

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

Combined Financial Statements

December 31, 2019

Independent Auditors' Report

Board of Trustees
Funds Under the Stewardship of the New York
Annual Conference of the United Methodist Church
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, 2019, and the related combined statements of activities, functional expenses 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 auditors' 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 combined financial statements, the NYAC did not obtain a valuation of its postretirement health benefits for the year ending December 31, 2019. The last valuation obtained was as of December 31, 2018. That valuation reflected an accumulated postretirement obligation of \$20,823,967. By not obtaining a valuation for 2019, a liability cannot be determined, thus resulting in the inability to record such amount in the combined financial statements for the year ending December 31, 2019. The effect on the 2019 combined statement of activities has not been determined. In our opinion, a liability for postretirement health benefits and related disclosures are required by accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the effects of not recording the accumulated postretirement benefit obligation in the combined financial statements at the present value of the anticipated actuarial cost of the health benefits for retirees 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, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the NYAC's December 31, 2018 combined financial statements, and for the reason discussed in the basis for qualified opinion on the 2019 financial statements we also expressed a qualified audit opinion on those 2018 audited combined financial statements in our report dated June 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 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 22 and 23 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 paragraph, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

PKF O'Connor Davies, LLP

Harrison, New York
June 23, 2020

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

Combined Statement of Financial Position
December 31, 2019
(with comparative amounts at December 31, 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 3,207,032	\$ 2,623,930
Investments	41,710,040	36,875,229
Church apportionments receivable	63,315	84,301
Accounts receivable, net	67,090	44,423
Prepaid expenses and other assets	632,753	343,761
Parish development loans receivable, net	968,055	1,404,358
Property and equipment, net	8,702,263	9,153,023
	\$ 55,350,548	\$ 50,529,025
 LIABILITIES AND NET ASSETS		
Liabilities		
Church apportionments designated for future periods	\$ 126,314	\$ 181,118
Accounts payable and accrued expenses	1,820,737	1,611,957
Capital lease obligations	-	4,756
Deferred revenue	67,561	51,694
Loan payable - United Methodist Development Fund	101,240	180,770
Loan payable - U.S. Small Business Administration	611,631	630,275
Total Liabilities	2,727,483	2,660,570
Net Assets		
Without donor restrictions	42,086,812	38,206,724
With donor restrictions	10,536,253	9,661,731
Total Net Assets	52,623,065	47,868,455
	\$ 55,350,548	\$ 50,529,025

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, 2019
(with summarized totals for the year ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
SUPPORT AND REVENUE				
Church apportionments	\$ 1,996,799	\$ 5,371,955	\$ 7,368,754	\$ 7,561,174
Designated benevolences	-	791,653	791,653	707,848
Fees and reimbursements	380,468	-	380,468	243,998
Grants and contributions	42,610	18,750	61,360	135,379
Retreat	1,501,813	-	1,501,813	1,618,251
Store sales	2,564	-	2,564	4,578
Investment return, net	5,982,981	1,040,000	7,022,981	(2,574,223)
Interest	60,604	-	60,604	115,015
Other	2,723	-	2,723	1,057
Gain on sale of properties	120,552	1,000	121,552	12,779
Net assets released from restrictions	<u>6,348,836</u>	<u>(6,348,836)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>16,439,950</u>	<u>874,522</u>	<u>17,314,472</u>	<u>7,825,856</u>
EXPENSES				
Program services	7,751,519	-	7,751,519	7,447,427
Management and general	<u>4,808,343</u>	<u>-</u>	<u>4,808,343</u>	<u>4,790,545</u>
Total Expenses	<u>12,559,862</u>	<u>-</u>	<u>12,559,862</u>	<u>12,237,972</u>
Change in Net Assets	3,880,088	874,522	4,754,610	(4,412,116)
NET ASSETS				
Beginning of year	<u>38,206,724</u>	<u>9,661,731</u>	<u>47,868,455</u>	<u>52,280,571</u>
End of year	<u>\$ 42,086,812</u>	<u>\$ 10,536,253</u>	<u>\$ 52,623,065</u>	<u>\$ 47,868,455</u>

