

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

Combined Financial Statements

December 31, 2014

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 "NYAC"), which comprise the combined statement of financial position as of December 31, 2014, and the related combined statements of activities and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

As more fully described in note 3 to the financial statements, the NYAC 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. In our opinion, such liability and related benefit expense should be recognized in the combined financial statements to conform with accounting principles generally accepted in the United States of America. If this obligation were accounted for properly, liabilities would be increased by approximately \$23,664,610 and net assets would be decreased by the same amount as of December 31, 2014. The effect on the combined 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 and related benefit expense 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, 2014, 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, 2013 combined financial statements, and we expressed a qualified audit opinion on those audited combined financial statements in our report dated June 26, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental information on pages 19 through 21 is 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, except for the effects of the matter described in the Basis for Qualified 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 23, 2015

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

Combined Statement of Financial Position

December 31, 2014

(with comparative amounts at December 31, 2013)

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 4,289,206	\$ 3,792,126
Church apportionments receivable	158,450	594,573
Accounts receivable, net	240,845	326,097
Parish development loans receivable, net	1,819,037	1,947,292
Prepaid expenses and other assets	517,557	237,331
Custodial funds held	338,730	72,695
Investments	16,368,914	10,559,028
Property and equipment, net	5,856,726	5,966,349
Deferred financing costs, net	-	22,270
	\$ 29,589,465	\$ 23,517,761
 LIABILITIES AND NET ASSETS		
Liabilities		
Church apportionments designated for future periods	\$ 33,859	\$ 8,193
Accounts payable and accrued expenses	1,602,961	1,728,364
Capital lease obligations	47,710	57,174
Deferred revenue	-	12,307
Loan payable - Conference Board of Pensions and Health Benefits	349,917	359,917
Loan payable - United Methodist Development Fund	463,717	526,427
Loan payable - U.S. Small Business Administration	703,200	-
Mortgage payable - Bridgehampton National Bank	-	1,066,202
Custodial funds held	338,730	72,695
Total Liabilities	3,540,094	3,831,279
Net Assets		
Unrestricted	16,177,319	10,102,745
Temporarily restricted	9,136,353	8,848,038
Permanently restricted	735,699	735,699
Total Net Assets	26,049,371	19,686,482
	\$ 29,589,465	\$ 23,517,761

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, 2014
(with summarized totals for the year ended December 31, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
SUPPORT AND REVENUE					
Church apportionments	\$ 2,124,810	\$ 5,331,185	\$ -	\$ 7,455,995	\$ 7,702,915
Designated benevolences	-	2,549,738	-	2,549,738	1,446,195
Fees and reimbursements	256,462	-	-	256,462	258,931
Grants and contributions	403,469	248,928	-	652,397	5,544,049
Retreat	1,532,586	-	-	1,532,586	1,678,237
Store sales	4,224	-	-	4,224	4,746
Forgiveness of debt	-	-	-	-	58,901
Investment return	231,122	157,900	-	389,022	659,764
Interest	59,845	-	-	59,845	67,943
Other revenue	4,513	-	-	4,513	36,218
Gain on sale of property	6,187,845	-	-	6,187,845	-
Net assets released from restrictions	<u>7,999,436</u>	<u>(7,999,436)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>18,804,312</u>	<u>288,315</u>	<u>-</u>	<u>19,092,627</u>	<u>17,457,899</u>
EXPENSES					
Program	8,338,314	-	-	8,338,314	6,282,482
Campsite					
Quinipet	1,497,428	-	-	1,497,428	1,489,798
Epworth	272,545	-	-	272,545	368,913
Kingswood	87,338	-	-	87,338	86,139
Capital campaign	2,712	-	-	2,712	3,157
Management and general	<u>2,531,401</u>	<u>-</u>	<u>-</u>	<u>2,531,401</u>	<u>1,404,363</u>
Total Expenses	<u>12,729,738</u>	<u>-</u>	<u>-</u>	<u>12,729,738</u>	<u>9,634,852</u>
Change in Net Assets	6,074,574	288,315	-	6,362,889	7,823,047
NET ASSETS					
Beginning of year	<u>10,102,745</u>	<u>8,848,038</u>	<u>735,699</u>	<u>19,686,482</u>	<u>11,863,435</u>
End of year	<u>\$ 16,177,319</u>	<u>\$ 9,136,353</u>	<u>\$ 735,699</u>	<u>\$ 26,049,371</u>	<u>\$ 19,686,482</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, 2014

