

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

Combined Financial Statements

December 31, 2016

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, 2016, 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 combined financial statements, the NYAC has not recorded the funded status of its postretirement benefit plan in the combined financial statements, which in our opinion, should be recognized to conform with accounting principles generally accepted in the United States of America. If the funded status of the postretirement benefit plan was accounted for properly, liabilities would be increased by \$2,891,122 and net assets would be decreased by the same amount as of December 31, 2016. The effect on the combined statements of activities and cash flows has not been determined.

Qualified Opinion

In our opinion, except for the effects of not recording the related asset and accumulated postretirement benefit obligation in the combined financial statements at the fair market value and 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, 2016, 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, 2015 combined financial statements, and for the reason discussed in the basis for qualified opinion on the 2016 financial statements we also expressed a qualified audit opinion on those 2015 audited combined financial statements in our report dated June 23, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 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 their Basis for Qualified Opinion, 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
July 17, 2017

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

Combined Statement of Financial Position

December 31, 2016

(with comparative amounts at December 31, 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 3,565,744	\$ 3,068,509
Investments	14,272,795	16,694,022
Church apportionments receivable	190,178	104,928
Accounts receivable, net	520,249	288,146
Parish development loans receivable, net	1,537,430	1,254,305
Prepaid expenses and other assets	524,226	641,527
Custodial funds held	4,094	32,240
Property and equipment, net	9,887,438	6,094,863
	\$ 30,502,154	\$ 28,178,540
 LIABILITIES AND NET ASSETS		
Liabilities		
Church apportionments designated for future periods	\$ 57,513	\$ 42,845
Accounts payable and accrued expenses	1,456,340	1,421,477
Capital lease obligations	27,304	37,762
Deferred revenue	27,913	39,373
Loan payable - Conference Board of Pensions and Health Benefits	329,917	339,917
Loan payable - United Methodist Development Fund	328,962	397,932
Loan payable - U.S. Small Business Administration	678,139	691,858
Custodial funds held	4,094	32,240
Total Liabilities	2,910,182	3,003,404
Net Assets		
Unrestricted	18,230,954	15,960,184
Temporarily restricted	8,625,319	8,479,253
Permanently restricted	735,699	735,699
Total Net Assets	27,591,972	25,175,136
	\$ 30,502,154	\$ 28,178,540

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, 2016
(with summarized totals for the year ended December 31, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
SUPPORT AND REVENUE					
Church apportionments	\$ 2,310,788	\$ 5,013,639	\$ -	\$ 7,324,427	\$ 7,303,984
Designated benevolences	-	1,516,970	-	1,516,970	2,261,312
Fees and reimbursements	290,328	-	-	290,328	317,290
Grants and contributions	770,613	13,024	-	783,637	355,883
Retreat	1,521,355	-	-	1,521,355	1,387,424
Store sales	3,804	-	-	3,804	-
Investment return (loss)	1,104,966	70,202	-	1,175,168	(477,772)
Interest	312,288	-	-	312,288	64,389
Other	381	-	-	381	960
Gain on sale of properties	998,770	-	-	998,770	372,885
Net assets released from restrictions	<u>6,467,769</u>	<u>(6,467,769)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>13,781,062</u>	<u>146,066</u>	<u>-</u>	<u>13,927,128</u>	<u>11,586,355</u>
EXPENSES					
Program	6,538,976	-	-	6,538,976	7,699,803
Campsite					
Quinipet	1,631,888	-	-	1,631,888	1,633,449
Epworth	-	-	-	-	114
Kingswood	81,101	-	-	81,101	67,659
Capital campaign	2,570	-	-	2,570	17,905
Management and general	<u>3,255,757</u>	<u>-</u>	<u>-</u>	<u>3,255,757</u>	<u>3,041,660</u>
Total Expenses	<u>11,510,292</u>	<u>-</u>	<u>-</u>	<u>11,510,292</u>	<u>12,460,590</u>
Change in Net Assets	2,270,770	146,066	-	2,416,836	(874,235)
NET ASSETS					
Beginning of year	<u>15,960,184</u>	<u>8,479,253</u>	<u>735,699</u>	<u>25,175,136</u>	<u>26,049,371</u>
End of year	<u>\$ 18,230,954</u>	<u>\$ 8,625,319</u>	<u>\$ 735,699</u>	<u>\$ 27,591,972</u>	<u>\$ 25,175,136</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, 2016