**Funds Administered by the Board of Trustees of the New York
Annual Conference of the United Methodist Church**

Statement of Functional Expenses

Year Ended December 31, 2019

(with summarized totals for the year ended December 31, 2018)

	Program Services			Management and General	2019 Total	2018 Total
	CCFA & BOT	Camping Ministry	Total Program Services			
Salaries	\$ 258,214	\$ 510,646	\$ 768,860	\$ 2,195,092	\$ 2,963,952	\$ 2,794,961
Benefits and payroll taxes	-	158,489	158,489	1,300,871	1,459,360	1,662,249
Church apportionments	1,804,042	-	1,804,042	-	1,804,042	1,564,779
Designated benevolences	123,811	-	123,811	-	123,811	84,666
Grants and distributions	139,209	-	139,209	-	139,209	141,744
Bad debts	574,016	-	574,016	-	574,016	342,403
Fees and reimbursements	-	-	-	167,803	167,803	198,944
Retiree Health Reimbursement Account	1,121,454	-	1,121,454	-	1,121,454	1,076,034
Scholarships	103,606	18,522	122,128	-	122,128	239,505
Other program expenses	303,954	536,381	840,335	109,264	949,599	1,106,988
Overhead and support	-	371,431	371,431	-	371,431	406,161
Office and administrative	-	-	-	25,574	25,574	36,491
Rent - equipment (Note 22)	5,784	-	5,784	48,513	54,297	60,918
Rent - clergy housing (Note 22)	127,847	-	127,847	-	127,847	93,424
Clergy expenses	229,075	-	229,075	-	229,075	201,815
Episcopal area	32,320	-	32,320	55,000	87,320	84,833
Telephone	22,179	-	22,179	22,394	44,573	44,173
Insurance	3,324	-	3,324	30,283	33,607	37,935
Utilities and fuel	20,577	-	20,577	158,166	178,743	159,935
Conferences, meetings and education	26,647	-	26,647	259,808	286,455	317,058
Travel and auto expenses	-	-	-	26,193	26,193	24,646
Equipment expenses	40,767	-	40,767	148,510	189,277	207,339
Professional fees	270,211	-	270,211	30,556	300,767	415,141
Property repairs and maintenance	160,628	-	160,628	83,196	243,824	104,927
Interest	6,869	18,932	25,801	-	25,801	30,580
Postage, printing and supplies	48,084	-	48,084	86,356	134,440	92,848
Store purchases	-	26,375	26,375	-	26,375	18,377
Miscellaneous expenses	1,360	12	1,372	60,764	62,136	8,733
Total Expenses Before Depreciation	5,423,978	1,640,788	7,064,766	4,808,343	11,873,109	11,557,607
Depreciation	477,320	209,433	686,753	-	686,753	680,365
Total Expenses	\$ 5,901,298	\$ 1,850,221	\$ 7,751,519	\$ 4,808,343	\$ 12,559,862	\$ 12,237,972

**Funds Under the Stewardship of the New York
Annual Conference of the United Methodist Church**
Combined Statement of Cash Flows
Year Ended December 31, 2019
(with summarized totals for the year ended December 31, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,754,610	\$ (4,412,116)
Adjustment to reconcile change in net assets to net cash from operating activities		
Realized and unrealized (gains) losses on investments	(7,012,140)	2,528,503
Gain on sale of properties	(121,552)	(12,779)
Depreciation	686,753	680,365
Provision for bad debts	574,016	342,403
Net change in operating assets and liabilities		
Church apportionments receivable	20,986	50,659
Accounts receivable	(106,225)	(183,356)
Prepaid expenses and other assets	(288,992)	(53,900)
Parish development loans receivable	(54,155)	(243,513)
Church apportionments designated for future periods	(54,804)	40,830
Accounts payable and accrued expenses	208,780	75,769
Deferred revenue	15,867	8,695
Net Cash from Operating Activities	(1,376,856)	(1,178,440)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	9,520,437	2,703,456
Purchase of investments	(7,343,108)	(1,837,193)
Proceeds from sale of property	121,552	12,779
Property and equipment acquisitions	(235,993)	(293,451)
Net Cash from Investing Activities	2,062,888	585,591
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of capital lease obligations	(4,756)	(11,570)
Repayment of loans payable	(98,174)	(94,040)
Net Cash from Financing Activities	(102,930)	(105,610)
Net Change in Cash and Cash Equivalents	583,102	(698,459)
CASH AND CASH EQUIVALENTS		
Beginning of year	2,623,930	3,322,389
End of year	\$ 3,207,032	\$ 2,623,930
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 25,801	\$ 30,580

