

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

Combined Financial Statements

December 31, 2018

## **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, 2018, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

### ***Management's Responsibility for the Combined Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

***Basis for Qualified Opinion***

As more fully described in note 3 to the combined financial statements, the NYAC 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 \$20,823,967 and net assets would be decreased by the same amount as of December 31, 2018. 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 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, 2018, 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, 2017 combined financial statements, and for the reason discussed in the basis for qualified opinion on the 2018 financial statements we also expressed a qualified audit opinion on those 2017 audited combined financial statements in our report dated June 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

***Prior Period Adjustment***

As discussed in Note 20 to the combined financial statements, adjustments were necessary to various opening balances due to an understatement of investments, overstatement of loan payable and understatement of net assets totaling \$22,193,098.

***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 23 and 24 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

***Change in Accounting Principle***

As discussed in Note 2 to the financial statements, NYAC adopted new accounting guidance in 2018 resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

*PKF O'Connor Davies, LLP*

Harrison, New York  
June 25, 2019

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

Combined Statement of Financial Position

December 31, 2018

(with comparative amounts at December 31, 2017)

	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,623,930	\$ 3,322,389
Investments	36,875,229	40,269,995
Church apportionments receivable	84,301	134,960
Accounts receivable, net	44,423	117,591
Prepaid expenses and other assets	343,761	289,861
Parish development loans receivable, net	1,404,358	1,246,724
Property and equipment, net	9,153,023	9,539,937
	\$ 50,529,025	\$ 54,921,457
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Church apportionments designated for future periods	\$ 181,118	\$ 140,288
Accounts payable and accrued expenses	1,611,957	1,536,188
Capital lease obligations	4,756	16,326
Deferred revenue	51,694	42,999
Loan payable - United Methodist Development Fund	180,770	256,620
Loan payable - U.S. Small Business Administration	630,275	648,465
Total Liabilities	2,660,570	2,640,886
Net Assets		
Without donor restrictions	38,565,696	41,775,005
With donor restrictions	9,302,759	10,505,566
Total Net Assets	47,868,455	52,280,571
	\$ 50,529,025	\$ 54,921,457

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, 2018  
(with summarized totals for the year ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
<b>SUPPORT AND REVENUE</b>				
Church apportionments	\$ 2,264,414	\$ 5,296,760	\$ 7,561,174	\$ 7,591,961
Designated benevolences	-	707,848	707,848	388,680
Fees and reimbursements	243,998	-	243,998	235,440
Grants and contributions	135,379	-	135,379	136,942
Retreat	1,618,251	-	1,618,251	1,421,594
Store sales	4,578	-	4,578	2,829
Investment return, net	(1,995,501)	(578,722)	(2,574,223)	2,308,314
Interest	115,015	-	115,015	100,102
Other	1,057	-	1,057	49,868
Gain on sale of properties	12,779	-	12,779	2,261,289
Net assets released from restrictions	<u>6,628,693</u>	<u>(6,628,693)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>9,028,663</u>	<u>(1,202,807)</u>	<u>7,825,856</u>	<u>14,497,019</u>
<b>EXPENSES</b>				
Program services	7,447,427	-	7,447,427	8,162,143
Management and general	<u>4,790,545</u>	<u>-</u>	<u>4,790,545</u>	<u>3,839,375</u>
Total Expenses	<u>12,237,972</u>	<u>-</u>	<u>12,237,972</u>	<u>12,001,518</u>
Change in Net Assets	(3,209,309)	(1,202,807)	(4,412,116)	2,495,501
<b>NET ASSETS</b>				
Beginning of year, as previously reported	41,775,005	10,505,566	52,280,571	27,591,972
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,193,098</u>
Beginning of year, as restated	<u>41,775,005</u>	<u>10,505,566</u>	<u>52,280,571</u>	<u>49,785,070</u>
End of year	<u>\$ 38,565,696</u>	<u>\$ 9,302,759</u>	<u>\$ 47,868,455</u>	<u>\$ 52,280,571</u>