(with comparative amounts for the year ended December 31, 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,362,889	\$ 7,823,047
Adjustment to reconcile change in net assets to net cash from operating activities		
Realized and unrealized gains on investments	(287,566)	(548,999)
Gain on sale of property	(6,187,845)	-
Depreciation	273,620	287,994
Amortization	22,270	1,237
Bad debts (recoveries) of bad debts	128,262	(151,548)
Forgiveness of debt	-	(58,901)
Net change in operating assets and liabilities		
Church apportionments receivable	436,123	192,855
Accounts receivable	(17,686)	(323,785)
Parish development loans receivable	103,046	(322,847)
Prepaid expenses and other assets	(280,341)	(142,998)
Church apportionments designated for future periods	25,666	(82,583)
Accounts payable and accrued expenses	(125,403)	888,938
Deferred revenue	(12,307)	(7,478)
Net Cash from Operating Activities	440,728	7,554,932
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	533,251	653,868
Purchase of investments	(6,055,571)	(5,925,977)
Proceeds from sale of property	6,187,845	-
Disposal of property and equipment	626,075	-
Property and equipment acquisitions	(790,072)	(298,851)
Net Cash from Investing Activities	501,528	(5,570,960)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of capital lease obligations	(9,464)	-
Proceeds from loans payable	703,200	-
Repayment of loans payable	(72,710)	(74,147)
Mortgage principal payments	(1,066,202)	(19,763)
Deferred financing costs incurred	-	(1,237)
Net Cash from Financing Activities	(445,176)	(95,147)
Net Change in Cash and Cash Equivalents	497,080	1,888,825
CASH AND CASH EQUIVALENTS		
Beginning of year	3,792,126	1,903,301
End of year	\$ 4,289,206	\$ 3,792,126
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 79,387	\$ 70,670
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES		
Purchase of vehicles with capital leases	-	57,174

See notes to combined financial statements

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

Notes to Combined Financial Statements
December 31, 2014

1. Organization

The New York Annual Conference of the United Methodist Church (“NYAC”) is one of fifty-nine annual conferences of the United Methodist Church (“UMC”) in the United States of America. Annual conferences provide regional administrative governance of and support for individual United Methodist churches that are members of the conference.

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

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

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

The Camping and Retreat Ministry of the NYAC is a program of the UMC established for the purpose of providing experiences which shape and expand the Christian commitment of persons of all ages, empowering them to live the truth of the Gospel in their daily lives. The Camping & Retreat Ministry operated three camps in New York State known as Quinipet, Epworth and Kingswood. On September 30, 2014, Camp Epworth was sold. The Camping and Retreat Ministry continues to operate camps Quinipet and Kingswood.

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

The Board of Trustees of the NYAC receives, collects and holds in trust, for the benefit of the NYAC and its agencies, donations, bequests and devises of any kind or character, real or personal, that may be given, devised, bequeathed, or conveyed to the Board of Trustees or to the NYAC and its agencies for any benevolent, charitable, or religious purpose. The Board of Trustees administers the income therefrom, in accordance with the directions of the donor, trustor, or testator, and in the interest of the Church, society, institution, or agency contemplated by such donor, trustor, or testator, under the direction of NYAC. In addition, the Board of Trustees is responsible for administering the legal, insurance and property matters of the NYAC.

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

Notes to Combined Financial Statements
December 31, 2014

2. Summary of Significant Accounting Policies

Principles of Combination

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

Use of Estimates

The accompanying combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the combined reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

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

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts Receivable and Apportionments Receivable

An allowance for doubtful accounts receivable is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. The allowance for doubtful accounts receivable approximated \$216,000 at December 31, 2014. Management has concluded that no allowance for apportionments is required.

Fair Value of Financial Instruments

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

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

Notes to Combined Financial Statements
December 31, 2014

2. Summary of Significant Accounting Policies (continued)

Investments Valuation

Investments are carried at fair value.