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

Notes to Combined Financial Statements
December 31, 2019

1. Organization

The New York Annual Conference of the United Methodist Church (“NYAC”) is one of fifty-four 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 laity 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 apportionments paid 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 and Retreat Ministry operates two camps in New York State known as Quinipet Camp and Retreat Center and Kingswood Campsite.

The Board of Trustees of the NYAC (the “Board of Trustees”) 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.

The NYAC is covered under the GCFA’s group ruling determination letter from the Internal Revenue Service confirming that it is a nonprofit corporation and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes under Section 501(cX3) of the Internal Revenue Code. The NYAC had no unrelated business income during the years ended December 31, 2019 and 2018.

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

Notes to Combined Financial Statements
December 31, 2019

1. Organization (continued)

Principles of Combination

The combined financial statements of the Funds Under the Stewardship of the NYAC includes the accounts of CCFA, the Board of Trustees and the Camping and Retreat Ministry 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.

2. Summary of Significant Accounting Policies

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. Accordingly, actual results could differ from those estimates.

Change in Accounting Principles

Effective January 1, 2019, NYAC adopted new U.S. GAAP guidance Accounting Standards Update ("ASU") 2018-08 Contributions Received and Contributions Made. The ASU provides a framework for evaluating whether grants or contributions should be accounted for as exchange transactions or as non-exchange transactions. Adoption of the ASU resulted in no significant changes in the way the NYAC recognizes revenue, and therefore no changes to prior audited financial statements were required on a modified retrospective basis.

Classes of Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are those funds having no restriction as to use or purpose imposed by donors. Net assets with donor restrictions are those whose use by NYAC has been limited by donors to a specific period or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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

Notes to Combined Financial Statements
December 31, 2019

2. Summary of Significant Accounting Policies (continued)

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 the 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 was \$352,245 at December 31, 2019. 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.

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.

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

Notes to Combined Financial Statements
December 31, 2019

2. Summary of Significant Accounting Policies (continued)

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 \$5,000. 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
Vehicles	5 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.

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.

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, 2019 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, 2019

2. Summary of Significant Accounting Policies (continued)

Apportionments, Contributions and Benevolences

Church apportionments, contributions and benevolences are recorded as net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions. Net assets with donor restrictions that are perpetual in nature 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, 2018 from which the summarized information was derived.

Functional Expenses

The costs of providing the NYAC's programs and other activities have been summarized by function and nature in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited using the direct method. Costs that are attributable to a specific program are directly charged as incurred and reported as program expense. The activities not identifiable with a single program are reported as management and general. The NYAC does not have any fundraising or membership development activity. Depreciation is allocated based on the space the program occupies.

Reclassifications

Certain amounts for 2018 have been reclassified to conform with the 2019 combined financial statement presentation. These reclassifications have no effect on total net assets.

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, 2020.

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

Notes to Combined Financial Statements
December 31, 2019

3. Postretirement Health Benefits Plan

The provision of health benefits to retirees are discussed and approved at NYAC's annual meeting each June and effective for the subsequent calendar year. The NYAC partners with Via Benefits 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 funds 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 2019 was \$2,820 per participant. The NYAC's expense for its retirees for 2019 was \$1,121,454.

U.S. GAAP guidance requires that the funded status of the Postretirement Health Benefits Plan (the "Plan") be recognized in the accompanying combined statement of financial position and the disclosures about NYAC's participation in the Plan be made. Wespath Benefits and Investments ("Wespath") obtained an actuarial valuation of the Plan as of December 31, 2018. The valuation of the accumulated post-retirement benefit obligation as of December 31, 2018, was \$20,823,967. This represents the portion of the expected post-retirement benefit obligation attributed to active participants and retirees past service.