**Funds Administered by the Board of Trustees of the New York**

Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services			Management and General	Total
	CCFA & BOT	Camping Ministry	Total Program Services		
Salaries	\$ 240,864	\$ 501,050	\$ 741,914	\$ 2,053,047	\$ 2,794,961
Benefits and payroll taxes	-	109,453	109,453	1,552,796	1,662,249
Church apportionments	1,564,779	-	1,564,779	-	1,564,779
Designated benevolences	84,666	-	84,666	-	84,666
Grants and distributions	141,009	-	141,009	735	141,744
Bad debts	342,403	-	342,403	-	342,403
Fees and reimbursements	181,853	-	181,853	17,091	198,944
Retiree Health Reimbursement Account	1,076,034	-	1,076,034	-	1,076,034
Scholarships	104,505	-	104,505	135,000	239,505
Other program expenses	510,183	527,613	1,037,796	69,192	1,106,988
Overhead and support	-	406,161	406,161	-	406,161
Office and administrative	-	-	-	36,491	36,491
Rent - equipment (Note 22)	15,501	-	15,501	45,417	60,918
Rent - clergy housing (Note 22)	90,424	-	90,424	3,000	93,424
Clergy expenses	201,815	-	201,815	-	201,815
Episcopal area	49,833	-	49,833	35,000	84,833
Telephone	24,214	-	24,214	19,959	44,173
Insurance	7,902	-	7,902	30,033	37,935
Utilities and fuel	116,818	-	116,818	43,117	159,935
Conferences, meetings and education	67,854	-	67,854	249,204	317,058
Travel and auto expenses	-	-	-	24,646	24,646
Equipment expenses	61,603	-	61,603	145,736	207,339
Professional fees	243,405	-	243,405	171,736	415,141
Property repairs and maintenance	1,063	-	1,063	103,864	104,927
Interest	10,551	20,029	30,580	-	30,580
Postage, printing and supplies	42,774	-	42,774	50,074	92,848
Store purchases	-	18,377	18,377	-	18,377
Miscellaneous expenses	3,032	1,294	4,326	4,407	8,733
Total Expenses Before Depreciation and Amortization	5,183,085	1,583,977	6,767,062	4,790,545	11,557,607
Depreciation and amortization	465,296	215,069	680,365	-	680,365
Total Expenses	<u>\$ 5,648,381</u>	<u>\$ 1,799,046</u>	<u>\$ 7,447,427</u>	<u>\$ 4,790,545</u>	<u>\$ 12,237,972</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, 2018

(with comparative amounts for the year ended December 31, 2017)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (4,412,116)	\$ 2,495,501
Adjustment to reconcile change in net assets to net cash from operating activities		
Realized and unrealized losses (gains) on investments	2,528,503	(2,301,812)
Gain on sale of properties	(12,779)	(2,261,289)
Depreciation	680,365	578,845
Provision for bad debts	342,403	706,203
Net change in operating assets and liabilities		
Church apportionments receivable	50,659	55,218
Accounts receivable	(183,356)	7,361
Prepaid expenses and other assets	(53,900)	234,365
Parish development loans receivable	(243,513)	(20,200)
Church apportionments designated for future periods	40,830	82,775
Accounts payable and accrued expenses	75,769	79,848
Deferred revenue	8,695	15,086
Net Cash from Operating Activities	(1,178,440)	(328,099)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	2,703,456	1,645,676
Purchase of investments	(1,837,193)	(3,467,883)
Proceeds from sale of property	12,779	2,261,289
Property and equipment acquisitions	(293,451)	(231,344)
Net Cash from Investing Activities	585,591	207,738
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of capital lease obligations	(11,570)	(10,978)
Repayment of loans payable	(94,040)	(112,016)
Net Cash from Financing Activities	(105,610)	(122,994)
Net Change in Cash and Cash Equivalents	(698,459)	(243,355)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	3,322,389	3,565,744
End of year	\$ 2,623,930	\$ 3,322,389
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	\$ 30,580	\$ 35,854

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

Notes to Combined Financial Statements  
December 31, 2018

**1. Organization**

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

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

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

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

The Camping and Retreat Ministry of the NYAC is a program of the UMC established for the purpose of providing experiences which shape and expand the Christian commitment of persons of all ages, empowering them to live the truth of the Gospel in their daily lives. The Camping and Retreat Ministry operates two camps in New York State known as Quinipet Camp and Retreat Center and Kingswood Campsite.

