,271	\$ 8,025,750
Designated benevolences	-	579,724	579,724	-	-	-	-	-	-	-	-	-	-	-	579,724	1,130,016
Other contributed benevolences	1,748	42,349	44,097	-	-	-	-	-	-	-	-	-	-	-	44,097	246,233
Fees and reimbursements	299,547	-	299,547	-	-	-	-	-	-	-	-	-	-	-	299,547	298,150
Grants and contributions	112,047	-	112,047	254,543	-	-	254,543	232,887	-	-	232,887	130,690	(162,600)	567,567	858,917	
Retreat	-	-	-	-	-	-	-	835,396	-	-	835,396	-	-	835,396	1,049,763	
Program fees	-	-	-	-	-	-	-	430,694	-	-	430,694	-	-	430,694	335,532	
Food and linen service	-	-	-	-	-	-	-	257,737	-	-	257,737	-	-	257,737	242,680	
Store sales	-	-	-	-	-	-	-	13,466	-	-	13,466	-	-	13,466	15,439	
Investment return	4,551	38,344	42,895	35,237	44,945	-	80,182	1,343	10,493	-	11,836	1,577	-	136,490	242,286	
Interest on revolving loans	77,729	-	77,729	-	-	-	-	-	-	-	-	-	-	77,729	324,461	
Interest	-	76	76	136	-	-	136	69	-	-	69	9	-	290	307	
Other revenue	-	-	-	-	-	-	-	20,315	-	-	20,315	-	-	20,315	218,623	
Net assets released from restrictions	6,257,503	(6,257,503)	-	133,864	(133,864)	-	-	2,520	(2,520)	-	-	-	-	-	-	-
Total Support and Revenue	9,162,416	(448,030)	8,714,386	423,780	(88,919)	-	334,861	1,794,427	7,973	-	1,802,400	132,276	(162,600)	10,821,323	12,988,157	
EXPENSES																
Program	6,257,503	-	6,257,503	481,174	-	-	481,174	-	-	-	-	52,878	(30,000)	6,761,555	7,595,910	
Campsite																
Quinipet	-	-	-	-	-	-	-	1,366,241	-	-	1,366,241	-	-	1,366,241	1,384,963	
Epworth	-	-	-	-	-	-	-	433,975	-	-	433,975	-	-	433,975	309,897	
Kingswood	-	-	-	-	-	-	-	95,384	-	-	95,384	-	-	95,384	114,618	
Capital campaign	-	-	-	-	-	-	-	2,872	-	-	2,872	-	-	2,872	2,366	
Management and general	2,601,118	-	2,601,118	142,517	-	-	142,517	-	-	-	-	55,451	(132,600)	2,666,486	2,278,497	
Total Expenses	8,858,621	-	8,858,621	623,691	-	-	623,691	1,898,472	-	-	1,898,472	108,329	(162,600)	11,326,513	11,686,251	
Change in Net Assets	303,795	(448,030)	(144,235)	(199,911)	(88,919)	-	(288,830)	(104,045)	7,973	-	(96,072)	23,947	-	(505,190)	1,301,906	
NET ASSETS																
Beginning of year	2,355,427	2,834,741	5,190,168	4,488,021	576,600	659,688	5,724,309	508,989	84,144	67,261	660,394	101,296	-	11,676,167	10,374,261	
End of year	\$ 2,659,222	\$ 2,386,711	\$ 5,045,933	\$ 4,288,110	\$ 487,681	\$ 659,688	\$ 5,435,479	\$ 404,944	\$ 92,117	\$ 67,261	\$ 564,322	\$ 125,243	\$ -	\$ 11,170,977	\$ 11,676,167	

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

Statement of Cash Receipts and Disbursements

Year Ended December 31, 2012
(with comparative amounts for 2011)

	<u>2012</u>	<u>2011</u>
CASH RECEIPTS		
Budget support	\$137,879	\$128,500
Interest	502	9
Investment income	<u>1,084</u>	<u>436</u>
Total Cash Receipts	<u>139,465</u>	<u>128,945</u>
 CASH DISBURSEMENTS		
Salaries	39,563	34,583
Employee benefits	8,807	8,033
Supplies	10,866	5,218
Postage	530	705
Telephone	1,860	2,982
Professional fees	1,833	511
Travel and entertainment	25,560	26,651
Network support	4,127	5,157
Miscellaneous	<u>7,822</u>	<u>3,020</u>
Total Cash Disbursements	<u>100,968</u>	<u>86,860</u>
 PAYMENT OF PRIOR YEAR ACCRUED LIABILITIES		
Postage	639	3,008
Travel and entertainment	10,734	32,659
Miscellaneous	<u>2,001</u>	<u>19,690</u>
Total Payment of Prior Year Accrued Liabilities	<u>13,374</u>	<u>55,357</u>
 Excess (deficiency) of Cash Receipts over Cash Disbursements	25,123	(13,272)
 Cash at beginning of year	<u>89,215</u>	<u>102,487</u>
Cash at end of year	<u>\$114,338</u>	<u>\$ 89,215</u>