NYAC did not obtain a valuation of the Plan for the year ending December 31, 2019. By not obtaining a valuation for 2019, a liability for 2019, cannot be determined, thus resulting in the inability to record such amount in the combined financial statements for the year ending December 31, 2019. The effect on the 2019 statement of activities has not been determined.

4. Parish Development Loans Receivable

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 and is currently set at 6%.

Loan principal and interest repayments are deposited back into the revolving loan fund to fund future loans and grants. The NYAC annually reviews the collectability of loans outstanding and adjusts the allowance for doubtful accounts accordingly. As of December 31, 2019, the allowance for doubtful accounts was \$1,043,264.

5. Endowment, Investments and Investment Return

Interpretation of Law

The NYAC follows the provisions of the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). Consistent with its interpretation of NYPMIFA, the NYAC classified as net assets with donor restrictions (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 as perpetual in nature is classified as net assets with donor restrictions 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, 2019

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 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 donor restricted Endowment funds have experienced losses below the donor restrictions amount of such funds due to market fluctuations, U.S. GAAP requires that such excess losses be absorbed by net assets without donor restrictions. The NYAC's donor restricted Endowment funds have not experienced any losses during 2019.

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

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, January 1, 2019	\$ 27,213,498	\$ 9,661,731	\$ 36,875,229
Contributions	7,303,761	28,505	7,332,266
Investment income, net	(25,533)	36,374	10,841
Capital appreciation	5,559,618	1,452,522	7,012,140
Appropriations for programs	(8,877,557)	(642,879)	(9,520,436)
Balance, December 31, 2019	\$ 31,173,787	\$ 10,536,253	\$ 41,710,040
Comprised of the Following:			
Donor restricted funds	\$ -	\$ 10,536,253	\$ 10,536,253
Board designated funds	31,173,787	-	31,173,787
			\$ 41,710,040

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

Notes to Combined Financial Statements
December 31, 2019

5. Endowment, Investments and Investment Return (continued)

The following are major categories of investments measured and categorized by the fair value hierarchy at fair value at December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money market fund	\$ 176,959	\$ -	\$ 176,959
Fixed income fund	-	8,574,410	8,574,410
Equity fund	-	24,763,580	24,763,580
Balanced fund	-	2,653,545	2,653,545
Bond fund	-	5,086,581	5,086,581
Mixed asset fund	-	454,965	454,965
Total Investments at Fair Value	<u>\$ 176,959</u>	<u>\$ 41,533,081</u>	<u>\$ 41,710,040</u>

6. Property and Equipment

Property and equipment consists of the following at December 31, 2019:

	<u>CCFA</u>	<u>Board of Trustees</u>	<u>Camping Ministry</u>	<u>Total</u>
Buildings	\$ -	\$ -	\$ 821,047	\$ 821,047
Building improvements	-	-	1,314,059	1,314,059
District parsonages	-	1,379,578	-	1,379,578
Episcopal residence	-	1,046,038	-	1,046,038
Conference center	-	6,998,182	-	6,998,182
Vehicles	-	-	253,198	253,198
Land improvements	-	-	1,290,525	1,290,525
Camp property	-	307,455	-	307,455
Furniture and equipment	<u>178,064</u>	<u>75,146</u>	<u>211,761</u>	<u>464,971</u>
	178,064	9,806,399	3,890,590	13,875,053
Accumulated depreciation	<u>(125,883)</u>	<u>(3,319,676)</u>	<u>(1,727,231)</u>	<u>(5,172,790)</u>
	<u>\$ 52,181</u>	<u>\$ 6,486,723</u>	<u>\$ 2,163,359</u>	<u>\$ 8,702,263</u>

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

Notes to Combined Financial Statements
December 31, 2019

7. 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 real property. In July 2012, the NYAC renegotiated the terms for this loan reducing the interest rate from 8% to 4.75% per annum and requires monthly payments of principal and interest of \$7,200 through the loan's maturity date of January 2021. Interest expense amounted to \$6,869 for 2019. Aggregate maturities of this obligation at December 31, 2019 are due as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 83,716
2021	<u>17,524</u>
	<u>\$ 101,240</u>