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

The NYAC is covered under the GCFA’s group ruling determination letter from the Internal Revenue Service confirming that it is a nonprofit corporation and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes under Section 501(cX3) of the Internal Revenue Code. The NYAC had no unrelated business income during the years ended December 31, 2018 and 2017.

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

Notes to Combined Financial Statements  
December 31, 2018

**1. Organization (continued)**

***Principles of Combination***

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

**2. Summary of Significant Accounting Policies**

***Use of Estimates***

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

***Change in Accounting Principle***

On January 1, 2018, NYAC adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires NYAC to collapse the three-category (unrestricted, temporarily and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires NYAC to make certain expanded disclosures relating to the liquidity of financial assets, and expenses by both their natural and functional classification in one location in the financial statements. Prior year amounts for temporarily restricted net assets were reclassified to net assets with donor restrictions.

***Classes of Net Assets***

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

***Cash and Cash Equivalents***

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

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

Notes to Combined Financial Statements  
December 31, 2018

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

***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 \$214,799 at December 31, 2018. Management has concluded that no allowance for apportionments is required.

***Fair Value of Financial Instruments***

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

***Investments Valuation***

Investments are carried at fair value.

***Investment Income Recognition***

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

***Property and Equipment***

Property and equipment is stated at cost, less accumulated depreciation. Donated assets are capitalized at their fair value at the time of the donation. Maintenance, routine repairs and minor replacements are charged to operations as incurred, while those improvements which materially extend the lives of the assets are capitalized. Depreciation is recognized on assets or groups of like assets purchased together with a minimum value of \$5,000. Depreciation is calculated using the straight-line method with one half year being recognized in the year of purchase and in the last year. Such assets are depreciated over the estimated useful lives as follows:

Building	50 years
Building improvements	15 years
Furniture and equipment	3-7 years
Computer equipment	3 years
Vehicles	5 years

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

Notes to Combined Financial Statements  
December 31, 2018

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

***Capitalized Costs***

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

***Asset Retirement Obligations***

The NYAC follows U.S. GAAP guidance on, *Accounting for Conditional Asset Retirement Obligations*, which requires recognition of a liability for legal obligations associated with the retirement of tangible long-lived assets when the timing and/or method of settlement of the obligation is conditional on a future event. This guidance requires that the fair value of a liability for a conditional asset retirement obligation be recognized in the period in which it occurred when a reasonable estimate of fair value can be made. The NYAC is not aware of the existence of any asset retirement obligations.

***Revenue Recognition***

The NYAC recognizes as revenue, all amounts received during the year from churches under apportionment and those amounts received through an annually determined date in January of the following year which are designated by the remitting churches for the prior year's apportionment. Amounts recognized as revenue, but received after December 31, 2018 are recorded as church apportionments receivable.

***Apportionments, Contributions and Benevolences***

Church apportionments, contributions and benevolences are recorded as net assets with donor restrictions if they are received with donor imposed stipulations that limit their use. Donor restrictions expire by either the passage of stipulated time or the accomplishment of the stated purpose. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions. Net assets with donor restrictions that are perpetual in nature are those funds whose use is limited by donor imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the NYAC.

***In-Kind Support***

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

***Summarized Financial Information***

The combined statements of activities include prior year summarized comparative information in total which does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the combined financial statements for the year ended December 31, 2017 from which the summarized information was derived.