Investment Income Recognition

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

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Donated assets are capitalized at their fair value at the time of the donation. Maintenance, routine repairs and minor replacements are charged to operations as incurred, while those improvements which materially extend the lives of the assets are capitalized. Depreciation is recognized on assets or groups of like assets purchased together with a minimum value of \$2,500. Depreciation is calculated using the straight-line method with one half year being recognized in the year of purchase and in the last year. Such assets are depreciated over the estimated useful lives as follows:

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

Capitalized Costs

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

Revenue Recognition

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

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

Notes to Combined Financial Statements
December 31, 2014

2. Summary of Significant Accounting Policies (continued)

Apportionments, Contributions and Benevolences

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

In-Kind Support

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

Summarized Financial Information

The combined statements of activities include prior year summarized comparative information in total which does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the combined financial statements for the year ended December 31, 2013 from which the summarized information was derived.

Accounting for Uncertainty in Income Taxes

The NYAC recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the NYAC had no uncertain tax positions that would require financial statement recognition or disclosure. The NYAC is no longer subject to examination by applicable taxing jurisdictions for periods prior to December 31, 2011.

Reclassifications

Certain accounts in the combined statement of activities were reclassified in 2013 to conform with the 2014 presentation. There has been no effect on net assets as a result of these reclassifications.

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 23, 2015.

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

Notes to Combined Financial Statements
December 31, 2014

3. Postretirement Health Benefits

The NYAC is partnering with One Exchange to provide a choice of Medicare Supplement and Medicare Advantage health insurance plans for the NYAC's current and future eligible retirees, who are already enrolled in Medicare. These plans are combined with an individual Health Reimbursement Account ("HRA") for each retiree and spouse, as applicable. NYAC will fund the HRA within the plan chosen by the retiree with a fixed amount (determined each year by the NYAC similar to the Past Service Pension Rate) with which the retiree may choose to pay healthcare premiums and other health-related expenses. The fixed amount for 2014 was \$2,644 per participant. The NYAC's expense for its retirees for 2014 was \$1,091,805.

U.S. GAAP requires that the accumulated post-retirement benefit obligation be recorded in the combined financial statements at the present value of the anticipated actuarial cost of health benefits for retirees. The General Board of Pension and Health Benefits of the UMC (the "General Board") obtained an actuarial valuation of the NYAC's retiree healthcare benefits as of December 31, 2014. The valuation of the accumulated post-retirement benefit obligation as of December 31, 2014, was \$23,664,610. This represents the portion of the expected post-retirement benefit obligation attributed to retirees past service. The NYAC has not determined the effect of this departure from U.S. GAAP on the combined statement of activities.

4. Parish Development Loans Receivable, Net

The NYAC's Parish Development Commission provides unsecured financing to its member churches and NYAC entities for improvements and major repairs from a revolving loan fund. The loans are made at interest rates determined by the Parish Development Committee which range from 4% to 8%.

Loan principal and interest repayments are deposited back into the revolving loan fund to fund future loans and grants. The NYAC annually reviews the collectibility of loans outstanding and adjusts the allowance for doubtful accounts accordingly. As of December 31, 2014, the allowance for doubtful accounts approximated \$137,000.

5. Endowment, Investments and Investment Return

Interpretation of Law

In 2010, New York State adopted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). Consistent with its interpretation of NYPMIFA, the NYAC classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the NYAC in a manner consistent with the standard of prudence prescribed by NYPMIFA.

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

Notes to Combined Financial Statements
December 31, 2014

5. Endowment, Investments and Investment Return *(continued)*

Return Objectives and Risk Parameters

The NYAC maintains various donor-restricted endowment funds and Board designated endowment funds (Endowment) whose purpose is to provide long term support for its programs and facilities. The NYAC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to program supported by its endowment, while attempting to maintain purchasing power of the endowment assets.

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

Spending Rate Methods

The NYAC's policy is to expend amounts from the Endowment to support current operations equal to five percent of the three-year quarterly average market value of investments held. The NYAC may use Board Designated Endowment funds for operating purposes with the approval of its Trustees.

If permanently restricted Endowment funds have experienced losses below the permanently restricted amount of such funds due to market fluctuations, U.S. GAAP requires that such excess losses be absorbed by the unrestricted net assets of the NYAC and that future gains be allocated to unrestricted net assets until such losses have been restored. The NYAC's donor restricted Endowment funds have not experienced any losses during 2014.