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

In December 12, 2013, the Camping Ministries obtained a loan from the U.S. Small Business Administration in the amount \$703,200 to repair/replace disaster damaged land improvements. The loan is secured by the Quinipet camp real property. The loan provides for principal and interest at 3% beginning in December 2014 through the loan's maturity in December 2044. Interest expense for 2019 amounted to \$18,932. Aggregate maturities of this obligation at December 31, 2019 are due as follows:

2020	\$ 18,398
2021	18,950
2022	19,519
2023	20,105
2024	20,708
Thereafter	<u>513,951</u>
	<u>\$ 611,631</u>

9. Retirement Plans

The NYAC participates in a multiemployer defined benefit pension plan administered by Wespath that covers substantially all UMC 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) the 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, 2019

9. 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 NYAC adopted the following benefit levels for 2019:

Past service rate	\$ 617
Contingent annuitant percentage	70%

As of January 1, 2019, the valuation date, the Pre-1982 Plan had a funded status of 110%. Amortized contributions for 2019 amounted to \$313,171.

MPP Annuities

The MPP Annuities cover service from 1982 through 2006. As of January 1, 2019, the valuation date, the MPP Annuities plan had a funded status of 108%. Expense for 2019 amounted to \$0.

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, 2019, the valuation date, the CRSP plan had a funded status of 107%. The defined benefit and defined contribution expense for 2019 amounted to \$1,383,370 and \$178,842 respectively.

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 2019 amounted to \$143,957.

10. Medical and Health Plan

The NYAC provides health benefits under a multi-employer plan, HealthFlex, administered by Wespath. 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 2019 was \$704,635.

11. Support Services

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

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

Notes to Combined Financial Statements
December 31, 2019

12. 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 Wespath on behalf of the NYAC for the purpose of funding NYAC's participation in the multiemployer defined benefit plans disclosed in note 9 and the multiemployer medical and health plan disclosed in note 10, as well as the post-retirement health benefits plan disclosed in note 3.

As of December 31, 2019, the account balances for the purpose of funding the multiemployer benefit plans were the Integrity in Pensions account of \$535,460 and the Pre-82 pension account \$23,921,427. Pursuant to U.S. GAAP these two accounts are not recorded in the accounts of the NYAC due to them being part of a multiemployer plan disclosed in note 9.

As of December 31, 2019, the Deposit account with a balance of \$833 serves as a clearing account through which Healthflex, CRSP and Death and Disability ("CPP") benefit bills are settled with the plan administrator.

As of December 31, 2019, the Retiree HRA Funding account with a balance of \$360,050 serves to fund the postretirement health plan disclosed in note 3.

As of December 31, 2019, the General account with a balance of \$323,725, is used to fund certain wellness initiatives approved by the Conference Board of Pensions and Health Benefits and host seminars for those about to retire for NYAC's participation in the aforementioned multiemployer plans.

As of December 31, 2019, the Health Benefits Reserve account with a balance of \$23,933,381, is used to cover retiree health insurance as well as for CRSP defined benefit receipts and year end payments to the General Board of Pensions and Health Benefits.

13. Restrictions and Limitations on Net Assets

Net assets without donor restrictions are as follows at December 31, 2019:

Undesignated	\$ 10,913,025
Board designated endowment funds	<u>31,173,787</u>
	<u>\$42,086,812</u>

The table below presents the net assets released from restrictions and the components of net assets with donor restrictions at December 31, 2019:

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

Notes to Combined Financial Statements
December 31, 2019

13. Restrictions and Limitations on Net Assets (continued)

Fund Description	Net Assets Released From Restriction in 2019	Net Assets With Donor Restrictions at December 31, 2019
Special Funds		
Epworth - Camp Capital Fund	\$ 461,937	\$ 65,603
Epworth - Other Capital Fund	-	398,699
Groveville Cemetery Fund	-	5,117
Young Clergy DAP Fund	47,500	372,385
Parish Development Loan Fund	-	661,777
	<u>509,437</u>	<u>1,503,581</u>
Trust Funds		
Aldersgate Church Fund	9,443	208,793
Collard Fund	581	31,499
Denver Fund	26,196	1,179,693
Dier Trust Fund	46,818	5,132,110
Hess Craryville	73	3,942
Hess Five Points	43	2,360
Hess Fund for National Division	553	29,963
Hess Fund for World Division	251	13,584
Hess Methodist Hospital	179	9,715
Jeffersonville Fund	76	4,134
Shauman Fund	1,000	43,324
Williams Fund	6,573	163,104
	<u>91,786</u>	<u>6,822,221</u>
General Camping Programs	18,522	208,470
Quinipet Camp Program	-	16,925
	<u>18,522</u>	<u>225,395</u>
Conference Programs	<u>5,729,091</u>	<u>1,985,056</u>
	<u>\$ 6,348,836</u>	<u>\$ 10,536,253</u>

14. Gain on Sale of Properties

In 2019, the NYAC sold various church properties, resulting in a gain totaling \$121,552. 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, 2019

15. Concentrations of Credit Risk

Financial instruments, which potentially subject the NYAC to concentrations of credit risk consist primarily of cash and cash equivalents, investments and receivables. At times, the NYAC maintains balances with banking institutions that exceed the Federal Deposit Insurance Corporation's ("FDIC") insurable limit. Investments are diversified to reduce concentrations so that there is no significant concentration of credit risk. The NYAC's receivables are primarily from its member churches. The NYAC believes that no significant concentrations of credit risk exist with respect to its cash and cash equivalents, investments and receivables. At December 31, 2019, approximately \$2,728,000 of cash was maintained with an institution in excess of FDIC limits.

16. Operating Lease Commitments

The NYAC leases office equipment, telecommunications equipment and software under various commercial operating leases with equipment suppliers or commercial leasing companies. Rent expense for 2019 was \$127,847. Aggregate minimum annual rental payments at December 31, 2019 are payable as follows:

2020	\$ 105,485
2021	51,210
2022	34,760
2023	<u>18,207</u>
	<u>\$ 209,662</u>

17. Availability of Financial Assets

The following reflects the NYAC's financial assets as of the combined statement of financial position date, reduced by amounts not available for general use within one year of the combined statement of financial position date because of contractual, donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for long-term investing in the operating and capital reserves that could be drawn upon if the governing board approves that action.

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

Notes to Combined Financial Statements
December 31, 2019

17. Availability of Financial Assets (continued)

NYAC's financial assets available within one year of the combined statement of financial position date for general expenditure are as follows:

	2019
Financial Assets:	
Cash and cash equivalents	\$ 3,207,032
Investments	41,710,040
Church apportionments receivable	63,315
Accounts receivable, net	67,090
Total Financial assets	45,047,477
Less:	
Net assets with donor restrictions	(10,536,253)
Board designated endowment funds	(31,173,787)
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,337,437

The NYAC has an operating reserve included in the combined statement of financial position with a balance of approximately \$3.8 million at December 31, 2019. This is a governing board-designated reserve with the objective of setting funds aside to be drawn up on the event of a financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. The NYAC's target for this reserve is a total of 50% of the NYAC annual budget, which was suggested by GCFA. The operating reserve funds are held in fossil free investments in Wespath.

18. 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.

The NYAC's operations and financial performance may be affected by the recent coronavirus outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the NYAC may experience a disruption in operations as well as a decline in other revenue stream activities. The outbreak is likely to adversely affect NYAC business, financial conditions and results of operations on an interim basis.

Subsequent to year end, the COVID-19 pandemic has resulted in substantial volatility in the global financial markets. Because the value of NYAC's individual investments have and will fluctuate in response to changing market conditions, the amount of losses, if any, that will be recognized in subsequent periods, cannot be determined.

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

Notes to Combined Financial Statements
December 31, 2019

19. Subsequent Events

A Special Session of the General Conference of The United Methodist Church took place February 23-26, 2019 in St. Louis, Missouri. The purpose was to act on a report from the Commission on a Way Forward, authorized to examine paragraphs in The Book of Discipline concerning human sexuality and to explore options to strengthen church unity.