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

Notes to Combined Financial Statements  
December 31, 2018

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

***Functional Expenses***

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

***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 25, 2019.

**3. Postretirement Health Benefits Plan**

The provision of health benefits to retirees are discussed and approved at NYAC's annual meeting each June and effective for the subsequent calendar year. The NYAC currently 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 2018 was \$2,755 per participant. The NYAC's expense for its retirees for 2018 was \$1,076,034.

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, 2018. The valuation of the accumulated post-retirement benefit obligation as of December 31, 2018, was \$20,823,967. This represents the portion of the expected post-retirement benefit obligation attributed to active participants and retirees past service.

**4. Parish Development Loans Receivable**

The NYAC's Parish Development Commission provides unsecured financing to its member churches and NYAC entities for improvements and major repairs from a revolving loan fund. The loans are made at interest rates determined by the Parish Development Committee and is currently set at 6%.

Loan principal and interest repayments are deposited back into the revolving loan fund to fund future loans and grants. The NYAC annually reviews the collectability of loans outstanding and adjusts the allowance for doubtful accounts accordingly. As of December 31, 2018, the allowance for doubtful accounts approximated \$552,806.

**Funds Under the Stewardship of the  
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Notes to Combined Financial Statements  
December 31, 2018

**5. Endowment, Investments and Investment Return**

***Interpretation of Law***

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

***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.

***Return Objectives and Risk Parameters***

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 net assets with donor restrictions. The NYAC’s donor restricted Endowment funds have not experienced any losses during 2018 or 2017.

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

Notes to Combined Financial Statements  
December 31, 2018

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, January 1, 2018	\$ 29,894,073	\$ 10,395,305	\$40,289,378
Contributions	1,797,390	23,434	1,820,824
Investment loss, net	(25,334)	(1,003)	(26,337)
Capital depreciation	(1,970,167)	(577,719)	(2,547,886)
Appropriations for programs	(2,482,464)	(178,286)	(2,660,750)
	<u>27,213,498</u>	<u>9,661,731</u>	<u>\$36,875,229</u>
Balance, December 31, 2018	<u>\$ 27,213,498</u>	<u>\$ 9,661,731</u>	<u>\$36,875,229</u>
Comprised of the Following:			
Donor restricted funds	\$ -	\$ 9,661,731	\$ 9,661,731
Board designated funds	27,213,498	-	27,213,498
			<u>\$36,875,229</u>

The following are major categories of investments measured and categorized by the fair value hierarchy at fair value at December 31, 2018:

	Level 1	Level 2	Total
Money market fund	\$ 67,860	\$ -	\$ 67,860
Fixed Income fund	-	21,299,135	21,299,135
Equity fund	-	46,781	46,781
Balanced fund	-	6,109,685	6,109,685
Bond fund	-	233,718	233,718
Mixed asset fund	-	9,118,050	9,118,050
Total Investments at Fair Value	<u>\$ 67,860</u>	<u>\$ 36,807,369</u>	<u>\$ 36,875,229</u>

**Funds Under the Stewardship of the  
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**6. Property and Equipment**

Property and equipment consists of the following at December 31, 2018:

	CCFA	Board of Trustees	Camping Ministry	Total
Buildings	\$ -	\$ -	\$ 821,047	\$ 821,047
Building improvements	-	-	1,277,533	1,277,533
District parsonages	-	1,379,578	-	1,379,578
Episcopal residence	-	1,046,038	-	1,046,038
Conference center	-	6,998,182	-	6,998,182
Vehicles	-	-	234,578	234,578
Land improvements	-	-	1,285,579	1,285,579
Camp property	-	182,455	-	182,455
Furniture and equipment	<u>127,162</u>	<u>75,146</u>	<u>211,761</u>	<u>414,069</u>
	127,162	9,681,399	3,830,498	13,639,059
Accumulated depreciation	<u>(116,735)</u>	<u>(2,851,503)</u>	<u>(1,517,798)</u>	<u>(4,486,036)</u>
	<u>\$ 10,427</u>	<u>\$ 6,829,896</u>	<u>\$ 2,312,700</u>	<u>\$ 9,153,023</u>

Included in property and equipment at December 31, 2018 is equipment under capital lease amounting to \$67,228 with a net book value of \$5,601.

