

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

Combined Financial Statements

December 31, 2017

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, 2017, 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 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, 2017. The last valuation obtained was as of December 31, 2016. That valuation reflected an accumulated postretirement obligation of \$21,881,002. By not obtaining a valuation for 2017, 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, 2017. The effect on the 2017 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.

In addition, and as discussed in Note 14 to the combined financial statements, the investment account held by the NYAC to fund the annual postretirement obligation has a value of \$21,859,415 as of December 31, 2017 and is also not recorded in the combined financial statements. In our opinion, this investment account should be recorded to conform with accounting principles generally accepted in the United States of America. If this investment account was accounted for properly, assets and net assets would be increased by \$21,859,415. 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 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 well as not recording the investment at the fair market value 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, 2017, 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, 2016 combined financial statements, and for the reason discussed in the basis for qualified opinion on the 2017 financial statements we also expressed a qualified audit opinion on those 2016 audited combined financial statements in our report dated July 17, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental information on pages 20 through 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
June 26, 2018

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

Combined Statement of Financial Position
December 31, 2017
(with comparative amounts at December 31, 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 3,322,389	\$ 3,565,744
Church apportionments receivable	134,960	190,178
Accounts receivable, net	117,591	520,249
Parish development loans receivable, net	1,246,724	1,537,430
Prepaid expenses and other assets	289,861	524,226
Investments	18,396,814	14,272,795
Custodial funds held	-	4,094
Property and equipment, net	9,539,937	9,887,438
	\$ 33,048,276	\$ 30,502,154
 LIABILITIES AND NET ASSETS		
Liabilities		
Church apportionments designated for future periods	\$ 140,288	\$ 57,513
Accounts payable and accrued expenses	1,536,188	1,456,340
Capital lease obligations	16,326	27,304
Deferred revenue	42,999	27,913
Loan payable - Conference Board of Pensions and Health Benefits	319,917	329,917
Loan payable - United Methodist Development Fund	256,620	328,962
Loan payable - U.S. Small Business Administration	648,465	678,139
Custodial funds held	-	4,094
Total Liabilities	2,960,803	2,910,182
Net Assets		
Unrestricted	19,581,907	18,230,954
Temporarily restricted	9,769,867	8,625,319
Permanently restricted	735,699	735,699
Total Net Assets	30,087,473	27,591,972
	\$ 33,048,276	\$ 30,502,154

See notes to combined financial statements

**Funds Under the Stewardship of the New York
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Combined Statement of Activities
Year Ended December 31, 2017
(with summarized totals for the year ended December 31, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
SUPPORT AND REVENUE					
Church apportionments	\$ 2,290,322	\$ 5,301,639	\$ -	\$ 7,591,961	\$ 7,324,427
Designated benevolences	-	388,680	-	388,680	1,516,970
Fees and reimbursements	235,440	-	-	235,440	290,328
Grants and contributions	136,942	-	-	136,942	783,637
Retreat	1,421,594	-	-	1,421,594	1,521,355
Store sales	2,829	-	-	2,829	3,804
Investment return	806,897	1,501,417	-	2,308,314	1,175,168
Interest	100,102	-	-	100,102	312,288
Other	49,868	-	-	49,868	381
Gain on sale of properties	2,261,289	-	-	2,261,289	998,770
Net assets released from restrictions	<u>6,047,188</u>	<u>(6,047,188)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>13,352,471</u>	<u>1,144,548</u>	<u>-</u>	<u>14,497,019</u>	<u>13,927,128</u>
EXPENSES					
Program	6,353,847	-	-	6,353,847	6,538,976
Campsite					
Quinipet	1,720,336	-	-	1,720,336	1,631,888
Kingswood	83,102	-	-	83,102	81,101
Capital campaign	4,858	-	-	4,858	2,570
Management and general	<u>3,839,375</u>	<u>-</u>	<u>-</u>	<u>3,839,375</u>	<u>3,255,757</u>
Total Expenses	<u>12,001,518</u>	<u>-</u>	<u>-</u>	<u>12,001,518</u>	<u>11,510,292</u>
Change in Net Assets	1,350,953	1,144,548	-	2,495,501	2,416,836
NET ASSETS					
Beginning 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>
End of year	<u>\$ 19,581,907</u>	<u>\$ 9,769,867</u>	<u>\$ 735,699</u>	<u>\$ 30,087,473</u>	<u>\$ 27,591,972</u>