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

Notes to Combined Financial Statements
December 31, 2014

5. Investments and Investment Return (continued)

The following is a reconciliation of the activity in investments:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, January 1, 2014	\$ 3,981,992	\$ 5,841,337	\$ 735,699	\$10,559,028
Transfers in	4,492,562	1,098,063	-	5,590,625
Contributions	71,798	246,276	-	318,074
Investment income, net	68,703	32,753	-	101,456
Capital appreciation	155,886	131,680	-	287,566
Appropriations for programs	<u>(386,538)</u>	<u>(101,297)</u>	<u>-</u>	<u>(487,835)</u>
Balance, December 31, 2014	<u>\$ 8,384,403</u>	<u>\$ 7,248,812</u>	<u>\$ 735,699</u>	<u>\$16,368,914</u>
Comprised of the Following:				
Donor restricted funds	\$ -	\$ 7,248,812	\$ 735,699	\$ 7,984,511
Board designated funds	8,384,403	-	-	<u>8,384,403</u>
				<u>\$16,368,914</u>

The following are major categories of investments measured and categorized by the fair value hierarchy at fair value at December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money market fund	\$ 220,443	\$ -	\$ 220,443
Fixed Income Fund	-	149,090	149,090
Equity fund	-	992,591	992,591
Balanced fund	-	4,698,528	4,698,528
Bond fund	-	597,933	597,933
Mixed asset fund	<u>-</u>	<u>9,710,329</u>	<u>9,710,329</u>
Total Investments at Fair Value	<u>\$ 220,443</u>	<u>\$16,148,471</u>	<u>\$16,368,914</u>

Investment return consists of the following for 2014:

Interest and dividends	\$ 152,298
Net realized and unrealized gains	287,566
Investment fees	<u>(50,842)</u>
Total Investment Return	<u>\$ 389,022</u>

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

Notes to Combined Financial Statements
December 31, 2014

6. Property and Equipment, Net

Property and equipment, net consists of the following at December 31, 2014:

	CCFA	Board of Trustees	Camping Ministry	Episcopal Office	Total
Buildings	\$ -	\$ -	\$ 821,047	\$ -	\$ 821,047
Building improvements	-	543,107	1,038,959	-	1,582,066
District parsonages	-	1,020,986	-	-	1,020,986
Episcopal residence	-	368,590	-	-	368,590
Conference center	-	3,521,363	-	-	3,521,363
Vehicles	-	-	184,216	-	184,216
Land improvements	-	-	876,004	-	876,004
Camp property	-	101,500	-	-	101,500
Furniture and equipment	43,351	-	144,960	56,261	244,572
	<u>43,351</u>	<u>5,555,546</u>	<u>3,065,186</u>	<u>56,261</u>	<u>8,720,344</u>
Accumulated depreciation	<u>(24,887)</u>	<u>(2,150,052)</u>	<u>(633,740)</u>	<u>(54,939)</u>	<u>(2,863,618)</u>
	<u>\$ 18,464</u>	<u>\$ 3,405,494</u>	<u>\$ 2,431,446</u>	<u>\$ 1,322</u>	<u>\$ 5,856,726</u>

7. Capital Lease Obligations

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

2015	\$ 12,108
2016	12,108
2017	12,108
2018	12,108
2019	<u>4,036</u>
	52,468
Less amount representing interest	<u>(4,758)</u>
	<u>\$ 47,710</u>

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

In 2005 and 2006, the NYAC borrowed \$389,917 from the Conference Board of Pensions and Health Benefits Fund (an uncombined fund of the NYAC), to repay ministerial pension plan contributions in arrears at the time. The loan has no specific repayment terms, and the NYAC has not adopted a plan or designated specific funds to repay the loan which remains outstanding as of December 31, 2014 in the amount of \$349,917.

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

Notes to Combined Financial Statements
December 31, 2014

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 the conference center located in White Plains, New York. This loan is secured by the NYAC's property located at 20 Soundview Avenue, White Plains, New York. In July 2012, the NYAC renegotiated the terms of this loan reducing the interest rate from 8% to 4.75%. The loan requires monthly payments of principal and interest of \$7,200 through the loan's maturity in January 2021. Interest expense amounted to \$23,690 for 2014. Aggregate maturities of this obligation at December 31, 2014 are due as follows:

Year	Amount
2015	\$ 66,030
2016	69,236
2017	72,597
2018	76,121
2019	79,817
Thereafter	99,916
	\$ 463,717

10. Loan Payable – U.S. Small Business Administration

On December 12, 2013, the Camping Ministries received a loan from the U.S. Small Business Administration in the amount \$703,200 to repair/replace disaster damaged land improvements. There were no advances on this loan until 2014. The loan is secured by the Quinipet camp real property. The loan will accrue interest at the rate of 3% per annum, with installment payments, including principal and interest of \$3,106 beginning in December 2014 through the loan's maturity in December 2044. Interest expense for 2014 amounted to \$21,096.