**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 at December 31, 2019:

2019	\$ 4,036
Amount representing interest	<u>720</u>
	<u>\$ 4,756</u>

**8. Loan Payable – United Methodist Development Fund**

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. The loan's interest rate is 4.75% per annum and requires monthly payments of principal and interest of \$7,200 through the loan's maturity date of January 2021. Interest expense amounted to \$10,551 for 2018. Aggregate maturities of this obligation at December 31, 2018 are due as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 79,840
2020	83,716
2021	<u>17,214</u>
	<u>\$ 180,770</u>

**Funds Under the Stewardship of the  
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**9. 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 2018 amounted to \$20,029. Aggregate maturities of this obligation at December 31, 2018 are due as follows:

2019		\$ 17,862
2020		18,398
2021		18,950
2022		19,519
2023		20,105
Thereafter		<u>535,441</u>
		<u><u>\$ 630,275</u></u>

**10. 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.

**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 2018:

Past service rate		\$ 604
Contingent annuitant percentage		70%

As of January 1, 2018, the valuation date, the Pre-1982 Plan had a funded status of 111%. Amortized contributions for 2018 amounted to \$598,958.

**MPP Annuities**

The MPP Annuities cover service from 1982 through 2006. As of January 1, 2018, the valuation date, the MPP Annuities plan had a funded status of 108%. Expense for 2018 amounted to \$0.

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Notes to Combined Financial Statements  
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**10. Retirement Plans (continued)**

**CRSP**

The CRSP plan covers service on or after January 1, 2007. The plan has both defined benefit and defined contribution components. As of January 1, 2018, the valuation date, the CRSP plan had a funded status of 109%. The defined benefit and defined contribution for 2018 amounted to \$1,404,167 and \$133,332 respectively.

**United Methodist Personal Investment Plan (“UMPIP”)**

Lay-staff retirement benefits are covered under UMPIP, a 403(b) defined contribution plan. Participation in UMPIP requires each eligible employee to contribute 3% or more of wages to receive a 12% of salary contribution by the NYAC. Expense for 2018 amounted to \$110,835.

**11. 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 2018 was \$540,361.

**12. Support Services**

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

**13. 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 10 and the multiemployer medical and health plan disclosed in note 11, as well as the post-retirement health benefits plan disclosed in note 3.

**Funds Under the Stewardship of the  
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Notes to Combined Financial Statements  
December 31, 2018

**13. Pension and Health Benefits Deposit Accounts (continued)**

As of December 31, 2018, the account balances for the purpose of funding the multiemployer benefit plans were the Integrity in Pensions account of \$676,840 and the Pre-82 pension account \$22,859,854. 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 10.

As of December 31, 2018, the Deposit account with a balance of \$2,424 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, 2018, the Retiree HRA Funding account with a balance of \$297,417 serves to fund the postretirement health plan disclosed in note 3.

As of December 31, 2018, the General account with a balance of \$321,697, is used to fund certain wellness initiatives approved by the Conference Board of Pensions and Health Benefits and host seminars for those about to retire for NYAC’s participation in the aforementioned multiemployer plans.

As of December 31, 2018, the Health Benefits Reserve account with a balance of \$19,795,651, is used to cover retiree health insurance as well as for CRSP defined benefit receipts and year end payments to the General Board of Pensions and Health Benefits.