The United Methodist General Conference 2019 delegates passed The Traditional Plan 438 to 384. The Traditional Plan as amended, affirms the church's current bans on ordaining lesbian, gay, bisexual, transgender and queer ("LGBTQ") clergy and officiating at or hosting same-sex marriage.

In February 2020, a diverse, 16-member group of United Methodist bishops, including NYAC Bishop Thomas J. Bickerton and other leaders has offered a proposal that would preserve The United Methodist Church while allowing traditionalist-minded congregations to form a new denomination. The separating group would get \$25 million in United Methodist funds and would keep its local church properties. The proposal requires approval at the 2020 General Conference which was postponed due to the COVID-19 pandemic. These denominational matters could have a significant impact on the future receipts, assets and overall activities of the Conference. However, the effects of these changes cannot be reasonably estimated as of the date of this report.

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

Supplemental Information

December 31, 2019

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

Combining Schedule of Financial Position

December 31, 2019

(with comparative amounts at December 31, 2018)

	CCFA	Board of Trustees	Camping Ministry	Sub-Total	Eliminating Entries Debit (Credit)	2019 Combined	2018 Combined
ASSETS							
Cash and cash equivalents	\$ 3,013,746	\$ -	\$ 193,286	\$ 3,207,032	\$ -	\$ 3,207,032	\$ 2,623,930
Investments	32,985,931	8,419,659	304,450	41,710,040	-	41,710,040	36,875,229
Church apportionments receivable	63,315	-	-	63,315	-	63,315	84,301
Accounts receivable, net	56,540	-	10,550	67,090	-	67,090	44,423
Prepaid expenses and other assets	205,844	416,383	10,526	632,753	-	632,753	343,761
Parish development loans receivable, net	968,055	-	-	968,055	-	968,055	1,404,358
Due from the Board of Trustees	-	-	-	-	-	-	-
Due from CCFA	-	499,395	4,326	503,721	(503,721)	-	-
Property and equipment, net	52,181	6,486,723	2,163,359	8,702,263	-	8,702,263	9,153,023
	<u>\$ 37,345,612</u>	<u>\$ 15,822,160</u>	<u>\$ 2,686,497</u>	<u>\$ 55,854,269</u>	<u>\$ (503,721)</u>	<u>\$ 55,350,548</u>	<u>\$ 50,529,025</u>
LIABILITIES AND NET ASSETS							
Liabilities							
Church apportionments designated for future periods	\$ 126,314	\$ -	\$ -	\$ 126,314	\$ -	\$ 126,314	\$ 181,118
Accounts payable and accrued expenses	1,775,934	-	44,803	1,820,737	-	1,820,737	1,611,957
Capital lease obligations	-	-	-	-	-	-	4,756
Deferred revenue	-	-	67,561	67,561	-	67,561	51,694
Due from the Camping Ministry	3,397	-	-	3,397	(3,397)	-	-
Due to BOT	499,395	-	-	499,395	(499,395)	-	-
Due to CCFA	-	-	929	929	(929)	-	-
Loan payable - United Methodist Development Fund	-	101,240	-	101,240	-	101,240	180,770
Mortgage payable - U.S. Small Business Administration	-	-	611,631	611,631	-	611,631	630,275
Total Liabilities	2,405,040	101,240	724,924	3,231,204	(503,721)	2,727,483	2,660,570
Net Assets							
Without donor restrictions	30,615,919	9,734,715	1,736,178	42,086,812	-	42,086,812	38,206,724
With donor restrictions	4,324,653	5,986,205	225,395	10,536,253	-	10,536,253	9,661,731
Total Net Assets	<u>34,940,572</u>	<u>15,720,920</u>	<u>1,961,573</u>	<u>52,623,065</u>	<u>-</u>	<u>52,623,065</u>	<u>47,868,455</u>
	<u>\$ 37,345,612</u>	<u>\$ 15,822,160</u>	<u>\$ 2,686,497</u>	<u>\$ 55,854,269</u>	<u>\$ (503,721)</u>	<u>\$ 55,350,548</u>	<u>\$ 50,529,025</u>