Aggregate maturities of this obligation at December 31, 2014 are due as follows:

Year	Amount
2015	\$ 15,844
2016	16,326
2017	16,823
2018	17,334
2019	17,862
Thereafter	619,011
	\$ 703,200

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

Notes to Combined Financial Statements
December 31, 2014

11. Mortgage Payable – Bridgehampton National Bank

In 2012, the NYAC obtained a \$1,100,000 mortgage loan from the Bridgehampton National Bank (the “Bank”) which was secured by the Quinipet camp real property. The mortgage was payable in 240 monthly payments of principal and interest on a 25 year amortization schedule, plus a balloon payment on its maturity date in March 2032. Interest on the mortgage was charged at a fixed rate of 6.25% for the first five years of the mortgage. Subsequently, the Bank will adjust the interest rate for each ensuing five year period of the mortgage term to a new fixed interest rate equal to the Federal Home Loan Bank Rate for a five year maturity plus 2.5%. Interest expense for 2014 was \$58,291. The loan was paid in full October 9, 2014, with funds obtained from the sale of Camp Epworth.

12. Custodial Funds

Custodial funds of \$338,730 represent funds transferred to the NYAC from churches that have closed in order to pay for expenses and fees on their behalf subsequent to their closing. These funds are valued using Level 1 inputs for the year ended December 31, 2014.

13. Retirement Plans

The NYAC participates in a multiemployer defined benefit pension plan administered by the General Board that covers substantially all United Methodist clergy. There are three plans under these multiemployer plans which are 1) Clergy Retirement Security Program (“CRSP”), 2) the Ministerial Pension Plan (“MPP Annuities”) and 3) 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.

Pre-1982 Plan

The Pre-1982 Plan covers service prior to 1982. The Pre-1982 Plan provisions specify that the specific benefit levels of the plan are determined by participating plan sponsors at their annual meeting. The NYAC adopted the following benefit levels for 2014:

Past service rate	\$ 580
Contingent annuitant percentage	93%

As of January 1, 2014, the valuation date, the Pre-1982 Plan had a funded status of 101%. Expense for 2014 amounted to \$0, as all amounts were paid by NYAC member churches.

MPP Annuities

The MPP Annuities covers service from 1982 through 2006. As of January 01, 2014, the valuation date, the MPP Annuities plan had a funded status of 108%. Expense for 2014 amounted to \$0.

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

Notes to Combined Financial Statements
December 31, 2014

13. Retirement Plans *(continued)*

CRSP

The CRSP plan covers service on or after January 1, 2007. The plan has both defined benefit and defined contribution components. As of January 1, 2014, the valuation date, the CRSP plan had a funded status of 108%. Expense for 2014 amounted to \$77,043.

United Methodist Personal Investment Plan (“UMPIP”)

Lay-staff retirement benefits are covered under UMPIP, a 403(b) defined contribution plan. Participation in UMPIP requires each eligible employee to contribute 3% or more of wages to receive a 12% of salary contribution by the NYAC. Expense for 2014 amounted to \$97,537.

14. Medical and Health Plan

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

The cost of participating in HealthFlex is based on a uniform rate determined annually by the NYAC. The NYAC's expense for its clergy and staff in HealthFlex for 2014 was \$292,956.

15. Support Services

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

16. Pension and Health Benefits Deposit Accounts

In accordance with a resolution of the NYAC, the Conference Board of Pensions and Health Benefits maintains six accounts with the General Board on behalf of the NYAC for the purpose of funding pension liabilities and health benefits. As of December 31, 2014, the deposit account held \$1,930, the Integrity in Pensions account held \$1,429,165, the Health Benefits Reserve account held \$20,010,884, the Pre-82 pension account held \$29,106,326, the General account held \$403,955 and the Retiree HRA Funding account held \$33,056.

The NYAC pension and health benefits remittances made to these accounts are recorded as accounts receivable by NYAC. These accounts are held at Wespath, the investment division of the General Board, and may be drawn down only upon the approval of the Conference Board of Pension and Health Benefits to fund NYAC benefit obligations.