**14. Restrictions and Limitations on Net Assets**

Net assets without donor restrictions are as follows at December 31, 2018:

Undesignated	\$11,352,198
Board designated endowment funds	<u>27,213,498</u>
	<u>\$38,565,696</u>

The table below presents the net assets released from restrictions and the components of net assets with donor restrictions at December 31, 2018:

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

Notes to Combined Financial Statements  
December 31, 2018

**14. Restrictions and Limitations on Net Assets (continued)**

<u>Fund Description</u>	<u>Net Assets Released From Restriction in 2018</u>	<u>Net Assets With Donor Restrictions at December 31, 2018</u>
<b>Special Funds</b>		
Epworth - Camp Capital Fund	\$ 43,481	\$ 459,730
Epworth - Other Capital Fund	-	331,849
Groveville Cemetery Fund	-	4,259
South Norwalk	-	1,836,913
Young Clergy DAP Fund	29,000	325,205
Parish Development Loan Fund	-	602,888
Permanent Endowment	-	18,429
	<u>72,481</u>	<u>3,579,273</u>
<b>Trust Funds</b>		
Aldersgate Church Fund	9,373	182,311
Collard Fund	481	26,750
Denver Fund	23,636	433,892
Dier Trust Fund	63,852	4,313,244
Hess Craryville	60	3,351
Hess Five Points	36	2,006
Hess Fund for National Division	457	25,446
Hess Fund for World Division	207	11,536
Hess Methodist Hospital	148	8,258
Jeffersonville Fund	63	3,514
Shauman Fund	1,000	36,975
Williams Fund	6,492	141,690
	<u>105,805</u>	<u>5,188,973</u>
General Camping Programs	19,876	212,445
Quinipet Camp Program	-	15,898
	<u>19,876</u>	<u>228,343</u>
Conference Programs	<u>6,430,531</u>	<u>306,170</u>
	<u>\$ 6,628,693</u>	<u>\$ 9,302,759</u>

**15. Gain on Sale of Properties**

In 2018, the NYAC sold various church properties, resulting in a gain totaling \$12,779. This amount is included in the combined statement of activities.

**Funds Under the Stewardship of the  
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Notes to Combined Financial Statements  
December 31, 2018

**16. Concentrations of Credit Risk**

Financial instruments, which potentially subject the NYAC to concentrations of credit risk consist primarily of cash and cash equivalents, investments and receivables. At times, the NYAC maintains balances with banking institutions that exceed the Federal Deposit Insurance Corporation's ("FDIC") insurable limit. Investments are diversified to reduce concentrations so that there is no significant concentration of credit risk. The NYAC's receivables are primarily from its member churches. The NYAC believes that no significant concentrations of credit risk exist with respect to its cash and cash equivalents, investments and receivables. At December 31, 2018 approximately \$1,788,000 of cash was maintained with institutions in excess of FDIC limits.

**17. 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 2018 was \$141,689. Aggregate minimum annual rental payments at December 31, 2018 are payable as follows:

2019	\$ 129,022
2020	45,375
2021	26,459
2022	15,666
Thereafter	<u>5,292</u>
	<u>\$ 221,814</u>

**18. Availability of Financial Assets**

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

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

Notes to Combined Financial Statements  
December 31, 2018

**18. Availability of Financial Assets (continued)**

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

	2018
Financial Assets:	
Cash	\$ 2,623,930
Investments	36,875,229
Receivables	1,533,082
Total Financial assets	41,032,241
Less:	
Receivables scheduled to be collected in more than one year	(1,354,357)
Net assets with donor restrictions	(9,302,759)
Board designated endowment funds	(27,213,498)
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,161,627

The NYAC has an operating reserve included in the combined statement of financial position with a balance of approximately \$3 million at December 31, 2018. This is a governing board-designated reserve with the objective of setting funds aside to be drawn up on the event of a financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. The NYAC's target for this reserve is a total of 50% of the NYAC annual budget, which was suggested by GCFA. The operating reserve funds are held in fossil free investments in Wespath.

**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.

**20. Restatement of Prior Period Combined Financial Statements**

As a result of an understatement of prior year investments and an overstatement of prior year loan payable, the NYAC has restated its opening net assets as previously reported in the combined financial statements for the year ended December 31, 2017. This resulted in a change in the prior year net assets of \$22,193,098.