**Funds Under the Stewardship of the New York
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Combined Statement of Cash Flows

Year Ended December 31, 2017

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

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,495,501	\$ 2,416,836
Adjustment to reconcile change in net assets to net cash from operating activities		
Realized and unrealized gains on investments	(2,301,812)	(1,190,528)
Gain on sale of properties	(2,261,289)	(998,770)
Depreciation	578,845	429,046
Provision for bad debts	706,203	10,639
Net change in operating assets and liabilities		
Church apportionments receivable	55,218	(85,250)
Accounts receivable	7,361	(242,742)
Parish development loans receivable	(20,200)	(283,125)
Prepaid expenses and other assets	234,365	117,301
Church apportionments designated for future periods	82,775	14,668
Accounts payable and accrued expenses	79,848	34,863
Deferred revenue	15,086	(11,460)
Net Cash from Operating Activities	(328,099)	211,478
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,645,676	4,219,035
Purchase of investments	(3,467,883)	(607,280)
Proceeds from sale of property	2,261,289	998,770
Property and equipment acquisitions	(231,344)	(4,221,621)
Net Cash from Investing Activities	207,738	388,904
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of capital lease obligations	(10,978)	(10,458)
Repayment of loans payable	(112,016)	(92,689)
Net Cash from Financing Activities	(122,994)	(103,147)
Net Change in Cash and Cash Equivalents	(243,355)	497,235
CASH AND CASH EQUIVALENTS		
Beginning of year	3,565,744	3,068,509
End of year	\$ 3,322,389	\$ 3,565,744
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 35,854	\$ 42,126

See notes to combined financial statements

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

Notes to Combined Financial Statements
December 31, 2017

1. Organization

The New York Annual Conference of the United Methodist Church (“NYAC”) is one of fifty-six 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 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 operates two camps in New York State known as Quinipet and Kingswood.

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.

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 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.

**Funds Under the Stewardship of the
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Notes to Combined Financial Statements
December 31, 2017

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.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Unrestricted - consist of resources available for the general support of the NYAC's operations. Unrestricted net assets may be used at the discretion of NYAC's management and Board of Directors.

Temporarily restricted - represent amounts restricted by donors for specific activities of the NYAC or to be used at some future date. The NYAC records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted - consist of net assets that are subject to donor imposed restrictions that require the NYAC to maintain them permanently, including funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. Income and gains earned on endowment fund investments are available to be used in the unrestricted or temporarily restricted net asset classes based upon stipulations by the donors.

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 \$270,371 at December 31, 2017.

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Notes to Combined Financial Statements
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

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.

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

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, 2017

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, 2016 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.

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 26, 2018.

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Notes to Combined Financial Statements
December 31, 2017

3. Postretirement Health Benefits Plan

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 2017 was \$2,700 per participant. The NYAC's expense for its retirees for 2017 was \$1,163,247.

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. Westpath Benefits and Investments ("Westpath") 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.

NYAC did not obtain a valuation of the Plan for the year ending December 31, 2017. By not obtaining a valuation for 2017, a liability for 2017, cannot be determined, thus resulting in the inability to record such amount in the combined financial statements for the year ending December 31, 2017. The effect on the 2017 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 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, 2017, the allowance for doubtful accounts approximated \$466,927.

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.

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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 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 2017.