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

Notes to Combined Financial Statements
December 31, 2014

17. Restrictions and Limitations on Net Assets

Certain net assets of the NYAC are restricted based upon donor stipulations. Such restricted net assets are deemed “released from restriction” when the NYAC expends funds in accordance with the donor’s stipulated purpose. Restricted funds to be held in perpetuity by donor instruction are classified as permanently restricted net assets. The table below presents the net assets released from restrictions and the components of restricted net assets at December 31, 2014:

Fund Description	Net Assets Released From Restriction in 2014	Temporarily Restricted Net Assets at December 31, 2014	Permanently Restricted Net Assets at December 31, 2014
Special Funds			
Bosley Memorial Fund	\$ -	\$ 591	\$ -
Groveville Cemetery Fund	-	3,641	-
Norwalk Parsonage Fund	-	440,643	-
Young Clergy DAP Fund	53,500	199,963	-
Permanent Endowment	-	8,518	8,750
	<u>53,500</u>	<u>12,159</u>	<u>8,750</u>
Trust Funds			
Aldersgate Church Fund	12,201	94,603	87,673
Collard Fund	273	19,585	5,000
Denver Fund	14,883	442,762	505,000
Dier Trust Fund	1,507	3,944,438	-
Hess Craryville	-	584	2,500
Hess Five Points	-	346	1,500
Hess Fund for National Division	259	5,045	18,341
Hess Fund for World Division	118	1,431	9,170
Hess Methodist Hospital	-	1,600	6,000
Jeffersonville Fund	-	2,233	1,000
Shauman Fund	500	31,803	3,504
South Norwalk	-	1,122,845	-
Williams Fund	9,879	119,740	20,000
	<u>39,620</u>	<u>5,787,015</u>	<u>659,688</u>
General Camping Programs	2,076	116,658	60,726
Quinipet Camp Program	197	7,600	6,535
	<u>2,273</u>	<u>124,258</u>	<u>67,261</u>
Conference Programs	7,871,043	3,212,921	-
	<u>\$ 7,966,436</u>	<u>\$ 9,136,353</u>	<u>\$ 735,699</u>

18. Gain on Sale of Property

In 2014, the NYAC sold various churches, parsonages and the site of Camp Epworth, resulting in a gain on sale of property totaling \$6,187,845. This amount is included in the combined statement of activities.

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

Notes to Combined Financial Statements
December 31, 2014

19. Concentration of Credit Risk

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

20. Operating Lease Commitments

The NYAC leases office equipment, telecommunications and software under various commercial operating leases with equipment suppliers or commercial leasing companies. Rent expense for 2014 was \$94,152. Aggregate minimum annual rental payments at December 31, 2014 for the years ending December 31, are payable as follows:

2015	\$ 97,950
2016	51,671
2017	7,080
2018	<u>6,225</u>
	<u>\$ 162,926</u>

21. Asset Retirement Obligations

The NYAC follows U.S. GAAP guidance on, *Accounting for Conditional Asset Retirement Obligations*, which 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 guidance requires that the fair value of a liability for a conditional asset retirement obligation be recognized in the period in which it occurred when a reasonable estimate of fair value can be made. The NYAC is not aware of the existence of any asset retirement obligations.

22. Contingencies

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

* * * * *

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

Supplemental Information

December 31, 2014

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

Combining Schedule of Financial Position

December 31, 2014

(with comparative amounts at December 31, 2013)