(with comparative amounts for the year ended December 31, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,416,836	\$ (874,235)
Adjustment to reconcile change in net assets to net cash from operating activities		
Realized and unrealized (gains) losses on investments	(1,190,528)	534,175
Gain on sale of properties	(998,770)	(372,885)
Depreciation	429,046	372,551
Provision for bad debts	10,639	491,894
Net change in operating assets and liabilities		
Church apportionments receivable	(85,250)	53,522
Accounts receivable	(242,742)	(539,195)
Parish development loans receivable	(283,125)	564,732
Prepaid expenses and other assets	117,301	(123,970)
Church apportionments designated for future periods	14,668	8,986
Accounts payable and accrued expenses	34,863	(163,201)
Deferred revenue	<u>(11,460)</u>	<u>39,373</u>
Net Cash from Operating Activities	<u>211,478</u>	<u>(8,253)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	4,219,035	761,212
Purchase of investments	(607,280)	(1,620,495)
Proceeds from sale of property	998,770	372,885
Property and equipment acquisitions	<u>(4,221,621)</u>	<u>(610,687)</u>
Net Cash from Investing Activities	<u>388,904</u>	<u>(1,097,085)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of capital lease obligations	(10,458)	(28,232)
Repayment of loans payable	<u>(92,689)</u>	<u>(87,127)</u>
Net Cash from Financing Activities	<u>(103,147)</u>	<u>(115,359)</u>
Net Change in Cash and Cash Equivalents	497,235	(1,220,697)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>3,068,509</u>	<u>4,289,206</u>
End of year	<u>\$ 3,565,744</u>	<u>\$ 3,068,509</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 42,126	\$ 48,703

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

Notes to Combined Financial Statements
December 31, 2016

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 and Retreat Ministry operated two camps in New York State known as 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 (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 UMC, 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
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Notes to Combined Financial Statements
December 31, 2016

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 \$205,683 at December 31, 2016.

Fair Value of Financial Instruments

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

**Funds Under the Stewardship of the
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Notes to Combined Financial Statements
December 31, 2016

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.

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.

**Funds Under the Stewardship of the
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Notes to Combined Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

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.

Apportionments, Contributions and Benevolences

Church apportionments, contributions and benevolences are recorded as temporarily restricted net assets and support and revenue 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, 2015 from which the summarized information was derived.

Functional Expenses

The costs of providing the NYAC's programs and other activities have been summarized on a functional basis in the combined statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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, 2013.

**Funds Under the Stewardship of the
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Notes to Combined Financial Statements
December 31, 2016

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

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the combined financial statements through the date that the combined financial statements were available to be issued, which date is July 17, 2017.

3. Postretirement Health Benefits Plan

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 2016 was \$2,700 per participant. The NYAC's expense for its retirees for 2016 was \$1,101,683.

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. The General Board of Pension and Health Benefits of the UMC (the "General Board") obtained an actuarial valuation of the Plan as of December 31, 2016. The valuation of the accumulated post-retirement benefit obligation as of December 31, 2016, was \$21,881,002. This represents the portion of the expected post-retirement benefit obligation attributed to retirees past service. If the funded status of the Plan was recognized in these combined financial statements, liabilities would be increased by \$2,891,122 and net assets would be decreased by the same amount at December 31, 2016. As of December 31, 2016, the account balance for the purpose of funding the Plan's postretirement health benefits was \$18,989,880.

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 which range from 4% to 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, 2016, the allowance for doubtful accounts approximated \$156,021.

**Funds Under the Stewardship of the
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Notes to Combined Financial Statements
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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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the NYAC in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Return Objectives and Risk Parameters

The NYAC maintains various donor-restricted endowment funds and Board designated endowment funds whose purpose is to provide long term support for its programs and facilities. The NYAC 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 2016.