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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, 2017	\$ 6,897,842	\$ 6,639,254	\$ 735,699	\$ 14,272,795
Transfers in	2,748,889	241,375	-	2,990,264
Contributions	26,900	9,256	-	36,156
Investment income, net	(20,503)	27,005	-	6,502
Capital appreciation	831,705	1,470,107	-	2,301,812
Appropriations for programs	(1,036,452)	(174,263)	-	(1,210,715)
Balance, December 31, 2017	\$ 9,448,381	\$ 8,212,734	\$ 735,699	\$ 18,396,814
Comprised of the Following:				
Donor restricted funds	\$ -	\$ 8,212,734	\$ 735,699	\$ 8,948,433
Board designated funds	9,448,381	-	-	9,448,381
				\$ 18,396,814

The following are major categories of investments measured and categorized by the fair value hierarchy at fair value at December 31, 2017:

	Level 1	Level 2	Total
Money market fund	\$ 89,364	\$ -	\$ 89,364
Fixed Income fund	-	1,652,580	1,652,580
Equity fund	-	233,103	233,103
Balanced fund	-	6,233,736	6,233,736
Bond fund	-	272,848	272,848
Mixed asset fund	-	9,915,183	9,915,183
Total Investments at Fair Value	\$ 89,364	\$ 18,307,450	\$ 18,396,814

Investment return consists of the following for the year ended December 31, 2017:

Interest and dividends	\$ 41,209
Net realized and unrealized gains	2,301,812
Investment fees	(34,707)
Total Investment Return	\$ 2,308,314

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6. Property and Equipment

Property and equipment consists of the following at December 31, 2017:

	CCFA	Board of Trustees	Camping Ministry	Total
Buildings	\$ -	\$ -	\$ 821,047	\$ 821,047
Building improvements	-	-	1,123,375	1,123,375
District parsonages	-	1,379,578	-	1,379,578
Episcopal residence	-	1,036,038	-	1,036,038
Conference center	-	6,993,956	-	6,993,956
Vehicles	-	-	212,058	212,058
Land improvements	-	-	1,239,803	1,239,803
Camp property	-	138,975	-	138,975
Furniture and equipment	<u>127,162</u>	<u>75,146</u>	<u>198,470</u>	<u>400,778</u>
	127,162	9,623,693	3,594,753	13,345,608
Accumulated depreciation	<u>(111,865)</u>	<u>(2,391,077)</u>	<u>(1,302,729)</u>	<u>(3,805,671)</u>
	<u>\$ 15,297</u>	<u>\$ 7,232,616</u>	<u>\$ 2,292,024</u>	<u>\$ 9,539,937</u>

Included in property and equipment at December 31, 2017 is equipment under capital lease amounting to \$67,228 with a net book value of \$16,806.

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:

2018	\$ 12,108
2019	<u>4,384</u>
	16,492
Amount representing interest	<u>(166)</u>
	<u>\$ 16,326</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, 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, 2017 in the amount of \$319,917.

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Notes to Combined Financial Statements
December 31, 2017

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 \$14,058 for 2017. Aggregate maturities of this obligation at December 31, 2017 are due as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 76,121
2019	79,817
2020	83,692
2021	<u>16,990</u>
	<u>\$ 256,620</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. 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 2017 amounted to \$21,796. Aggregate maturities of this obligation at December 31, 2017 are due as follows:

2018	\$ 17,334
2019	17,862
2020	18,406
2021	18,966
2022	18,966
Thereafter	<u>556,931</u>
	<u>\$ 648,465</u>

11. Retirement Plans

The NYAC participates in a multiemployer defined benefit pension plan administered by Westpath 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, 2017

11. 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 2017:

Past service rate	\$ 592
Contingent annuitant percentage	70%

As of January 1, 2018, the valuation date, the Pre-1982 Plan had a funded status of 108%. Expense for 2017 amounted to \$325,354, as an advance contribution for 2018 plan service rate increase.