	CCFA	Board of Trustees	Camping Ministry	Episcopal Office	Sub-Total	Eliminating Entries Debit (Credit)	2014 Combined	2013 Combined
ASSETS								
Cash and cash equivalents	\$ 3,849,528	\$ -	\$ 290,364	149,314	\$ 4,289,206	\$ -	\$ 4,289,206	\$ 3,792,126
Investments	4,680,671	11,448,578	215,533	24,132	16,368,914	-	16,368,914	10,559,028
Church apportionments receivable	158,450	-	-	-	158,450	-	158,450	594,573
Accounts receivable, net	235,970	-	4,875	-	240,845	-	240,845	326,097
Parish development loans receivable, net	1,819,037	-	-	-	1,819,037	-	1,819,037	1,947,292
Due from the NYAC	-	427,294	-	-	427,294	(427,294)	-	-
Prepaid expenses and other assets	517,557	-	-	-	517,557	-	517,557	237,331
Due from the Camping Ministry	75,898	-	-	-	75,898	(75,898)	-	-
Due from the Board of Trustees	273,472	-	-	-	273,472	(273,472)	-	-
Due from the Episcopal Office	7,637	-	-	-	7,637	(7,637)	-	-
Custodial funds held	338,730	-	-	-	338,730	-	338,730	72,695
Property and equipment, net	18,464	3,405,494	2,431,446	1,322	5,856,726	-	5,856,726	5,966,349
Deferred financing costs, net	-	-	-	-	-	-	-	22,270
	<u>\$ 11,975,414</u>	<u>\$ 15,281,366</u>	<u>\$ 2,942,218</u>	<u>\$ 174,768</u>	<u>\$ 30,373,766</u>	<u>\$ (784,301)</u>	<u>\$ 29,589,465</u>	<u>\$ 23,517,761</u>
LIABILITIES AND NET ASSETS								
Liabilities								
Church apportionments designated for future periods	\$ 33,859	\$ -	\$ -	\$ -	\$ 33,859	\$ -	\$ 33,859	\$ 8,193
Accounts payable and accrued expenses	1,511,680	-	91,281	-	1,602,961	-	1,602,961	1,728,364
Capital leases payable	-	-	47,710	-	47,710	-	47,710	57,174
Deferred revenue	-	-	-	-	-	-	-	12,307
Due to the Board of Trustees	427,294	-	-	-	427,294	427,294	-	-
Due to CCFA	-	273,472	75,898	7,637	357,007	357,007	-	-
Loan payable - Conference Board of Pensions and Health Benefits	349,917	-	-	-	349,917	-	349,917	359,917
Loan payable - United Methodist Development Fund	-	463,717	-	-	463,717	-	463,717	526,427
Loan payable - Bridgehampton Methodist Church	-	-	-	-	-	-	-	-
Mortgage payable - U.S. Small Business Administration	-	-	703,200	-	703,200	-	703,200	-
Mortgage payable - Bridgehampton National Bank	-	-	-	-	-	-	-	1,066,202
Custodial funds held	338,730	-	-	-	338,730	-	338,730	72,695
Total Liabilities	2,661,480	737,189	918,089	7,637	4,324,395	784,301	3,540,094	3,831,279
Net Assets								
Unrestricted	5,621,329	8,556,249	1,832,610	167,131	16,177,319	-	16,177,319	10,102,745
Temporarily restricted	3,692,605	5,319,490	124,258	-	9,136,353	-	9,136,353	8,848,038
Permanently restricted	-	668,438	67,261	-	735,699	-	735,699	735,699
Total Net Assets	<u>9,313,934</u>	<u>14,544,177</u>	<u>2,024,129</u>	<u>167,131</u>	<u>26,049,371</u>	<u>-</u>	<u>26,049,371</u>	<u>19,686,482</u>
	<u>\$ 11,975,414</u>	<u>\$ 15,281,366</u>	<u>\$ 2,942,218</u>	<u>\$ 174,768</u>	<u>\$ 30,373,766</u>	<u>\$ 784,301</u>	<u>\$ 29,589,465</u>	<u>\$ 23,517,761</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, 2014
(with summarized totals for the year ended December 31, 2013)