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

Notes to Combined Financial Statements  
December 31, 2018

**20. Restatement of Prior Period Combined Financial Statements (continued)**

The following is a summary of the line items from the 2017 statements of financial position that were restated:

	<u>As previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Investments	\$18,396,814	\$21,873,181	\$40,269,995
Loan Payable - Conference Board of Pensions and Health Benefits	(319,917)	319,917	-

\* \* \* \* \*

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

Supplemental Information

December 31, 2018

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

Combining Schedule of Financial Position  
December 31, 2018

(with comparative amounts at December 31, 2017)

	CCFA	Board of Trustees	Camping Ministry	Sub-Total	Eliminating Entries Debit (Credit)	2018 Combined	2017 Combined
<b>ASSETS</b>							
Cash and cash equivalents	\$ 2,514,783	\$ -	\$ 109,147	\$ 2,623,930	\$ -	\$ 2,623,930	\$ 3,322,389
Investments	25,730,884	10,856,955	287,390	36,875,229	-	36,875,229	40,269,995
Church apportionments receivable	84,301	-	-	84,301	-	84,301	134,960
Accounts receivable, net	38,090	-	6,333	44,423	-	44,423	117,591
Prepaid expenses and other assets	316,864	20,000	6,897	343,761	-	343,761	289,861
Parish development loans receivable, net	1,404,358	-	-	1,404,358	-	1,404,358	1,246,724
Due from the Camping Ministry	268,242	-	-	268,242	(268,242)	-	-
Due from the Board of Trustees	1,434,396	-	-	1,434,396	(1,434,396)	-	-
Property and equipment, net	10,427	6,829,896	2,312,700	9,153,023	-	9,153,023	9,539,937
	<u>\$ 31,802,345</u>	<u>\$ 17,706,851</u>	<u>\$ 2,722,467</u>	<u>\$ 52,231,663</u>	<u>\$ (1,702,638)</u>	<u>\$ 50,529,025</u>	<u>\$ 54,921,457</u>
<b>LIABILITIES AND NET ASSETS</b>							
Liabilities							
Church apportionments designated for future periods	\$ 181,118	\$ -	\$ -	\$ 181,118	\$ -	\$ 181,118	\$ 140,288
Accounts payable and accrued expenses	1,575,289	-	36,668	1,611,957	-	1,611,957	1,536,188
Capital lease obligations	-	-	4,756	4,756	-	4,756	16,326
Deferred revenue	-	-	51,694	51,694	-	51,694	42,999
Due to CCFA	-	1,434,396	268,242	1,702,638	(1,702,638)	-	-
Loan payable - United Methodist Development Fund	-	180,770	-	180,770	-	180,770	256,620
Mortgage payable - U.S. Small Business Administration	-	-	630,275	630,275	-	630,275	648,465
Total Liabilities	1,756,407	1,615,166	991,635	4,363,208	(1,702,638)	2,660,570	2,640,886
Net Assets							
Without donor restrictions	27,343,350	9,718,497	1,503,849	38,565,696	-	38,565,696	41,775,005
With donor restrictions	2,702,588	6,373,188	226,983	9,302,759	-	9,302,759	10,505,566
Total Net Assets	<u>30,045,938</u>	<u>16,091,685</u>	<u>1,730,832</u>	<u>47,868,455</u>	<u>-</u>	<u>47,868,455</u>	<u>52,280,571</u>
	<u>\$ 31,802,345</u>	<u>\$ 17,706,851</u>	<u>\$ 2,722,467</u>	<u>\$ 52,231,663</u>	<u>\$ (1,702,638)</u>	<u>\$ 50,529,025</u>	<u>\$ 54,921,457</u>

**Funds Under the Stewardship of the New York  
Annual Conference of the United Methodist Church**  
Combining Schedule of Activities  
Year Ended December 31, 2018  
(with summarized totals for the year ended December 31, 2017)