**Funds Under the Stewardship of the
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Notes to Combined Financial Statements
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5. Endowment, Investments and Investment Return (continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, January 1, 2016	\$ 8,898,602	\$ 7,059,721	\$ 735,699	\$ 16,694,022
Contributions	469,979	118,431	-	588,410
Investment income, net	(21,440)	6,080	-	(15,360)
Capital appreciation	1,126,406	64,122	-	1,190,528
Appropriations for programs	<u>(3,575,705)</u>	<u>(609,100)</u>	<u>-</u>	<u>(4,184,805)</u>
Balance, December 31, 2016	<u>\$ 6,897,842</u>	<u>\$ 6,639,254</u>	<u>\$ 735,699</u>	<u>\$ 14,272,795</u>
Comprised of the Following:				
Donor restricted funds	\$ -	\$ 6,639,254	\$ 735,699	\$ 7,374,953
Board designated funds	6,897,842	-	-	<u>6,897,842</u>
				<u>\$ 14,272,795</u>

The following are major categories of investments measured and categorized by the fair value hierarchy at fair value at December 31, 2016:

	Level 1	Level 2	Total
Money market fund	\$ 86,219	\$ -	\$ 86,219
Fixed Income fund	-	939,495	939,495
Equity fund	-	226,886	226,886
Balanced fund	-	4,384,455	4,384,455
Bond fund	-	258,615	258,615
Mixed asset fund	<u>-</u>	<u>8,377,125</u>	<u>8,377,125</u>
Total Investments at Fair Value	<u>\$ 86,219</u>	<u>\$14,186,576</u>	<u>\$14,272,795</u>

Investment return consists of the following for the year ended December 31, 2016:

Interest and dividends	\$ 18,864
Net realized and unrealized gains	1,190,528
Investment fees	<u>(34,224)</u>
Total Investment Return	<u>\$1,175,168</u>

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6. Property and Equipment

Property and equipment consists of the following at December 31, 2016:

	CCFA	Board of Trustees	Camping Ministry	Episcopal Office	Total
Buildings	\$ -	\$ -	\$ 821,047	\$ -	\$ 821,047
Building improvements	-	-	1,118,721	-	1,118,721
District parsonages	-	1,379,578	-	-	1,379,578
Episcopal residence	-	1,016,414	-	-	1,016,414
Conference center	-	4,058,858	-	-	4,058,858
Vehicles	-	-	212,058	-	212,058
Land improvements	-	-	1,231,546	-	1,231,546
Camp property	-	107,112	-	-	107,112
Furniture and equipment	70,901	65,786	173,387	62,977	373,051
Construction in progress	-	2,797,317	-	-	2,797,317
	70,901	9,425,065	3,556,759	62,977	13,115,702
Accumulated depreciation	<u>(45,651)</u>	<u>(2,035,718)</u>	<u>(1,089,196)</u>	<u>(57,699)</u>	<u>(3,228,264)</u>
	<u>\$ 25,250</u>	<u>\$ 7,389,347</u>	<u>\$ 2,467,563</u>	<u>\$ 5,278</u>	<u>\$ 9,887,438</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:

2017	\$ 12,108
2018	12,108
2019	<u>4,036</u>
	28,252
Less amount representing interest	<u>(948)</u>
	<u>\$ 27,304</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 is non-interest bearing and 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, 2016 in the amount of \$329,917.

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Notes to Combined Financial Statements
December 31, 2016

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 real property. 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 \$17,431 for 2016. Aggregate maturities of this obligation at December 31, 2016 are due as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 72,863
2018	76,121
2019	79,817
2020	83,692
2021	<u>16,469</u>
	<u>\$ 328,962</u>

10. 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. There were no advances on this loan until 2016. 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 2016 amounted to \$23,045. Aggregate maturities of this obligation at December 31, 2016 are due as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 16,823
2018	17,334
2019	17,862
2020	18,406
2021	18,966
Thereafter	<u>588,748</u>
	<u>\$ 678,139</u>

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

Notes to Combined Financial Statements
December 31, 2016

11. Custodial Funds

Custodial funds of \$4,094 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, 2016.

12. Retirement Plans

The NYAC participates in a multiemployer defined benefit pension plan administered by the General Board 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.

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 2016:

Past service rate	\$ 592
Contingent annuitant percentage	70%

As of January 1, 2016, the valuation date, the Pre-1982 Plan had a funded status of 104%. No expense was recognized in 2016, since the plan service rate was not increased.

MPP Annuities

The MPP Annuities cover service from 1982 through 2006. As of January 1, 2016, the valuation date, the MPP Annuities plan had a funded status of 105%. Expense for 2016 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, 2016, the valuation date, the CRSP plan had a funded status of 105%. Expense for 2016 amounted to \$124,113.

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 2016 amounted to \$228,387.

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

Notes to Combined Financial Statements
December 31, 2016

13. 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 2016 was \$377,645.