MPP Annuities

The MPP Annuities cover service from 1982 through 2006. As of January 1, 2017, the valuation date, the MPP Annuities plan had a funded status of 105%. Expense for 2017 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, 2017, the valuation date, the CRSP plan had a funded status of 107%. Expense for 2017 amounted to \$131,004.

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 2017 amounted to \$117,801.

12. Medical and Health Plan

The NYAC provides health benefits under a multi-employer plan, HealthFlex, administered by Westpath. 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 2017 was \$420,577.

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

Notes to Combined Financial Statements
December 31, 2017

13. 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.

14. 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 Westpath on behalf of the NYAC for the purpose of funding NYAC's participation in the multiemployer defined benefit plans disclosed in note 11 and the multiemployer medical and health plan disclosed in note 12, as well as the post-retirement health benefits plan disclosed in note 3.

As of December 31, 2017, the account balances for the purpose of funding the multiemployer benefit plans were the Integrity in Pensions account \$1,332,058 and the Pre-82 pension account \$25,894,633. 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 12.

As of December 31, 2017, the Deposit account with a balance of \$13,765, 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, 2017, the Retiree HRA Funding account with a balance of \$259,753, serves to fund the postretirement health plan disclosed in note 3.

As of December 31, 2017, the General account with a balance of \$332,056, 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.

As of December 31, 2017, the Health Benefits Reserve account with a balance of \$21,859,415, is used to fund the post-retirement health benefits plan is not recorded in the combined financial statements.

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

Notes to Combined Financial Statements
December 31, 2017

15. 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, 2017:

<u>Fund Description</u>	<u>Net Assets Released From Restriction in 2017</u>	<u>Temporarily Restricted Net Assets at December 31, 2017</u>	<u>Permanently Restricted Net Assets at December 31, 2017</u>
Special Funds			
Epworth - Camp Capital Fund	\$ 31,863	\$ 533,724	\$ -
Epworth - Other Capital Fund	34,016	353,547	-
Groveville Cemetery Fund	-	4,538	-
South Norwalk	-	1,957,020	-
Young Clergy DAP Fund	17,500	353,305	-
Parish Development Loan Fund	-	610,655	-
Permanent Endowment	-	10,063	8,750
	<u>83,379</u>	<u>3,822,852</u>	<u>8,750</u>
Trust Funds			
Aldersgate Church Fund	9,020	115,795	87,673
Collard Fund	466	23,963	5,000
Denver Fund	22,932	585,406	505,000
Dier Trust Fund	45,820	4,656,571	-
Hess Craryville	58	1,127	2,500
Hess Five Points	35	671	1,500
Hess Fund for National Division	443	9,210	18,341
Hess Fund for World Division	201	3,321	9,170
Hess Methodist Hospital	143	2,939	6,000
Jeffersonville Fund	61	2,804	1,000
Shauman Fund	1,000	36,856	3,504
Williams Fund	6,228	137,353	20,000
	<u>86,407</u>	<u>5,576,016</u>	<u>659,688</u>
General Camping Programs	3,868	143,920	60,726
Quinipet Camp Program	381	9,363	6,535
	<u>4,249</u>	<u>153,283</u>	<u>67,261</u>
Conference Programs	<u>5,873,153</u>	<u>217,716</u>	<u>-</u>
	<u>\$ 6,047,188</u>	<u>\$ 9,769,867</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, 2017

16. Gain on Sale of Properties

In 2017, the NYAC sold various church properties, resulting in a gain totaling \$2,261,289. This amount is included in the combined statement of activities.

17. 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.