	CCFA			Board of Trustees			Camping Ministry			Episcopal Office	Eliminating Entries (Debit) Credit	2018 Combined	2017 Combined
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Unrestricted			
<b>SUPPORT AND REVENUE</b>													
Church apportionments	\$ 2,264,414	\$ 5,296,760	\$ 7,561,174	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,561,174	\$ 7,591,961
Contributed benevolences	-	707,848	707,848	-	-	-	-	-	-	-	-	707,848	388,680
Fees and reimbursements	243,998	-	243,998	-	-	-	-	-	-	-	-	243,998	235,440
Grants and contributions	937,292	-	937,292	56,660	-	56,660	208,149	-	208,149	-	(1,066,722)	135,379	136,942
Retreat	-	-	-	-	-	-	1,618,251	-	1,618,251	-	-	1,618,251	1,421,594
Store sales	-	-	-	-	-	-	4,578	-	4,578	-	-	4,578	2,829
Investment return, net	(1,304,118)	(578,722)	(1,882,840)	(680,499)	-	(680,499)	(10,884)	-	(10,884)	-	-	(2,574,223)	2,308,314
Interest	114,831	-	114,831	-	-	-	184	-	184	-	-	115,015	100,102
Other	-	-	-	-	-	-	1,057	-	1,057	-	-	1,057	49,868
Gain on sale of properties	5,112	-	5,112	7,667	-	7,667	-	-	-	-	-	12,779	2,261,289
Net assets released from restrictions	6,064,028	(6,064,028)	-	564,665	(564,665)	-	-	-	-	-	-	-	-
Total Support and Revenue	<u>8,325,557</u>	<u>(638,142)</u>	<u>7,687,415</u>	<u>(51,507)</u>	<u>(564,665)</u>	<u>(616,172)</u>	<u>1,821,335</u>	<u>-</u>	<u>1,821,335</u>	<u>-</u>	<u>(1,066,722)</u>	<u>7,825,856</u>	<u>14,497,019</u>
<b>EXPENSES</b>													
Program Services	6,150,438	-	6,150,438	564,665	-	564,665	1,799,046	-	1,799,046	-	(1,066,722)	7,447,427	8,162,143
Management and general	4,034,080	-	4,034,080	719,974	-	719,974	36,491	-	36,491	-	-	4,790,545	3,839,375
Total Expenses	<u>10,184,518</u>	<u>-</u>	<u>10,184,518</u>	<u>1,284,639</u>	<u>-</u>	<u>1,284,639</u>	<u>1,835,537</u>	<u>-</u>	<u>1,835,537</u>	<u>-</u>	<u>(1,066,722)</u>	<u>12,237,972</u>	<u>12,001,518</u>
Change in Net Assets	(1,858,961)	(638,142)	(2,497,103)	(1,336,146)	(564,665)	(1,900,811)	(14,202)	-	(14,202)	-	-	(4,412,116)	2,495,501
<b>NET ASSETS</b>													
Beginning of year, as previously reported	29,202,311	3,340,730	32,543,041	11,054,643	6,937,853	17,992,496	1,518,051	226,983	1,745,034	-	-	52,280,571	27,591,972
Prior period adjustment	-	-	-	-	-	-	-	-	-	-	-	-	22,193,098
Beginning of year, as restated	<u>29,202,311</u>	<u>3,340,730</u>	<u>32,543,041</u>	<u>11,054,643</u>	<u>6,937,853</u>	<u>17,992,496</u>	<u>1,518,051</u>	<u>226,983</u>	<u>1,745,034</u>	<u>-</u>	<u>-</u>	<u>52,280,571</u>	<u>49,785,070</u>
End of year	<u>\$ 27,343,350</u>	<u>\$ 2,702,588</u>	<u>\$ 30,045,938</u>	<u>\$ 9,718,497</u>	<u>\$ 6,373,188</u>	<u>\$ 16,091,685</u>	<u>\$ 1,503,849</u>	<u>\$ 226,983</u>	<u>\$ 1,730,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,868,455</u>	<u>\$ 52,280,571</u>