14. Support Services

CCFA provides payroll processing and administrative services on a reimbursement basis to the Camping Ministry, the Episcopal Office, the Board of Trustees and the United Methodist Frontier Foundation (the "Frontier Foundation") (an uncombined entity). The Episcopal office books have been moved to the CCFA accounting software in 2017 and is treated as a separate fund.

15. Pension and Health Benefits Deposit Accounts

In accordance with a resolution of the NYAC, the Conference Board of Pensions and Health Benefits maintains five accounts with the General Board on behalf of the NYAC for the purpose of funding NYAC's participation in the multiemployer defined benefit plans disclosed in note 12 and the multiemployer medical and health plan disclosed in note 13.

As of December 31, 2016, the account balances for the purpose of funding the multiemployer benefit plans were the Integrity in Pensions account (\$1,284,242) and the Pre-82 pension account (\$24,495,226).

As of December 31, 2016, the account balance for the purpose of funding the multiemployer medical and health plan was the Retiree HRA Funding account (\$199,202).

The Deposit account with a balance of (\$9,990) at December 31, 2016, serves as a clearing account through which Healthflex, CRSP and Death and Disability ("CPP") benefit bills are settled with the plan administrator.

The General account with a balance of (\$290,939) at December 31, 2016, is used to fund certain wellness initiatives approved by the Board of Pensions and Health Benefits and host seminars for those about to retire for NYAC's participation in the aforementioned multiemployer plans.

Pursuant to U.S. GAAP these deposit accounts are not recorded in the accounts of the NYAC due to them being part of a multiemployer plans.

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

Notes to Combined Financial Statements
December 31, 2016

16. Restrictions and Limitations on Net Assets

Certain net assets of the NYAC are restricted based upon donor stipulations. Such restricted net assets are deemed “released from restriction” when the NYAC expends funds in accordance with the donor’s stipulated purpose. Restricted funds to be held in perpetuity by donor instruction are classified as permanently restricted net assets. The table below presents the net assets released from restrictions and the components of restricted net assets at December 31, 2016:

Fund Description	Net Assets Released From Restriction in 2016	Temporarily Restricted Net Assets at December 31, 2016	Permanently Restricted Net Assets at December 31, 2016
Special Funds			
Epworth - Camp Capital Fund	\$ 94,442	\$ 482,076	\$ -
Epworth - Other Capital Fund	642	67,996	-
Groveville Cemetery Fund	-	3,846	-
South Norwalk	-	1,658,731	-
Young Clergy DAP Fund	12,000	306,023	-
Parish Development Loan Fund	-	575,857	-
Permanent Endowment	-	8,621	8,750
	<u>107,084</u>	<u>3,103,150</u>	<u>8,750</u>
Trust Funds			
Aldersgate Church Fund	-	93,130	87,673
Collard Fund	-	19,983	5,000
Denver Fund	-	464,317	505,000
Dier Trust Fund	-	4,025,484	-
Hess Craryville	-	630	2,500
Hess Five Points	-	374	1,500
Hess Fund for National Division	-	5,424	18,341
Hess Fund for World Division	-	1,604	9,170
Hess Methodist Hospital	-	1,715	6,000
Jeffersonville Fund	-	2,283	1,000
Shauman Fund	-	31,637	3,504
Williams Fund	-	119,133	20,000
	<u>-</u>	<u>4,765,714</u>	<u>659,688</u>
General Camping Programs	2,294	122,597	60,726
Quinipet Camp Program	215	7,921	6,535
	<u>2,509</u>	<u>130,518</u>	<u>67,261</u>
Conference Programs	6,358,176	625,937	-
	<u>\$ 6,467,769</u>	<u>\$ 8,625,319</u>	<u>\$ 735,699</u>

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

Notes to Combined Financial Statements
December 31, 2016

17. Gain on Sale of Properties

In 2016, the NYAC sold various churches, resulting in a gain on sale of properties totaling \$998,700. This amount is included in the combined statement of activities.

18. 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 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.