18. 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 2017 was \$64,109. Aggregate minimum annual rental payments at December 31, 2017 are payable as follows:

2018	\$ 31,927
2019	19,237
2020	<u>8,410</u>
	<u>\$ 59,574</u>

19. 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, 2017

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

Combining Schedule of Financial Position

December 31, 2017

(with comparative amounts at December 31, 2016)

	CCFA	Board of Trustees	Camping Ministry	Sub-Total	Eliminating Entries Debit (Credit)	2017 Combined	2016 Combined
ASSETS							
Cash and cash equivalents	\$ 3,142,712	\$ -	\$ 179,677	\$ 3,322,389	\$ -	\$ 3,322,389	\$ 3,565,744
Church apportionments receivable	134,960	-	-	134,960	-	134,960	190,178
Accounts receivable, net	83,077	-	34,514	117,591	-	117,591	520,249
Parish development loans receivable, net	1,246,724	-	-	1,246,724	-	1,246,724	1,537,430
Prepaid expenses and other assets	289,861	-	-	289,861	-	289,861	524,226
Investments	5,728,296	12,370,244	298,274	18,396,814	-	18,396,814	14,272,795
Due from the Camping Ministry	301,626	-	-	301,626	(301,626)	-	-
Due from the Board of Trustees	1,353,744	-	-	1,353,744	(1,353,744)	-	-
Custodial funds held	-	-	-	-	-	-	4,094
Property and equipment, net	15,297	7,232,616	2,292,024	9,539,937	-	9,539,937	9,887,438
	<u>\$ 12,296,297</u>	<u>\$ 19,602,860</u>	<u>\$ 2,804,489</u>	<u>\$ 34,703,646</u>	<u>\$ (1,655,370)</u>	<u>\$ 33,048,276</u>	<u>\$ 30,502,154</u>
LIABILITIES AND NET ASSETS							
Liabilities							
Church apportionments designated for future periods	\$ 140,288	\$ -	\$ -	\$ 140,288	\$ -	\$ 140,288	\$ 57,513
Accounts payable and accrued expenses	1,486,147	-	50,041	1,536,188	-	1,536,188	1,456,340
Capital lease obligations	-	-	16,326	16,326	-	16,326	27,304
Deferred revenue	-	-	42,999	42,999	-	42,999	27,913
Due to CCFA	-	1,353,744	301,626	1,655,370	(1,655,370)	-	-
Loan payable - Conference Board of Pensions and Health Benefits	319,917	-	-	319,917	-	319,917	329,917
Loan payable - United Methodist Development Fund	-	256,620	-	256,620	-	256,620	328,962
Mortgage payable - U.S. Small Business Administration	-	-	648,465	648,465	-	648,465	678,139
Custodial funds held	-	-	-	-	-	-	4,094
Total Liabilities	1,946,352	1,610,364	1,059,457	4,616,173	(1,655,370)	2,960,803	2,910,182
Net Assets							
Unrestricted	7,009,215	11,054,643	1,518,049	19,581,907	-	19,581,907	18,230,954
Temporarily restricted	3,340,730	6,269,415	159,722	9,769,867	-	9,769,867	8,625,319
Permanently restricted	-	668,438	67,261	735,699	-	735,699	735,699
Total Net Assets	<u>10,349,945</u>	<u>17,992,496</u>	<u>1,745,032</u>	<u>30,087,473</u>	<u>-</u>	<u>30,087,473</u>	<u>27,591,972</u>
	<u>\$ 12,296,297</u>	<u>\$ 19,602,860</u>	<u>\$ 2,804,489</u>	<u>\$ 34,703,646</u>	<u>\$ (1,655,370)</u>	<u>\$ 33,048,276</u>	<u>\$ 30,502,154</u>

**Funds Under the Stewardship of the New York
Annual Conference of the United Methodist Church**
Combining Schedule of Activities
Year Ended December 31, 2017
(with summarized totals for the year ended December 31, 2016)