	CCFA			Board of Trustees				Camping Ministry				Episcopal Office	Eliminating Entries		2014	2013	
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	(Debit) Credit		Combined	Combined	
SUPPORT AND REVENUE																	
Church apportionments	\$ 2,124,810	\$ 5,331,185	\$ 7,455,995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,455,995	\$ 7,702,915	
Contributed benevolences	-	2,549,738	2,549,738	-	-	-	-	-	-	-	-	-	-	-	2,549,738	1,446,195	
Fees and reimbursements	256,462	-	256,462	-	-	-	-	-	-	-	-	-	-	-	256,462	258,931	
Grants and contributions	161,142	-	161,142	70,265	248,928	-	319,193	177,405	-	-	177,405	120,127	(125,470)	-	652,397	5,544,049	
Earned revenues	-	-	-	-	-	-	-	1,532,586	-	-	1,532,586	-	-	-	1,532,586	1,678,237	
Store sales	-	-	-	-	-	-	-	4,224	-	-	4,224	-	-	-	4,224	4,746	
Forgiveness of debt	-	-	-	-	-	-	-	30,250	-	-	30,250	-	(30,250)	-	-	58,901	
Investment return	130,422	20,220	150,642	98,617	130,291	-	228,908	952	7,389	-	8,341	1,131	-	-	389,022	659,764	
Interest	59,785	-	59,785	-	-	-	-	60	-	-	60	-	-	-	59,845	67,943	
Other revenue	-	-	-	-	-	-	-	4,513	-	-	4,513	-	-	-	4,513	36,218	
Gain on sale of properties	885,126	-	885,126	3,938,322	-	-	3,938,322	1,364,397	-	-	1,364,397	-	-	-	6,187,845	-	
Net assets released from restrictions	7,905,550	(7,905,550)	-	91,613	(91,613)	-	-	2,273	(2,273)	-	-	-	-	-	-	-	
Total Support and Revenue	11,523,297	(4,407)	11,518,890	4,198,817	287,606	-	4,486,423	3,116,660	5,116	-	3,121,776	121,258	(155,720)	-	19,092,627	17,457,899	
EXPENSES																	
Program	7,905,550	-	7,905,550	374,272	-	-	374,272	-	-	-	-	58,492	-	-	8,338,314	6,282,482	
Campsite																	
Quinipet	-	-	-	-	-	-	-	1,497,428	-	-	1,497,428	-	-	-	1,497,428	1,489,798	
Epworth	-	-	-	-	-	-	-	272,545	-	-	272,545	-	-	-	272,545	368,913	
Kingswood	-	-	-	-	-	-	-	87,338	-	-	87,338	-	-	-	87,338	86,139	
Capital campaign	-	-	-	-	-	-	-	2,712	-	-	2,712	-	-	-	2,712	3,157	
Management and general	2,484,536	-	2,484,536	151,500	-	-	151,500	-	-	-	-	51,085	(155,720)	-	2,531,401	1,404,363	
Total Expenses	10,390,086	-	10,390,086	525,772	-	-	525,772	1,860,023	-	-	1,860,023	109,577	(155,720)	-	12,729,738	9,634,852	
Change in Net Assets	1,133,211	(4,407)	1,128,804	3,673,045	287,606	-	3,960,651	1,256,637	5,116	-	1,261,753	11,681	-	-	6,362,889	7,823,047	
NET ASSETS																	
Beginning of year	4,488,118	3,697,012	8,185,130	4,883,204	5,031,884	668,438	10,583,526	575,973	119,142	67,261	762,376	155,450	-	-	19,686,482	11,863,435	
End of year	\$ 5,621,329	\$ 3,692,605	\$ 9,313,934	\$ 8,556,249	\$ 5,319,490	\$ 668,438	\$ 14,544,177	\$ 1,832,610	\$ 124,258	\$ 67,261	\$ 2,024,129	\$ 167,131	\$ -	\$ -	\$ 26,049,371	\$ 19,686,482	

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

Statement of Cash Receipts and Disbursements

Year Ended December 31, 2014
(with comparative amounts for the year ended December 31, 2013)

	<u>2014</u>	<u>2013</u>
CASH RECEIPTS		
Budget support	\$118,995	\$125,737
Interest	539	496
Investment income	<u>8,161</u>	<u>6,304</u>
Total Cash Receipts	<u>127,695</u>	<u>132,537</u>
CASH DISBURSEMENTS		
Salaries	37,400	40,000
Employee benefits	16,239	16,514
Supplies	4,723	10,423
Postage	1,787	643
Telephone	2,322	3,892
Professional fees	1,945	2,212
Travel and entertainment	13,489	15,150
Network support	4,899	7,009
Miscellaneous	<u>25,789</u>	<u>1,286</u>
Total Cash Disbursements	<u>108,593</u>	<u>97,129</u>
PAYMENT OF PRIOR YEAR ACCRUED LIABILITIES		
Salaries	-	6,163
Employee benefits	-	918
Supplies	-	2,379
Postage	-	83
Travel and entertainment	9,424	-
Miscellaneous	<u>-</u>	<u>567</u>
Total Payment of Prior Year Accrued Liabilities	<u>9,424</u>	<u>10,110</u>
Excess of Cash Receipts over Cash Disbursements	9,678	25,298
Cash at beginning of year	<u>139,636</u>	<u>114,338</u>
Cash at end of year	<u>\$149,314</u>	<u>\$139,636</u>