19. 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 2016 was \$81,842. Aggregate minimum annual rental payments at December 31, 2016 for the years ending December 31, are payable as follows:

2017	\$ 53,334
2018	32,047
2019	18,932
2020	<u>16,187</u>
	<u>\$ 120,500</u>

20. Contingencies

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

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

Supplemental Information

December 31, 2016

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

Combining Schedule of Financial Position
December 31, 2016
(with comparative amounts at December 31, 2015)

	CCFA	Board of Trustees	Camping Ministry	Episcopal Office	Sub-Total	Eliminating Entries Debit (Credit)	2016 Combined	2015 Combined
ASSETS								
Cash and cash equivalents	\$ 3,252,138	\$ -	\$ 191,992	\$ 121,614	\$ 3,565,744	\$ -	\$ 3,565,744	\$ 3,068,509
Investments	3,912,406	10,112,019	222,568	25,802	14,272,795	-	14,272,795	16,694,022
Church apportionments receivable	190,178	-	-	-	190,178	-	190,178	104,928
Accounts receivable, net	382,724	-	137,525	-	520,249	-	520,249	288,146
Parish development loans receivable, net	1,537,430	-	-	-	1,537,430	-	1,537,430	1,254,305
Due from the NYAC	-	-	640	-	640	(640)	-	-
Prepaid expenses and other assets	523,226	1,000	-	-	524,226	-	524,226	641,527
Due from the Camping Ministry	328,547	-	-	-	328,547	(328,547)	-	-
Due from the Board of Trustees	1,340,505	-	-	-	1,340,505	(1,340,505)	-	-
Due from the Episcopal Office	27,038	-	-	-	27,038	(27,038)	-	-
Custodial funds held	4,094	-	-	-	4,094	-	4,094	32,240
Property and equipment, net	25,250	7,389,347	2,467,563	5,278	9,887,438	-	9,887,438	6,094,863
	<u>\$ 11,523,536</u>	<u>\$ 17,502,366</u>	<u>\$ 3,020,288</u>	<u>\$ 152,694</u>	<u>\$ 32,198,884</u>	<u>\$ (1,696,730)</u>	<u>\$ 30,502,154</u>	<u>\$ 28,178,540</u>
LIABILITIES AND NET ASSETS								
Liabilities								
Church apportionments designated for future periods	\$ 57,513	\$ -	\$ -	\$ -	\$ 57,513	\$ -	\$ 57,513	\$ 42,845
Accounts payable and accrued expenses	1,371,068	35,000	50,272	-	1,456,340	-	1,456,340	1,421,477
Capital lease obligations	-	-	27,304	-	27,304	-	27,304	37,762
Deferred revenue	-	-	27,913	-	27,913	-	27,913	39,373
Due to CCFA	-	1,340,505	329,187	27,038	1,696,730	(1,696,730)	-	-
Loan payable - Conference Board of Pensions and Health Benefits	329,917	-	-	-	329,917	-	329,917	339,917
Loan payable - United Methodist Development Fund	-	328,962	-	-	328,962	-	328,962	397,932
Mortgage payable - U.S. Small Business Administration	-	-	678,139	-	678,139	-	678,139	691,858
Custodial funds held	4,094	-	-	-	4,094	-	4,094	32,240
Total Liabilities	1,762,592	1,704,467	1,112,815	27,038	4,606,912	(1,696,730)	2,910,182	3,003,404
Net Assets								
Unrestricted	6,239,222	10,162,821	1,703,255	125,656	18,230,954	-	18,230,954	15,960,184
Temporarily restricted	3,521,722	4,966,640	136,957	-	8,625,319	-	8,625,319	8,479,253
Permanently restricted	-	668,438	67,261	-	735,699	-	735,699	735,699
Total Net Assets	<u>9,760,944</u>	<u>15,797,899</u>	<u>1,907,473</u>	<u>125,656</u>	<u>27,591,972</u>	<u>-</u>	<u>27,591,972</u>	<u>25,175,136</u>
	<u>\$ 11,523,536</u>	<u>\$ 17,502,366</u>	<u>\$ 3,020,288</u>	<u>\$ 152,694</u>	<u>\$ 32,198,884</u>	<u>\$ (1,696,730)</u>	<u>\$ 30,502,154</u>	<u>\$ 28,178,540</u>

**Funds Under the Stewardship of the New York
Annual Conference of the United Methodist Church**
Combining Schedule of Activities
Year Ended December 31, 2016
(with summarized totals for the year ended December 31, 2015)