	CCFA			Board of Trustees				Camping Ministry				Eliminating Entries (Debit) Credit	2017 Combined	2016 Combined
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total			
SUPPORT AND REVENUE														
Church apportionments	\$ 2,290,322	\$ 5,301,639	\$ 7,591,961	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,591,961	\$ 7,324,427
Contributed benevolences	-	388,680	388,680	-	-	-	-	-	-	-	-	-	388,680	1,516,970
Fees and reimbursements	235,440	-	235,440	-	-	-	-	-	-	-	-	-	235,440	290,328
Grants and contributions	87,267	-	87,267	41,230	-	-	41,230	172,470	-	-	172,470	(164,025)	136,942	783,637
Retreat	-	-	-	-	-	-	-	1,421,594	-	-	1,421,594	-	1,421,594	1,521,355
Store sales	-	-	-	-	-	-	-	2,829	-	-	2,829	-	2,829	3,804
Investment return	486,651	56,358	543,009	316,751	1,418,045	-	1,734,796	3,495	27,014	-	30,509	-	2,308,314	1,175,168
Interest	99,447	-	99,447	-	-	-	-	655	-	-	655	-	100,102	312,288
Other	23,594	-	23,594	8,476	-	-	8,476	17,798	-	-	17,798	-	49,868	381
Gain on sale of properties	1,143,712	-	1,143,712	1,117,577	-	-	1,117,577	-	-	-	-	-	2,261,289	998,770
Net assets released from restrictions	5,927,669	(5,927,669)	-	115,270	(115,270)	-	-	4,249	(4,249)	-	-	-	-	-
Total Support and Revenue	<u>10,294,102</u>	<u>(180,992)</u>	<u>10,113,110</u>	<u>1,599,304</u>	<u>1,302,775</u>	<u>-</u>	<u>2,902,079</u>	<u>1,623,090</u>	<u>22,765</u>	<u>-</u>	<u>1,645,855</u>	<u>(164,025)</u>	<u>14,497,019</u>	<u>13,927,128</u>
EXPENSES														
Program	6,238,577	-	6,238,577	115,270	-	-	115,270	-	-	-	-	-	6,353,847	6,538,976
Campsite														
Quinipet	-	-	-	-	-	-	-	1,720,336	-	-	1,720,336	-	1,720,336	1,631,888
Kingswood	-	-	-	-	-	-	-	83,102	-	-	83,102	-	83,102	81,101
Capital campaign	-	-	-	-	-	-	-	4,858	-	-	4,858	-	4,858	2,570
Management and general	<u>3,411,188</u>	<u>-</u>	<u>3,411,188</u>	<u>592,212</u>	<u>-</u>	<u>-</u>	<u>592,212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(164,025)</u>	<u>3,839,375</u>	<u>3,255,757</u>
Total Expenses	<u>9,649,765</u>	<u>-</u>	<u>9,649,765</u>	<u>707,482</u>	<u>-</u>	<u>-</u>	<u>707,482</u>	<u>1,808,296</u>	<u>-</u>	<u>-</u>	<u>1,808,296</u>	<u>(164,025)</u>	<u>12,001,518</u>	<u>11,510,292</u>
Change in Net Assets	644,337	(180,992)	463,345	891,822	1,302,775	-	2,194,597	(185,206)	22,765	-	(162,441)	-	2,495,501	2,416,836
NET ASSETS														
Beginning of year	<u>6,364,878</u>	<u>3,521,722</u>	<u>9,886,600</u>	<u>10,162,821</u>	<u>4,966,640</u>	<u>668,438</u>	<u>15,797,899</u>	<u>1,703,255</u>	<u>136,957</u>	<u>67,261</u>	<u>1,907,473</u>	<u>-</u>	<u>27,591,972</u>	<u>25,175,136</u>
End of year	<u>\$ 7,009,215</u>	<u>\$ 3,340,730</u>	<u>\$ 10,349,945</u>	<u>\$ 11,054,643</u>	<u>\$ 6,269,415</u>	<u>\$ 668,438</u>	<u>\$ 17,992,496</u>	<u>\$ 1,518,049</u>	<u>\$ 159,722</u>	<u>\$ 67,261</u>	<u>\$ 1,745,032</u>	<u>\$ -</u>	<u>\$ 30,087,473</u>	<u>\$ 27,591,972</u>