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

Combining Schedule of Activities
Year Ended December 31, 2019
(with summarized totals for the year ended December 31, 2018)

	CCFA			Board of Trustees			Camping Ministry			Eliminating Entries (Debit) Credit	2019 Combined	2018 Combined
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total			
SUPPORT AND REVENUE												
Church apportionments	\$ 1,996,799	\$ 5,371,955	\$ 7,368,754	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,368,754	\$ 7,561,174
Designated benevolences	360,954	791,653	1,152,607	-	-	-	-	-	-	(360,954)	791,653	707,848
Fees and reimbursements	380,468	-	380,468	-	-	-	-	-	-	-	380,468	243,998
Grants and contributions	1,179,463	-	1,179,463	46,818	18,750	65,568	563,949	-	563,949	(1,747,620)	61,360	135,379
Retreat	-	-	-	-	-	-	1,501,813	-	1,501,813	-	1,501,813	1,618,251
Store sales	-	-	-	-	-	-	2,564	-	2,564	-	2,564	4,578
Investment return, net	5,514,186	58,889	5,573,075	450,242	964,177	1,414,419	18,553	16,934	35,487	-	7,022,981	(2,574,223)
Interest	60,604	-	60,604	-	-	-	-	-	-	-	60,604	115,015
Other	-	-	-	-	-	-	2,723	-	2,723	-	2,723	1,057
Gain on sale of properties	48,221	1,000	49,221	72,331	-	72,331	-	-	-	-	121,552	12,779
Net assets released from restrictions	<u>4,960,404</u>	<u>(4,960,404)</u>	<u>-</u>	<u>1,369,910</u>	<u>(1,369,910)</u>	<u>-</u>	<u>18,522</u>	<u>(18,522)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>14,501,099</u>	<u>1,263,093</u>	<u>15,764,192</u>	<u>1,939,301</u>	<u>(386,983)</u>	<u>1,552,318</u>	<u>2,108,124</u>	<u>(1,588)</u>	<u>2,106,536</u>	<u>(2,108,574)</u>	<u>17,314,472</u>	<u>7,825,856</u>
EXPENSES												
Program Services	6,639,962	-	6,639,962	1,369,910	-	1,369,910	1,850,221	-	1,850,221	(2,108,574)	7,751,519	7,447,427
Management and general	<u>4,229,596</u>	<u>-</u>	<u>4,229,596</u>	<u>553,173</u>	<u>-</u>	<u>553,173</u>	<u>25,574</u>	<u>-</u>	<u>25,574</u>	<u>-</u>	<u>4,808,343</u>	<u>4,790,545</u>
Total Expenses	<u>10,869,558</u>	<u>-</u>	<u>10,869,558</u>	<u>1,923,083</u>	<u>-</u>	<u>1,923,083</u>	<u>1,875,795</u>	<u>-</u>	<u>1,875,795</u>	<u>(2,108,574)</u>	<u>12,559,862</u>	<u>12,237,972</u>
Change in Net Assets	3,631,541	1,263,093	4,894,634	16,218	(386,983)	(370,765)	232,329	(1,588)	230,741	-	4,754,610	(4,412,116)
NET ASSETS												
Beginning of year	<u>26,984,378</u>	<u>3,061,560</u>	<u>30,045,938</u>	<u>9,718,497</u>	<u>6,373,188</u>	<u>16,091,685</u>	<u>1,503,849</u>	<u>226,983</u>	<u>1,730,832</u>	<u>-</u>	<u>47,868,455</u>	<u>52,280,571</u>
End of year	<u>\$ 30,615,919</u>	<u>\$ 4,324,653</u>	<u>\$ 34,940,572</u>	<u>\$ 9,734,715</u>	<u>\$ 5,986,205</u>	<u>\$ 15,720,920</u>	<u>\$ 1,736,178</u>	<u>\$ 225,395</u>	<u>\$ 1,961,573</u>	<u>\$ -</u>	<u>\$ 52,623,065</u>	<u>\$ 47,868,455</u>