	CCFA			Board of Trustees				Camping Ministry				Episcopal Office	Eliminating Entries		2016 Combined	2015 Combined	
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	(Debit)	Credit			
SUPPORT AND REVENUE																	
Church apportionments	\$ 2,310,788	\$ 5,013,639	\$ 7,324,427	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,324,427	\$ 7,303,984	
Contributed benevolences	-	1,516,970	1,516,970	-	-	-	-	-	-	-	-	-	-	-	1,516,970	2,261,312	
Fees and reimbursements	290,328	-	290,328	-	-	-	-	-	-	-	-	-	-	-	290,328	317,290	
Grants and contributions	82,516	-	82,516	462,340	13,024	-	475,364	152,857	-	-	152,857	117,900	(45,000)	-	783,637	355,883	
Retreat	-	-	-	-	-	-	-	1,521,355	-	-	1,521,355	-	-	-	1,521,355	1,387,424	
Store sales	-	-	-	-	-	-	-	3,804	-	-	3,804	-	-	-	3,804	-	
Investment return (loss)	291,495	33,234	324,729	808,775	19,171	-	827,946	1,999	17,797	-	19,796	2,697	-	-	1,175,168	(477,772)	
Interest	312,265	-	312,265	-	-	-	-	23	-	-	23	-	-	-	312,288	64,389	
Other	-	-	-	-	-	-	-	381	-	-	381	-	-	-	381	960	
Gain on sale of properties	-	-	-	998,770	-	-	998,770	-	-	-	-	-	-	-	998,770	372,885	
Net assets released from restrictions	6,306,933	(6,306,933)	-	158,327	(158,327)	-	-	2,509	(2,509)	-	-	-	-	-	-	-	
Total Support and Revenue	9,594,325	256,910	9,851,235	2,428,212	(126,132)	-	2,302,080	1,682,928	15,288	-	1,698,216	120,597	(45,000)	-	13,927,128	11,586,355	
EXPENSES																	
Program	6,306,933	-	6,306,933	158,327	-	-	158,327	-	-	-	-	73,716	-	-	6,538,976	7,699,803	
Campsite																	
Quinipet	-	-	-	-	-	-	-	1,631,888	-	-	1,631,888	-	-	-	1,631,888	1,633,449	
Epworth	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	114	
Kingswood	-	-	-	-	-	-	-	81,101	-	-	81,101	-	-	-	81,101	67,659	
Capital campaign	-	-	-	-	-	-	-	2,570	-	-	2,570	-	-	-	2,570	17,905	
Management and general	2,708,997	-	2,708,997	457,166	-	-	457,166	-	-	-	-	134,594	(45,000)	-	3,255,757	3,041,660	
Total Expenses	9,015,930	-	9,015,930	615,493	-	-	615,493	1,715,559	-	-	1,715,559	208,310	(45,000)	-	11,510,292	12,460,590	
Change in Net Assets	578,395	256,910	835,305	1,812,719	(126,132)	-	1,686,587	(32,631)	15,288	-	(17,343)	(87,713)	-	-	2,416,836	(874,235)	
NET ASSETS																	
Beginning of year	5,660,827	3,264,812	8,925,639	8,350,102	5,092,772	668,438	14,111,312	1,735,886	121,669	67,261	1,924,816	213,369	-	-	25,175,136	26,049,371	
End of year	\$ 6,239,222	\$ 3,521,722	\$ 9,760,944	\$ 10,162,821	\$ 4,966,640	\$ 668,438	\$ 15,797,899	\$ 1,703,255	\$ 136,957	\$ 67,261	\$ 1,907,473	\$ 125,656	\$ -	\$ -	\$ 27,591,972	\$ 25,175,136	

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

Schedule of Cash Receipts and Disbursements

Year Ended December 31, 2016
(with comparative amounts for the year ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
CASH RECEIPTS		
Budget support	\$117,900	\$117,039
Interest	600	548
Investment income	12,797	5,265
Miscellaneous	<u>-</u>	<u>17,421</u>
Total Cash Receipts	<u>131,297</u>	<u>140,273</u>
 CASH DISBURSEMENTS		
Salaries	49,800	45,000
Employee benefits	23,916	17,619
Supplies	48,081	7,529
Postage	5,476	640
Telephone	963	-
Professional fees	2,092	2,116
Travel and entertainment	22,509	14,681
Network support	2,364	3,560
Miscellaneous	<u>37,524</u>	<u>1,073</u>
Total Cash Disbursements	<u>192,725</u>	<u>92,218</u>
 PAYMENT OF PRIOR YEAR ACCRUED LIABILITIES		
Travel and entertainment	<u>7,163</u>	<u>7,163</u>
 Excess of Cash Receipts over Cash Disbursements	 (68,591)	 40,892
 Cash at beginning of year	 <u>190,206</u>	 <u>149,314</u>
 Cash at end of year	 <u>\$121,615</u>	 <u>\$190,206</u>